The Trust Matters Primer

THE BEST OF THE TRUSTED ADVISOR BLOG VOL. 3

This ebook series is distributed to highlight some of the more provocative and insightful topics and conversations developed on the trustedadvisor blog, TrustMatters. This issue spotlights three apparently diverse topics, which are nonetheless linked by the common thread of trust. Those three topics are personal acts of kindness, the goals of business, and cognitive psychology. What links them is the light they shed on the relationships of people to commerce, and to each other in the business realm. If you enjoy this ebook, you can email it to friends by following this link. Better yet, stop by the blog and join in the conversation. If you received this from a friend or colleague and would like to subscribe to this series, simply click here.

TrustedAdvisor ASSOCIATES

RANDOM ACTS OF KINDNESS

CHARLES H. GREEN ON WEDNESDAY, MARCH 25, 2009 (POST #460)

One cardinal blogging rule I try to live by is to say something original, something beyond "yeah, and I agree!"

But every once in a while, you can't improve on the original. danah boyd (that's not a typo) is a Berkeley PhD currently working for Microsoft Research, while at Harvard's Berkman Center for Internet and Society. She made her career (so far) by studying online social networks for teens—Napster, Friendster, Second Life, and everywhere in between.

CHARLES H. GREEN
MARCH 25, 2009 #460

She was speaking at the recent SXSW conference in Austin. Here, slavishly quoted, is what happened to her on the way back to Boston:

> Due to poor planning, G and I were on different flights back. I was already booked on the early flight and had already been assigned my upgrade. So when we reached DFW, we raced across the airport to get him on standby. Success, but of course, he got stuck in a middle seat in coach. Standing around waiting to board, I'm feeling all mega-guilty about being in first while he's in coach so I'm more affectionate than normal.
>
> The plane boards and I proceed to 1A. The guy sitting in 1B looks at me and says, "Aren't you traveling with someone?" After I nod, he says, "Why don't I switch with him?" I explain that he's in coach and he shakes his head to say "no problem" but I proceed to protest and point out that he's in a center seat in coach and he protests further by saying that he flies all the time and no problem, no problem, I should sit with my partner…
>
> By this time, first is wide-eyed. I mean, what business traveler in their right mind wants to give up a bulkhead first seat to sit in a center in coach? But before I manage to protest louder, he grabs his stuff and heads back to coach. The woman behind me and I laugh uncomfortably with big eyes, verbalizing what we were thinking: "did that really happen?"
>
> Sure enough, he proceeds to sit in coach. The flight attendants are astonished and find him a seat in the back with more room and continue on to send back ice cream and food and whatnot. At one point, I asked one of the flight attendants how he was doing and she smiled and said that he was an extremely kind man and that the flight attendants were all loving him. That she had never in her day seen someone give up a first class seat as a random act of kindness. We were all quite floored.
>
> The truth is that I was completely flabbergasted and without a script in which to operate. I never caught the man's name. I couldn't find him after we landed. I never really got to properly say thank you. But, Mr. Nice Businessman, if you're out there, I want you to know that your random act of kindness made me a giddy happy kid; flying home next to G was really wonderful. And you made a lot of people smile. So THANK YOU!

I'll resist my temptation to comment beyond thanks danah!

CHARLES H. GREEN
MARCH 25, 2009 #460

FROM THE CONVERSATION ON THE BLOG:

"Charles, as usual a great post. It is absolutely amazing how much impact you can have in someone else's life through random acts of kindness. I wish that I could remember that more in my life and I wish that everyone would remember that more. It has an enormous impact."

Comment by Jeremy

CLICK HERE TO READ (AND JOIN IN) THE REST OF THE CONVERSATION.

JACK WELCH RENOUNCES INCREASING SHAREHOLDER VALUE: PIGS FLY

CHARLES H. GREEN ON WEDNESDAY, MARCH 13, 2009 (POST #454)

First it was Saul on the road to Damascus. More recently, it was Alan Greenspan. Yesterday, it seems, Jack Welch had a conversion.

Speaking with the Financial Times, Welch said:

> Jack Welch, who is regarded as the father of the "shareholder value" movement that has dominated the corporate world for more than 20 years, has said it was "a dumb idea" for executives to focus so heavily on quarterly profits and share price gains...

CHARLES H. GREEN
MARCH 13, 2009 #454

> …"On the face of it, shareholder value is the dumbest idea in the world," he said. "Shareholder value is a result, not a strategy… Your main constituencies are your employees, your customers and your products…"
>
> …The birth of the shareholder value movement is commonly traced to a speech that Mr Welch gave at New York's Pierre hotel in 1981, shortly after taking the helm at GE.

What they're talking about is the commonly held belief that "the purpose of business is to increase shareholder value." That belief is variously attributed to Milton Friedman, Adam Smith, and "obvious commonsense," none of whom are guilty as charged (though Friedman probably came close).

But no matter: it was what people heard, and used to justify all kinds of behavior for several decades. And Welch, whether he ever said specifically those words, has a great deal of responsibility for having advanced the idea. The FT is right to headline the significance of this conversion.

In any case, the newly converted Welch, to judge by the above quote, really does now get it right.

Profitability, shareholder value, even measures like EVA profoundly miss a point that Welch now articulates. Namely, 'shareholder value is a result, not a strategy.'

I think what Welch means is that all economic results are properly viewed as outcomes, not as end-state goals or objectives.

This would be quite right.

Imagine two companies. One is devoted to increasing shareholder value (and EVA, etc.) by carefully finding out what customers want, and giving it to them.

The other is devoted to giving customers what they want—which results, among other things, in increased shareholder value, etc.

I suggest company #2 will do better in the not-very-long run. Because the company is being run for someone other than solely the financial stakeholders and managers.

Jack Welch is obviously no dummy. So it looks to me like his conversion experience has been thorough, and well thought out. If he can contribute to articulating this new view, it will go a long way to changing a deeply entrenched, increasingly dysfunctional and destructive ideology.

Let's hope he does.

CHARLES H. GREEN
MARCH 13, 2009 #454

FROM THE CONVERSATION ON THE BLOG:

"I wonder if Jack Welch's comment is more a 'going public" than a 'conversion.' After all, I recall him saying in the 1980's that Wall Street's short term orientation [sharehodler value] was a huge, mostly negative, pressure on the business. I think he may have felt that he had joined a while ago, but that he was fighting the way of the world."

Comment by Sam Bloomfield

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DO WE LEARN FROM OUR MISTAKES? OR NOT?

CHARLES H. GREEN ON WEDNESDAY, MARCH 23, 2009 (POST #459)

The NYTimes today reported yesterday on a Harvard Business School study of venture capital-backed entrepreneurs to test whether or not we learn from our mistakes. The results are confounding to many—including me.

Here's the story. Several thousand VC-backed companies were studied over 17 years. First-timers had an aggregate success rate of 22% (success meaning going public).

CHARLES H. GREEN
MARCH 23, 2009 #459

The study is about those trying for a second time. Did the 78% who failed the first time learn from the experience, and do better the second time? Or worse? How did the 22% first-time winners fare—did they get lazy and decline? Or did they somehow do better the second time?

No less an expert than Gordon Moore, sainted ex-leader of Intel and the author of "Moore's law," said "You're more valuable because of the experiences you've been through under failures."

I'm with Gordon. But according to this data, we're both wrong.

Those who succeeded the first time upped their success rate, to 34%. But those who failed the first time stayed mired in the muck, at 23%. So much for the myth of the gritty, plucky lads who pick themselves up and learn from their failures.

Apparently the data are not the problem: "the data are absolutely clear," says Paul Gompers, one of the study's authors. Yet it is still far from clear what the data mean.

As is often the case, data are one thing, and explanation another. Of course, the obvious explanation may be true: people just do not learn from adversity. This seems to be the study's authors' view—that the learn-from-failure ethos celebrated in Silicon Valley is really just anecdotal tales over-told.

Then again, maybe we actually do learn more from success than from failure. If so, perhaps that's because of increased confidence resulting from one win.

Or, maybe only the really good people learn at all. And they can learn from experience alone, whether success or failure.

Or, perhaps these conclusions are only true of a certain type of person, characterized by some cross-cutting characteristic, such as risk tolerance. (Did you know height is correlated with IQ? True: short people score lower on the same IQ tests that tall people take. Of course, if you separate young children from the adults, or use age-normalized tests, the correlation goes away).

Or, to channel a recent 30 Rock storyline, maybe the first time winners are just very good-looking people who are actually horrible, but live in a bubble in which others let them pass. Hey, you never know!

Causal deductions are never fully provable—thanks, Dr. Hume. But progress can be made toward explanations.

So, what do you think's going on?

And I'll throw one idea into the ring, borrowed from Karl Popper, who developed the falsifiability theory of meaningfulness. A theory which is highly disprovable, but which remains standing, is superior to a hard-to-disprove theory.

Maybe people who fail have a much greater chance to learn. Why it is that they don't still seems a mystery to me.

CHARLES H. GREEN
MARCH 23, 2009 #459

FROM THE CONVERSATION ON THE BLOG:

"The first thing that came to mind was the old quote from Albert Einstein: "Insanity: doing the same thing over and over again and expecting different results." Perhaps the data are suggesting that entrepeneurs are simply not learning from their mistakes and that beyond (maybe) 20%, it's simply dumb luck. [...]"

Comment by David Heath

CLICK HERE TO READ (AND JOIN IN) THE REST OF THE CONVERSATION.

SPEAKING ENGAGEMENTS

Charles H. Green, co-author of The Trusted Advisor (Free Press, October 2000) and Trust-based Selling (McGraw-Hill, December 2005) presents and speaks on the nature of trusted client relationships in business, with experience built from 25 years of consulting to the professional services industry. His presentations are rich with real examples, as well as drawing from current business events. He speaks effectively before any size group. Dynamic and literate, his talks are fact-based, provocative, and highly practical. FIND OUT MORE

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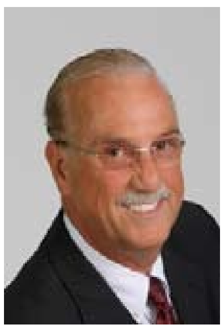

Charles H. Green is a speaker and executive educator on trust-based relationships and Trust-based Selling in complex businesses. He is author of Trust-based Selling (McGraw-Hill, 2005), and co-author of The Trusted Advisor (with David Maister and Rob Galford, Free Press, October 2000). Charles has spoken before a variety of industry and functional groups. An engaging and content-rich speaker, he has taught in executive education programs for the Kellogg Graduate School of Business at Northwestern, and for Columbia University Graduate School of Business, as well as through his own firm, Trusted Advisor Associates. His work centers on improving trust-based relationship and business development skills for businesses with complex service offerings. Business development, and on building profitable trust-based relationships.

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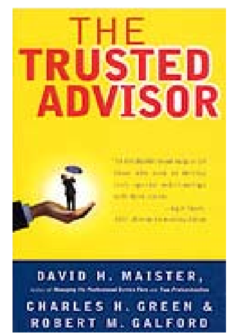

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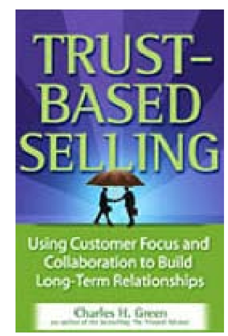

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