The Trust Matters Primer

THE BEST OF THE TRUSTED ADVISOR BLOG VOL. 5

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 presents three apparently different topics, which are linked by the various threads of trust. On the face of it, the articles deal with Wall Street woes, the strategic approach to collaboration and competition, and the nature of referrals in selling. What links them, of course, is trust; a perspective that makes us look at ethics and not just incentives on Wall Street, at reframing collaboration from a tactic to a strategy, and at the human side of selling. 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

Fixing What Ails Wall Street: ETHICS, OR INCENTIVES?

CHARLES H. GREEN ON MONDAY, SEPTEMBER 21, 2009 (POST #563)

The financial and insurance sector of the US economy has more than doubled since the 1960s. Compensation levels in that sector have way more than doubled, and in way less time. Finally, the finance sector is highly responsible for the recent massive losses in asset value, with the attendant down economy, unemployment, etc.

If you're with me on those three statements, then you probably agree that something is wrong on Wall Street. But just what?

Fixing What Ails Wall Street:
ETHICS, OR INCENTIVES?

CHARLES H. GREEN
SEPTEMBER 21, 2009 #563

Are warped incentives to blame? A Gordon Gekko-ish culture of greed? A mugging of economic thinking by anti-Keynesian theorists? An over-emphasis on competition? A failure of regulation?

(And let's not go to the 'we need to be less trusting, because there are bad people out there.' We do not need more suspicion in the world today; we need more trusting, and more trustworthiness of those who would be trusted.)

If we force it, most answers boil down to two: it's either the greedy financiers' fault, or the fault of the system to restrain natural greed. Let's look at some recent examples of both views.

In This Corner: The System's to Blame

Eric Dash, in the blog Economix, does a fine job running down several reasons why pay packages got so out of whack with performance. He focuses particularly on moral hazard and timing issues. If you can gain big by risk, but can't lose, then the game is rigged against the public. And if you take the money and run, then no one can hold you accountable.

But in the end, Dash suggests culture is key—the culture of correctly linking risk to pay—or not—encouraged by those at the top.

It seems curious to cap a structural critique of the industry with a conclusion that is based on a human-nature sort of thing like culture.

Curious, but rather right.

And in This Corner: It's Ethics That Are At Fault

Over at Investment Business Daily, Gary Stern reports that companies are cutting back significantly on ethics training. "The decision by some firms to cut back on ethics training may haunt them," reports Stern. "Analysts say creating an ethical culture can help sustain long-term growth, not hamper it."

Interestingly, Stern also cites a strong culture as the ultimate source of ethical behavior.

But the quotes above illustrate a weakness at the heart of much of the arguments for ethical behavior. They often try very hard to prove that ethical behavior is profitable behavior, hence we can have our cake and eat it too.

Problem is: if the ultimate test of ethical behavior is profitability, then it makes a complete hash of ethics.

I happen to believe that for the most part, behaving ethically is indeed profitable; the longer the timeframe and scope, the easier it is to prove this (sustainability initiatives are a good case in point). But to use bottom-lines to justify ethical behavior is hugely back-asswards.

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The Worst of Both Worlds.

What happens when we combine a reliance on structural issues with a casual view of ethics that defines moral behavior in terms of profitability?

A striking example, it seems to me, occurred this summer in healthcare legislation hearings. Representative Stupak of Michigan asked three health insurance industry leaders whether they would commit to ending the practice of rescission unless there were fraud or misrepresentation.

They fact that the companies refused to so commit is not surprising, or even troubling, to me. There could have been valid business reasons not to knuckle under to such a public hijacking.

But then the leaders opened their mouths to explain why they would not so commit.

“No sir we follow the state laws and regulations,” said one leader.

“No, I would not commit. The intentional standard is not the law of the land,” said another.

Allow me to translate. ‘The reason we won’t stop nailing innocent people to the wall and rescinding life-saving policies for trivial reasons is—because it’s not illegal for us to keep doing it. And we’ll keep doing it until you stop us by making it illegal.’

What?

I suggest that’s the result of decades of decay in ethics. We have come not only to over-rely on structural solutions, but have produced business ‘leaders’ who blithely abdicate any ethical responsibility in favor of laws passed by state legislatures.

How can business be trusted if it has no ethics beyond a lawyer’s opinion? What kind of ethics is that?

The law should be based on ethics, more than ethics should be based on the law. Law schools, business schools, corporate boards, industry and professional associations should all be ashamed that they have lost track of the difference, and have got it thoroughly backwards. They need to be held accountable for encouraging this kind of bland monstrosity.

What’s really wrong with Wall Street? Not misaligned incentives, but misaligned views about who owes whom: it’s business that has an obligation to society, not the reverse. Apparently not everyone got the memo.

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FROM THE CONVERSATION ON THE BLOG:

"Wall Street threw gasoline on the fire, creating a bigger bubble and they deserve lots of the blame. No doubt about that.
Let's also not forget that the last bubble was technology. The Dot-Coms thought they could move beyond profits using this fancy new internet thing. There was lots of greed back then. Peopel left their jobs to be become day-traders. Tech employees were happy to load up on company shares and options instead of cash. Boom! Bubble burst."

Comment by Doug Cornelius

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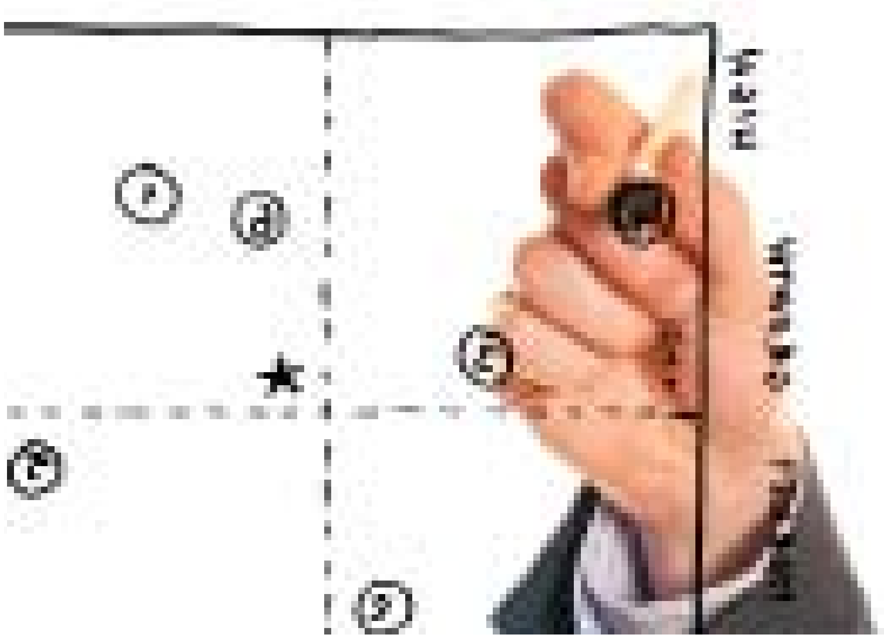

Collaboration as a Strategy, NOT A TACTIC

CHARLES H. GREEN ON FRIDAY, OCTOBER 19, 2009 (POST #581)

First, some context.

Two weeks ago I wrote an article in Businessweek.com called Wall Street Run Amok: Harvard's to blame. In it, I suggested that business schools including Harvard have over-taught competition, and under-taught collaboration—a concept more appropriate to our connected times. CNBC saw the article and interviewed me, albeit over-playing the blame-Harvard angle.

Then, last week, Harvard Business School's Deputy Dean of Academic Affairs Karl Kester logged in to the Businessweek.com article and posted a lengthy rebuttal comment both there and on his own site. Rather than further this discussion in our separate forums, I'd like to invite Dean Kester to continue the dialogue here, in this blog's open comments section, along with others interested in the topic. Clearly the issue strikes a chord with many.

Business Schools Have Taught Competitive Success as the Ultimate Goal

Whether you call it sustainable competitive advantage, maximizing shareholder wealth, or simply 'winning,' the dominant worldview in business today is that business is all about competition. Ask an MBA to provide an alternate worldview and you'll get glazed looks.

It was not always thus. Only since the seventies have business schools made the adjective in "competitive strategy" so ubiquitous as to be redundant. Before that, 'strategy' had a decidedly more customer-focused tone to it—for example, read Peter Drucker. (I won't rehash the argument, it's in the businessweek.com article).

That belief system has become so entrenched that nearly any other aspect of business has become subordinated to "competitive success." Think of any subject you like—human resources, values-based management, compensation management, employee engagement, customer satisfaction—and you will find that corporations routinely attempt to justify even the most humanitarian programs in terms of *their* ability to add to the bottom line. Their bottom line, that is—not that of the network, or supply chain, or their partners.

"Good ethics is good business," they say, as if ethics demanded a currency-based justification. "Happy people lead to higher profits," "being socially responsible is associated with higher returns on investment," and so on.

Why must every social virtue be justified solely in terms of its ability to add to the bottom line? Why do we in business not see this Kool Aid we have been drinking for the self-obsessing small-think it is?

This is precisely the trap into which I believe Dean Kester falls with his comments, and why this conversation needs more airing.

Collaboration as a Tactic—Yesterday's View

Dean Kester says, in his response to me:

> "Today, more than ever, business is a competitive endeavor. At the same time, management is a more collaborative endeavor. At Harvard Business School we embrace both of these truths in preparing our students to become successful leaders in business and social enterprise."

This approach—that business is about competition and management is about collaboration—is precisely the default idea in business today. It suggests that the purpose of trust and collaboration is to help Our Team to beat Their Team; that collaboration is but a tactic in service to competitive strategy; and that collaboration should somehow be subordinated to a superordinate goal—the success of the competitor.

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This is vintage Business School (not just Harvard), Jack Welch, and Corporate America ideology.

It is an idea, I want to suggest, whose time has passed.

Deputy Dean Kester's above response is a *perfect* example of the current thinking, and in turn suggests how deeply embedded that way of thinking is. Dean Kester is hardly alone in this viewpoint. But neither am I alone in noticing that over-dosing on the ideology of competition is starting to cause serious economic harm. Here's where I see the new view heading.

Collaboration as a Strategy—Today's View

Yesterday's world—the competition-centric worldview—explicitly sees customers and suppliers as competitors, along with direct competitors.

In today's flat, connected world, our first instinctive look at the world should not be based on the threats posed by our customers, but by the enormous opportunities available to us each if we can operate *together*. In a connected, transaction-cost laden world, it is simply more economic to trust than to compete. (See Philip Evans on a convincing presentation of the US vs. the Japanese auto industry and the power of collaboration).

What's the alternative, you ask? Simple. Stop thinking about '*winning*,' with its zero-sum implications and paranoid overtones. Instead, start thinking about succeeding, something that is best achieved in concert with others, like our customers and suppliers. We need to think more about commerce, less about competition. The critical nexus is between sellers and buyers, not sellers and their competitors.

Trust. Collaboration. Success. Cooperation. Boundarylessness *beyond* the corporate walls. Our customers are not our enemies, for heaven's sake—they are our customers!

I am far from the first to make this point: see Is It Time to Retrain B-Schools? Nor is this my first time: see The Horizontal Imperative from February 2007, and Collaboration is the New Competition from March 2008.

Trust and Collaboration: The New Leaders

We can't any longer let collaboration be the handmaiden of competitive advantage—in the age of networking /globalization / outsourcing it should be a goal in itself. If collaboration in your company isn't strategic, you're not doing it right. It is the new Key Success Factor.

The business schools are fully capable of recovering the intellectual high ground in this area. After all, several faculty at Harvard—Heskett, Schlesinger, Sasser—along with Frederick Reichheld at Bain—are responsible for superb, highly customer-focused, original work on customer loyalty.

But the b-schools are not, as yet, institutionally leading the charge nowadays. For now, leadership is coming from the newly emerging world of blogs and

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social networking—for example, from people like Chris Brogan and Julien Smith, authors of Trust Agents. (Other key thought leaders in this area include Robert Scoble, Philip Evans of BCG, Dov Seidman of LRN, and the young-at-heart Tom Peters).

These new leaders are not just talking about social media and networks—they're living them and driving them in real businesses. And they are vastly more collaborative than competitive.

Let's keep this dialogue going. Thanks to Dean Kester for stating his case. Now let's talk about where we go from here.

On that note, if you're interested in hearing more about trust and collaboration from Chris Brogan and Julien Smith, as well as myself and David Maister (co-author, with Rob Galford) of The Trusted Advisor, you may wish to download this ebook which covered a special event in NYC in fall 2009 profiling each of our different (and common) approaches.

Click here for more information about the event and about Brogan, Smith, Maister and myself.

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FROM THE CONVERSATION ON THE BLOG:

" We get more done when we work together than when we don't (Cooperation). When two or more individuals or organizations combine resources, it brings something into being that otherwise could not have been produced had the collaboration not occurred (Collaboration). These are time-tested principles. [...] "

Comment by Gordon Marcy

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

Making a Referral by TRANSFERRING TRUST

STEWART HIRSCH ON WEDNESDAY, JANUARY 13, 2010 (POST #627)

I provide a lot of referrals to clients and colleagues and have built my own business development and executive coaching business through referrals from others to me. What makes those referrals so powerful?

Here's an example of a referral I made. A few years ago, in my in-house legal role, I had a working relationship with a lawyer I liked and trusted. I introduced that lawyer to a colleague in another company who I thought could benefit from working with this lawyer as well. As a result of my introduction, the colleague retained the lawyer, and that relationship is still going strong after several years.

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JANUARY 13, 2010 #627

The Trust Transfer Process

Referring someone we know to another person we know happens all the time. On the personal side, think blind dates or babysitters or doctors. It's part of the networking process. What makes it work? Something I call "Transferred Trust." The Trust Equation gives us the formula to enhance our own trustworthiness. But what happens when we make or receive a referral? How do we transfer that trust to another, and if we're on the receiving end, for what do we look or listen?

Here are the steps from my example, simplified:

1. I trust a lawyer.
2. I have a colleague who trusts me.
3. My colleague needs a lawyer.
4. I describe the lawyer I trust to my colleague, and shared why I trusted him and made the referral.
5. My colleague trusts the lawyer I trust, enough to engage him based on my introduction.

Trust Transfer and the Trust Equation

Let's dissect this referral in terms of the Trust Equation (from The Trusted Advisor by Charles H. Green, David H. Maister, and Robert M. Galford, Free Press, 2000):

The quality and degree of trust transferred will directly depend on:

$$TQ = \frac{C + R + I}{S}$$

$$\text{Trustworthiness} = \frac{\text{Credibility} + \text{Reliability} + \text{Intimacy}}{\text{Self-Orientation}}$$

- » The depth of the referrer's trustworthiness
- » The trustworthiness factors shared with the person receiving the referral

If I shared that the lawyer always got back to me quickly, I transferred reliability. If I gave an example of how the lawyer showed that he cared more about doing the right thing for me as his client than getting more work for himself, I transferred that he had low self orientation. If I described something the lawyer did that helped my company save money and time, I transferred credibility.

And while it's up to the referrer to transfer trustworthiness, it's up to the person referred to retain that trustworthiness through his/her own interactions.

How Transparency Works with Referrals

Be careful. You put your own trustworthiness on the line when you transfer trust. How often do we get referrals with transferred trust and are disappointed? If you think there is a good match, but you don't know much about the person you are referring, be sure to be transparent. It's ok to say "I know this person to be honest and forthright, and she's really smart but I've never worked with her, so you'll probably want to talk to her yourself."

This models transparency, together with low self-orientation, while transferring some intimacy (safety) and some general credibility.

Try this out yourself in a business or social setting. Think of how you refer doctors or contractors, business colleagues and professionals. Pay attention to both referrals shared with you, and to those you give. And practice transferring trust.

STEWART HIRSCH
JANUARY 13, 2010 #627

FROM THE CONVERSATION ON THE BLOG:

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

"Resonates. I vet thoroughly before making referrals, and then sometimes don't. Even of my friends. Goes to credibility and trust. So loved "transparency" which can serve to temper that rigidity."

Comment by Tim Baran

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

SEMINARS AND COACHING SERVICES

Does your firm suffer from:

› Selling by telling, rather than selling by doing and adding value?
› Client retention rates that you know could be improved?
› Chronic project scope creep?

Do your professionals feel:

› Ill-at-ease with having to sell?
› That building trust is vaguely incompatible with being profitable?
› That most sales training feels manipulative?

Helping people become trusted advisors is the core of our work. We customize client relationship strengthening programs for your firm by building from two basic templates: Trust-Based Selling™, and Building Trusted Advisor Relationships.

An integral part of seminars--as well as a key standalone service --is the ability to make the learning continue post-session. The single most powerful tool for making learning stick is coaching. FIND OUT MORE

SERVICE OFFERINGS

TRUST DIAGNOSTICS

We believe that both people and organizations can become more trustworthy — if they have the right tools. And we believe that building trust builds business.

We offers services for diagnosing the trustworthiness of individuals and organizations, and the tools for increasing that trustworthiness. All are based on the work of Charles H. Green in the area of trust over the last 12 years, including the Trust Equation and the Trust Principles.

FIND OUT MORE

TRUST ROADMAPS

Where can the power of trust best work for your organization? Exactly how can you build more business by building more trust within and around your organization?

The Trust Roadmap™ is a tool for assessing the trustworthiness of an organization. Based on the four Trust Principles, it highlights dimensions where your company or organization is already strong on trustworthiness, and areas where trust can be improved.

FIND OUT MORE

TRUST WORKSHOPS

Do your professional shy away from "selling?" Do they rely solely on their expertise to sustain client relationships and to build new business? Is the effectiveness of your organization limited by a lack of trust among your people?

Lively, interactive, and practical, our workshop learning programs are based on real-life problems the participants bring to their sessions. Each program is a customized session for you based on our core programs.

FIND OUT MORE

TRUST-BASED COACHING

Trust coaching is executive coaching with a point of view. It's based on the four factors of the Trust Equation, and works to help you or your executives gain confidence in selling, build trust-based relationships, and perform at your highest levels.

Our coaches combine coaching expertise with business experience, and are willing to challenge executives throughout the coaching process. Contact us to discuss how coaching can benefit your team or organization.

FIND OUT MORE

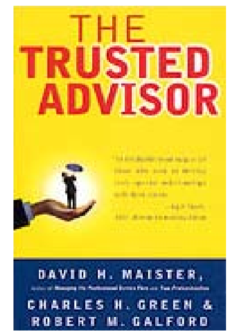
ABOUT CHARLES H. GREEN

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.

ABOUT STEWART HIRSCH

Stewart heads TAA's Trust-based Coaching practice. After beginning his career as a practicing lawyer, over the last 15 years he has coached several hundred individuals in professional services firms on business development, and on building profitable trust-based relationships. He has led single and multi-session interactive workshops for firm retreats and association conferences on business generation topics, including networking, cross selling, and leadership, and has facilitated strategic planning and team building sessions for his clients.

CHARLES H. GREEN BOOKS



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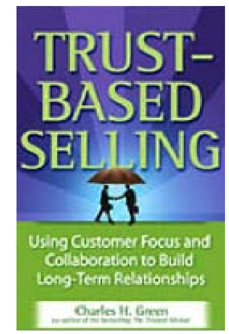

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TQ DIAGNOSTIC TEST

TAKE THE TQ Diagnostic Test and discover your Trust Temperament™.

Answer 20 simple questions based on the Trust Equation, and you will discover a powerful tool for business success-—your Trust Quotient and your Trust Temperament™. These revealing answers will tell what you do that helps people trust you, and the things you can do to improve the way you are perceived.

Your Trust Temperament report will tell you whose trust you are most likely to gain, what about you people are likely to trust, and specific actions you can take to be as trustworthy, and as trusted, as possible, so you can:

- Increase sales results
- Improve credibility in business
- Build deeper and more satisfying personal relationships with people who matter

Invest in yourself now! Take the Trust Quotient diagnostics now and get your 20+ page personal report now.

DEEP ANALYSIS, BIG REWARD, SMALL PRICE.

Take the TQ Diagnostic Test

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