

The Trust Matters Primer

THE BEST OF THE TRUSTED ADVISOR BLOG VOL. 6



This ebook series is distributed to highlight some of the more provocative and insightful topics and conversations developed on the [TrustedAdvisor blog](#), [TrustMatters](#). In this issue we touch on three different aspects of relationships: [the relationship of a company to society](#), [the relationship of a company to its several stakeholders](#), and [the relationships between ourselves as individuals](#). As usual, all three are about different facets of trust. These three choices remind us that trust is inevitably about relationships, and good trust is measured by them. Robin Crusoe didn't need trust, or ethics; those of us in relationship do. 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](#).

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The Trust Matters Primer

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The Purpose of a Company **IS...**

[CHARLES H. GREEN](#) ON MONDAY, MARCH 1ST, 2010 (POST #658)

Thinking that the purpose of a company is to make a profit is like believing that the purpose of living is to eat.

Now that we're clear about where I stand, and that this is going to be a bit of a rant, here we go.

The Purpose of Living is Not to Eat

I'm with whomever it was that said the 'purpose-of-a-company-is-to-make-a-profit' thing is back-asswards.

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But let's not start at full rant level. Let's start by actually parsing the word "purpose."

May I suggest that the statement "the purpose of [whatever] is..." does not actually mean anything unless given a context. And there are many contexts.

A sociologist (structural-functionalist variety) would look at a company and ask, 'what social role does that kind of entity fulfill?' Here are just a few answers.

- » From the point of view of a state or local government, one role of companies is to fund a tax base and employ local citizens;
- » From the point of view of a federal government, a corporation is a vehicle for implementing tax collections, health care policy, and vaccinations;
- » From the point of view of the Supreme Court—at least recently—a company is indistinguishable from a human being when it comes to contributing to electoral campaigns and free speech;
- » From the point of view of shareholders, it is to provide a return on shareholder investment;
- » From the point of view of customers, the purpose of a company is to create customers (this in fact was the view of Peter Drucker).

A religious person might look at a company and say, "The role of a company is to allow man the means to fulfill God's mission on earth."

An anthropological historian might say the role of a corporation is to aggregate capital to fund larger-scale economic activities than could be done by individuals working alone.

I don't know what Milton Friedman meant when he said it; he could perfectly well have meant, "if a company is making a profit, it's doing all the other things it's supposed to be doing, no need to inquire further." But it's clear that Friedman has since been hijacked by those who have a far narrower, and more corporatist, agenda to pursue.

And so on. Without any context, absolute statements about the purpose of anything reveal either intellectual laziness or a political opinion—usually the latter. But let's continue.

Corporations Are Not Granted Divine Rights

Often what people mean when they equate corporate purpose and profit is to suggest that the concept is primary, fundamental, or very basic, or a core principle; not quite revealed truth, but not far from it.

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So it's worthwhile remembering the source of legitimacy of a corporation. The first were formed in [England in the 17th century](#), e.g. the Hudson's Bay Company; they were formed by authority of the government. In the US today, companies are chartered by the States. Again, legitimacy derives from the government. In whatever country we're talking about, corporations are granted their legitimacy by way of the state.

There is no 'right' to profit for a company. There is no Bible that imbues companies with extra-legal status. No tablets were handed down, no assembly of people blessed companies with a 'purpose' agreed upon by all.

What about corporate charters that require companies to be responsible to shareholders for earning a return? I'm not a lawyer, but I'm reasonably well-read, and I'm not aware of any shareholder suits that invoke that clause to argue against excessive management compensation. From which I conclude there's probably a lot of latitude for interpretation.

The Role of Companies

The real role of companies is hardly self-evident; in fact, it's an excellent subject for public policy debate. The key question is: what do we *want* the role to be?

A company is a creation of the state, which in turn is beholden to its citizens. The question of the role of a company is on the same footing as the role of any other civic institution; what do we want to be the role of our public schools? Of our prison system? Of our approach to civil rights?

It's a great question, and very timely. Let's not shut down the discussion by assuming there's some pat debate-ending answer.

(For anyone interested in pursuing this line of thinking further, I find the [Wikipedia entry on "philosophy of business"](#) to be thorough and thought-provoking.)

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FROM THE CONVERSATION ON THE BLOG:

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“Real value in a business is not created by manipulating markets and money, but by the hard work and innovative ideas of people -- the entire work team, including all the stakeholder. I know of no employee who was ever motivated to come to work just so he or she could create monetary value for some unknown stockholder.”

—Comment by Robert Porter Lynch

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The Difference Between WRONG AND ILLEGAL

[CHARLES H. GREEN](#) ON FRIDAY, MARCH 22, 2010 (POST #670)

Do you know the difference between a wrong action and an illegal action? If you don't, you are not alone. But neither are you to be trusted.

The Valukas Report

The [Valukas Report](#) was commissioned by a US court to determine the causes of Lehman's bankruptcy. Made public last week, it has caused a bit of stir in certain quarters—including Wall Street, lawyers and accountants.

In a nutshell, the report accuses Lehman of using an accounting technique (called Repo 105) to temporarily move assets off its balance sheet just before

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quarter's end, in order to show lower leverage ratios, then moving the assets back on-balance-sheet shortly after the end of the quarter. [See details here.](#)

The auditors of Lehman Brothers were Ernst & Young. Lehman's source of legal advice for the Repo 105 tactic was the venerable British law firm Linklaters. Both are criticized in the Valukas report.

The Financial Times [headlined the story thusly](#): "Damning Insight into Corporate Culture Sheds Light on Fall of a Wall Street Giant." The story quotes one 'senior Wall Street executive' as saying, "I almost threw up when I read the report; it makes me sick of this industry."

Let's stipulate that this is the language of "wrong," at least for Valukas, the Financial Times, and one Wall Street executive. What should be the response of the various parties?

Responses to Charges of Wrong Doing

Let's start with Dick Fuld, Lehman's former CEO. His lawyer is [quoted as saying](#):

Mr Fuld did not know what those transactions were – he didn't structure or negotiate them, nor was he aware of their accounting treatment. Furthermore, the evidence available to the Examiner shows that the Repo 105 transactions were done in accordance with an internal accounting policy,

supported by legal opinions and approved by Ernst & Young, Lehman's independent outside auditor.

And what does auditor Ernst & Young [have to say](#)?

Last week, the group defended its signing-off of Lehman's 2007 accounts and maintained the books were "fairly presented in accordance with [US] generally accepted accounting principles."

The Valukas report also criticized Linklaters, [saying that](#) "Lehman's ... turned to Linklaters for a legal opinion blessing the use of so-called "Repo 105" transactions when it could not obtain a suitable opinion from US lawyers."

Here's what [Linklaters has to say](#):

"The examiner's report into the failure of Lehman Brothers includes references to English law opinions which Linklaters gave in relation to a number of Lehman transactions. The examiner . . . does not criticise those opinions or say or suggest that they were wrong or improper. We have reviewed the opinions and are not aware of any facts or circumstances which would justify any criticism."

Wrong is from Mars, Illegal is from Venus

Pick your own planetary metaphor: the point is that "wrong" is a moral

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concept, “illegal” is a legal concept—and key players in our global economy have come to brazenly deny the distinction.

The Valukas report resonates as a moral indictment. But the responses are from Planet Law.

When the charge of “wrong” is routinely answered by “it’s not illegal”—and we accept it—it means something is seriously wrong with our moral culture.

The [Financial Times](#) blames the “US box-ticking culture.”

It is far easier for an accountancy firm to retain a lucrative relationship with its clients if it does not sit in judgment on their activities, but simply adheres to a set of blind rules. Auditors can more easily defend lawsuits when things do go wrong if a rule book can be appealed to. But this is precisely why the whole system is so frustrating from the investors’ perspective. The more rule-driven auditors are, the less valuable their work is as due diligence.

[Jim Peterson](#), a noted accounting commentator, [talks about](#) the failure of the massive Sarbanes/Oxley legislation to prevent just this moral meltdown:

A program of airport security will lack credibility, if so broadly applied as to deprive ordinary citizens of their ability to carry a bottle of wine or a tube

of toothpaste, but that fails to identify terrorists whose deadly threat is limited only by their inept inability to detonate their shoes or their underwear.

Sarbanes/Oxley suffers the same defect: if it could not detect and deter an “outlier” on the scale of Lehman, then what beneficial effect can its proponents claim it has accomplished, by imposing an intrusive system of box-ticking on the vast bulk of corporate registrants?

Some recommend changing regulations. Others suggest structural changes. Still others recommend more enforcement. But all these solutions have limitations; in particular, they are trying to solve a moral problem with more laws. But this only exacerbates the issue.

You can’t solve a moral dilemma with more laws. There will always be a Dick Fuld, or a Lehman, willing to push beyond moral boundaries using absence-of-illegal as a sleight of hand. It’s up to us to call them on it.

NYTimes columnist, David Brooks, is right [in saying](#), “The only way to restore trust is from the local community on up.” It starts with people explaining to politicians, lawyers, newspaper editors and managers that just because it isn’t illegal, doesn’t mean it isn’t wrong.

Get mad: but get morally, not legally, mad.

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“[...] as some fellow observers aptly point out, it is in a philosophical and moral sense almost irrelevant what sort of outcome the courts produce with respect to the E&Y controversy. The REAL issue is the moral sense of what is right or wrong. Even if, as one blogger pointed out, the Repo 105 transactions had been put on the books, it would not have substantially worsened the leverage ratio of Lehman, the apparent attempt by those who executed the transactions to deceive stakeholders AT ALL is what investors, Wall St. decision makers and regulators should be concerned about.”

—Comment by Peter Goldman

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Why Nobody Cares About You, AND YOU SHOULD BE GLAD THEY DON'T

[CHARLES H. GREEN](#) ON TUESDAY, MARCH 30, 2010 (POST #675)

Nobody cares about you. I don't mean your parents, of course they do. And of course your dog. And your significant other, if you have one. Maybe even your kids or your siblings, though there's no guarantee. And maybe a great friend or two.

No, I'm talking about all the rest. Your work team, your customers, your suppliers, your neighbors, your kids' teachers, the gang at the gym and at church. The people you spend 85% of your time with, who make up 90% of the entries in your contacts database and 95% of the people in your LinkedIn catalog. 99% of your FaceBook and Twitter friends. They don't really care about you. None of them. Not really.

Why Nobody Cares About You, AND YOU SHOULD BE GLAD THEY DON'T

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Basically, the vast majority of human interactions we have are with people who don't really care about us.

And that, my 'friends,' is a wonderful thing. Here's why.

My Life has Been Very Eventful: Some of It Actually Happened.

For me, almost all the stomach-churning fear and angst I have experienced in my life consisted of fictional plots hatched in the dark places in my own mind. They nearly always featured those 90%-plus people in my life. A huge chunk of my life's emotional energy was spent on winning fictional arguments and fights with them—though now, finally, I spend a lot less time on that.

If only I could have realized more fully, earlier on in my life, the One Big Truth, how much more productive I could have been! And what is the One Big Truth?

They don't really give a damn. Any more than I do about them. Oh sure I like interacting with them, most of them, most of the time. And I actually don't think badly about hardly any of them—they mean well, mostly. It's just that, I've got my own issues to worry about, and I honestly don't spend that much time focusing on them.

And, surprise surprise, they spend about as much time focused on me as I do focused on them. Which is not a lot. And they probably don't think any more badly about me than I think badly about them, which is not much. The main thing is: I just think about myself more than I do about them. And they do the same.

The Freedom That Lies in Realizing No One Really Cares

Again, I don't mean we're all selfish, mean-spirited people. But I do mean that we're all pretty much wrapped up in ourselves. And that turns out to be an enormous, high-potential gift.

Because: imagine doubling the quality of attention you show to other people. Not even the quantity—just the quality. No more time—just more connection. What if you could really connect with your customer. Just for two minutes. For two minutes, to engage in a way that is not dominated by your desire to close the deal, to advance the sale, to get them to like you.

What if, for two minutes, you could actually care about them? About how they are feeling, about why they're thinking what they're thinking, about how it must feel to be them in that moment.

What if you could offer the fine gift of your attention?

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What would happen if someone gave a damn about you for just two minutes?
How would it feel?

Pretty good, I think. And what does it cost? Pretty much nothing.

You Can Radically Improve Lives in Two Minutes a Day

Any time you want, you can stop the noise, get off the Bozo Bus, and reach out and touch someone. All it takes is the gift of your attention.

It seems to me that the reason we don't give the gift of attention is that we are trapped in the fictional belief that we must gain the approval of others. Thus we are afraid of what they think of us.

The truth is: they can't think good or ill of us if they're not even thinking of us at all. Which means we are free—gloriously free—to share our attention. No one else is claiming it.

And if you give it away, you'll get something back. It's a universal truth.

Declare the obvious—your own freedom from the myth of others' judgment. Then go use that freedom to fix your little corner of the world. You might even find that someone cares just a little bit about you.

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“I think you are spot on when you talk about human interaction being, in some respects quite superficial and shallow, but the truth of it is that we don't want to admit to this and keep up a charade. I find myself becoming more restrained in what I say as well to fit in which always feel unnatural and rather strained. I think we should focus on quality and not quantity in our conversations and trying to form relationships that are not always to our (commercial) advantage.”

—Comment by Julian Summerhayes

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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](#)

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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](#)

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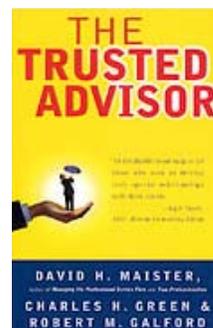
ABOUT CHARLES H. GREEN



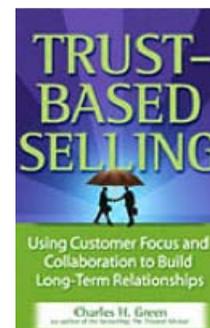
Charles H. Green is a speaker and executive educator on trust-based relationships and Trust-based Selling in complex businesses. He is author of [Trust-based Selling](#) (McGraw-Hill, 2005), and co-author of [The Trusted Advisor](#) (with David Maister and Rob Galford, Free Press, October 2000). Charles 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.

CHARLES H. GREEN BOOKS



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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.

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