The Trust Matters Primer

THE BEST OF THE TRUSTED ADVISOR BLOG VOL. 4

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. Themes range from the structure of trust, to wisdom-mantras, to the linkage between corporate strategy and the recession. 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.

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WHY TRUST IS ASYMMETRICAL, AND WHAT THAT MEANS FOR TRUST STRATEGIES

CHARLES H. GREEN ON WEDNESDAY, JUNE 24, 2009 (POST #511)

Much of the talk about trust is just that – talk about "trust." We forget that trust is a word for a relationship between two parties, each doing different things. Further, it's an unequal relationship.

What we call "trust" results from one person (or entity) trusting another. One party *trusts*; the other is *trusted*. The *result* is what is properly called trust. Unlike other relationship words (like 'love') the quality of trust is asymmetrical. To trust is very much not the same thing as to be trusted. Just ask a traveler in a new foreign country. Or a Madoff client.

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CHARLES H. GREEN
JUNE 24, 2009 #511

The asymmetry is all about risk—the one taking the risk in a trust relationship is the trustor, the one doing the trust*ing*—not the one being trust*ed*.

When we describe degrees of trusting, we use precisely that word: 'He is very trusting.' While an adjective, 'trusting' derives from a verb—it tends to describe a behavior, the act of trusting.

When we describe degrees of being trusted, we use a different word: 'She is trustworthy.' 'Trustworthy' is also an adjective, but it tends to describe character, an attribute one possesses.

If we're going to be precise in talking about trust in a useful way—whether it's personal trust, business trust, or social trust—we need to clear about the risk-asymmetry between the two parties to trust. Absent that simple clarity—who's doing the trusting, who's being trusted, and in what realm—there's not much that can be usefully said. Here are some examples.

Trust*ing* Strategies

Trusting someone is very useful—if your trust is justified. Things happen faster, better, with higher quality and lower cost. Life is richer. Of course, if your trust isn't justified, you get burned. Reasonable risk assessment, then, is a valuable skill in trusting.

But trusting cannot obliterate risk, and risk management alone has its limits. To trust only those we have vetted as trustworthy is to make a mockery of trust. Ronald Reagan's statement "trust but verify" was cynically manipulative. If you can verify, you don't need trust--you just need an auditor.

Trust*worthiness* Strategies.

Being trusted by others is at least equally useful, and of course the combination is best of all. How can one become more trusted—by customers, employees, friends? There are two basic strategies: the first is to trust the other party, the second is to become more trustworthy.

Oddly, the most powerful strategy for driving increased trustworthiness in others may be the act of trusting them in the first place. Marlon Brando's Godfather character knew this: so do successful networkers. Like homeopathic medicines, a little trust given can innoculate against large doses of untrustworthy behavior by others. This is due to the deeply embedded human propensity to reciprocate--good for good, bad for bad.

Being trust*worthy* toward others drives their propensity to trust you—and it's a less risky strategy than trusting them, since most risk is borne by the trusting party. The effect of trustworthiness on trusting doesn't rely on reciprocity—it is a unilateral action by the trustee that alters the risk perceived by the trustor.

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Remember the asymmetry of trust is all about risk: it comes in many forms, such as asymmetry of information, or of power. Many trust issues present as issues of the asymmetry of power: think asset managers trusting rating services, or consumers trusting credit card issuers. It's what's behind jokes like, "I'm from the IRS and I'm here to help you."

There are several ways to manage risk so that the asymmetry is acceptable to both parties. One is simply transparency: the exchange of information.

At a personal level, the decision to reveal information that would put you at a "disadvantage" in a competitive situation is an act of trust. If your client is 58, you are 32, and your client asks your age, do you say, "I'm in my mid-30s?" Or do you say, "I'm 32." The latter is an act of trusting; it usually makes you seem more trustworthy, and of course it carries some risk.

At a business level, when companies fight greater transparency (presumably to prevent competitive advantage), they are simultaneously destroying the inclination of their stakeholders to trust them, because to withhold information for self-oriented reasons is intrinsically untrustworthy. Too many industries and companies simply do not get this, hence they invite far stronger regulation than need be the case.

I have elsewhere written about the Four Trust Principles: they apply to people and to organizations, and are largely about enhanced trustworthiness.

Personal and business approaches to trustworthiness overlap in the arena of leadership. The general who personally leads his cavalry troops into battle shows that he will take risks on their behalf; the troops' powerful response is to trust him in return. Trusting given yields trust returned.

Explored carefully, this simple framework tells us how to better navigate the worlds of romance, business, friendship, business regulation and socio-governmental institutions.

Increasing trust starts with asking: who does the trusting, and who is to be trusted? Where's the risk, and how can we manage the asymmetry?

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CHARLES H. GREEN
JUNE 24, 2009 #511

FROM THE CONVERSATION ON THE BLOG:

"Charlie, I recently read a quote from Ernest Hemingway that succinctly corresponds with your point on trustworthiness strategies "...The best way to find out if you can trust somebody, is to trust them."

Comment by Barbara Garabedian

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

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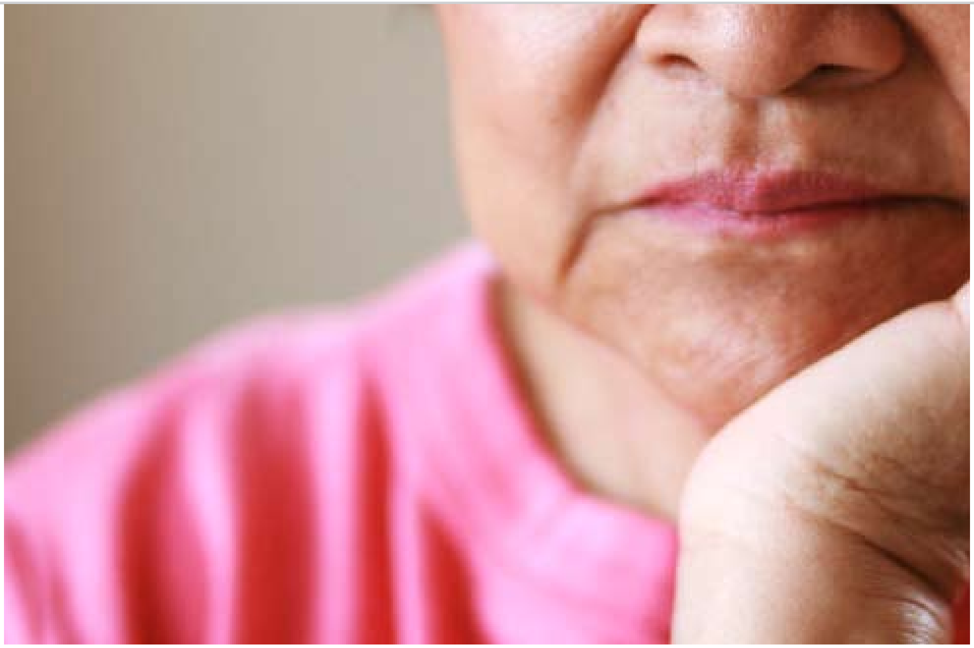

PAIN IS INEVITABLE - SUFFERING IS OPTIONAL

CHARLES H. GREEN ON FRIDAY, APRIL 24, 2009 (POST #477)

There comes that moment. The plane taxis out to the runway, and it's "no more cellphones or electronic devices, anything with an on-off switch."

No more blackberry; Kindle; iPhone-Kindle-enabled reader. No more NYTimes online, google headlines, online magazines. And of course I don't bring a paper, or magazine, because, you know, I like to think I'm a wired kind of guy, and that just wouldn't do.

So it arrives. The moment I've been dreading. The moment when all there is to read is the online flight magazine. Great bars in Cuernavaca. Plastic blondes hyping expensive matchmaking services. Recipes for comfort food.

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CHARLES H. GREEN
APRIL 24, 2009 #477

Then suddenly, everything changes. Continental's April issue, in "Sky High," features Dr. Luanne Freer, an emergency medicine specialist physician, who has been donating time to the Sherpa population in Nepal.

> She spent three and a half months in a Sherpa village at 14,000 feet, providing health care for both villagers and trekkers. She says she developed a deep connection with the Sherpa people. 'Some of them didn't even own a pair of shoes, yet they were much happier than my neighbors in the US who have three cars in their garages.'

This is not news. It surprised me, though—perhaps because it was in such an unexpected context. I heard it as if for the first time. And of course it's true.

We *are* the architects of our own happiness--*and* of our own misery. We all agree on it. Yet we don't seem to *do* anything about it. Statistics prove it—the wealthier we get, the more happy we do *not* get.

There are cases where medication helps, though in aggregate we're probably over-prescribed. And for all those of us who don't need chemical adjustment to color between the lines—what's our excuse? Basically, we have none. *We* must do it. Ourselves.

Prescriptions for Happiness

Me, I find it helpful to collect catch-phrases, one-liners, mnemonic devices. Here's a small collection. There will not be a test at the end.

- Pain is inevitable--suffering is optional
- One foot stuck in yesterday and one in tomorrow means you're probably peeing on today
- Don't rent space in your head to others
- Cultivate an attitude of gratitude
- There is a God—and you're not it
- Accept what you can't change, change what you can; and learn the difference
- No one can mentally hurt you without your permission
- Don't measure your insides by other people's outsides
- You can't control anyone; but you totally control how you react to everyone
- Happiness is an inside job
- Resentment is like taking poison and waiting for the other person to die
- Find someone you hate; then say a prayer for them
- Most interpersonal problems come from a tendency to blame, and an inability to confront (thanks Phil)
- When in doubt, go find some adult supervision
- Cultivate an attitude of gratitude

None of these require a pair of shoes.

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THE BOSTON CONSULTING GROUP CAUSED THE RECESSION

CHARLES H. GREEN ON WEDNESDAY, JULY 10, 2009 (POST #520)

Like all good conspiracy theories, this one may have a few loose links. But work with me here--it's a good story.

The 70s: When Strategy Became Competitive Strategy

Back in the 60s, Bruce Henderson, chafing at Arthur D. Little, re-conceived competitive strategy. He founded the Boston Consulting Group, who in the 70s introduced the world to concepts like the experience curve, the Doom Loop, and the barnyard strategy matrix.

Together with Michael Porter, they redefined strategy from a vague, military idea, to a disciplined, quantitative analysis based on a Hobbesian view of the

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business world: a State of Nature as Competition. Competitors lurked everywhere--including masquerading as your suppliers and your customers. Henceforth, all talk of “strategy” would implicitly have “competitive” as a leading adjective.

It is hard to describe today the impact this new ideology had on the business community. Suddenly the world made sense—everything was about competition, and everything was quantitative. It was about winning, and the winner was the one who ran the numbers best. Peter Drucker was so 10 minutes ago--now, if you couldn’t measure it, you couldn’t manage it.

The 90s: When Organizations Became Processes

In the early 90s, Michael Hammer and James Champy wrote Reengineering the Corporation, and the other shoe dropped. The other shoe was business process re-engineering. Pre-Hammer, companies were functional organizations. Post-Hammer, they were bundles of processes.

Functional organizations were messy things that needed coordinating, leading, managing. Processes could be broken out, modularized, tinker-toy-rebuilt, outsourced, and re-assembled—and despite Hammer’s later protestations, the idea remained attractively impersonal to its fans.

The 00s: Metrics, Competition and Process Prepare the TinderBox

BCG, B-schools and other leading business thinkers embarked on a decade of exploring the implications. The Holy Grail of business had become sustainable competitive advantage, which produced economic value added, which produced maximal shareholder value.

You got there by achieving global scale in every business process: if you weren’t #1 or #2 in any process, you outsourced it to one who was.

Outsourcing to achieve scale through best practices meant multiplying transactions, reducing time-frames, and replacing messy relationships with tightly written contracts--or, better yet, markets, the truly impersonal solution. Performance was quantitatively defined, included not only in contracts between companies, but in employee relationships with people (who were renamed “human capital” to fit the new business Esperanto—finance). No need to inspire or manage through people; just craft a blend of metrics and incentives, the way Skinner incented those white mice in his boxes. Poster child: Jack Welch.

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JULY 10, 2009 #520

An example: the mortgage industry. The purveyors of the competitive/process/metric paradigm saw mortgage as an industry that was regionally fragmented, structurally clumpy, high cost, stodgy, inefficient, illiquid, and highly subjective.

In 15 years, they transformed it. The mortgage business became globally integrated, highly specialized (substituting markets for organizations via disintermediation), low-cost, nimble, cutting edge, efficient, liquid, and highly impersonal. It became a market-driven, process-linked, globally efficient industry. That's all true.

It also became bereft of relationships; laden with perverse incentives; managed by serial transactors; stripped of any sense of responsibility; and governed solely by financial metrics. In a business whose product *already* was money, the doubling-up emphasis on financial *metrics* obliterated any memory of other principles or values that might have once existed in the financial sector.

The new mantra was IBGYBG. I'll be gone, you'll be gone; do the deal and let the next sucker clean it up. The entire Meaning of Business became—to make more money than the other guys. Period.

You work for your company--in theory, the shareholders. Your company's job is to win. You win by beating others before they beat you. Customers are walking wallets, sources of the poker chips you use to measure success. Suppliers are to be played off against each other. All parties are to be managed in clumps of processes, carrotted-and-sticked to behave in certain ways. That, simply, is how it was supposed to work. According to this mantra. This ideology didn't just happen. It was four decades in the making.

Bruce Henderson didn't mean to do it—but he set the wheels in motion. BCG, Hammer, Porter, and CSC-Index made it look enticing. Economists and quant-wannabes from the HR, exec-comp and leadership world added their hops and spices to the brew. Goldman Stanley and Morgan Sachs refined it; private equity and financial engineers distilled it; and Merrill Stearns, mortgage brokers and Joe the Plumber got drunk on it.

Complicated? Yes. That's where conspiracy theories come in; they let you simplify. So pardon me if I just use the shorthand version: BCG caused the recession.

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JULY 10, 2009 #520

FROM THE CONVERSATION ON THE BLOG:

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" You left out a player, perhaps influenced by the shareholder value & endless climb meme, but necessary - us. Everyone who buys securities bought into the same share-price-gain-uber-alles ethic, punishing any investment that didn't play along. [...] "

Comment by Jim Bullock

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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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TRUST SERVICES SUITE

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

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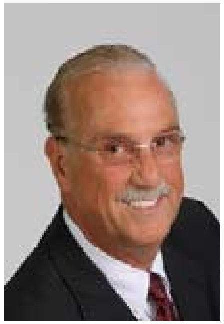
ABOUT CHARLES H. GREEN



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.

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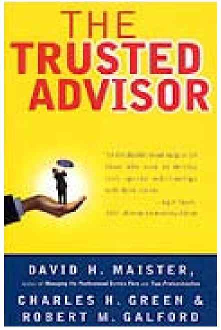

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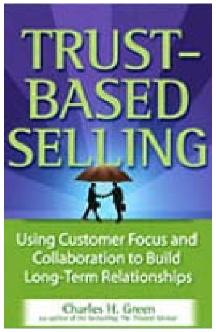

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