The Trust Reader

CHARLES H. GREEN ARTICLE SERIES VOL. 6

FEATURING

YOUR COMPETITOR IS YOUR PARTNER IS YOUR CUSTOMER

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"The biggest cost advantages nowadays lie not in one megabank getting bigger, but in the art of getting the new nexus to work. The new black is collaboration, not competition."

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YOUR COMPETITOR IS YOUR PARTNER IS YOUR CUSTOMER

BY CHARLES H. GREEN

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This article was first published on Businessweek.com

Our beliefs drive our actions. Too often, our beliefs harden and persist long after they're no longer in sync with the world, driving behaviors that are no longer appropriate.

An example of the potential danger posed by old beliefs lies in business's response to such trends as globalization, outsourcing, social networks, "flat" organizations, collaboration, values-based leadership, and multicorporate supply chains. The response is shaped by the old, deeply seated belief that business is fundamentally about competition—a belief at odds with the new reality.

In the late 1960s, the intellectual leadership of business moved from such "wisdom" authors as Peter Drucker to strategists, economists, and consultants such as Michael Porter and the Boston Consulting Group. The newcomers noted that higher-volume production meant lower costs, lower costs meant lower prices, and lower prices meant even greater volume. Finally business could be played like a game with crystal-clear rules and winners and losers.

This volume-cost-market-share pattern was exhaustively quantified by study after study in business after business by the consulting firms, and personified by high-tech companies such as Intel (INTC). The definitions of strategy and of success were expressed in terms of one's relationship to one's competitors. Michael Porter neatly summarized this trend in 1978 in his seminal book, *Competitive Strategy*. An industrial economist-cum-MBA-DBA, Porter described the Five Competitive Forces that shape business. Two of them are the competition between a company and its suppliers and that between a company and its customers.

"The pressing need is no longer to compete, but to collaborate. The old strategies seem keenly inappropriate.."

At the time, it seemed insightful—and certainly reasonable. The competitor-centric model of business fit neatly with two other big beliefs. One was U.S. antitrust law from the first half of the century. Antitrust law was also about the presence or absence of competition: Its presence was deemed good and its absence—monopoly—was bad.

BIGGER WAS BETTER AFTER WORLD WAR II

The tremendous economic success of the U.S. after World War II made this business-as-competition model seem like natural law. Belief was ratified by the performance of the U.S. economy as a whole. At the industry level, the story was repeated: Business was viewed as something done by distinct corporate competitors operating within a clearly defined industry, such as the automobile industry.

Viewing business through the prism of competition made sense a half-century ago. The issues were about gaining (and managing) large-scale production and distribution—nationally, then globally. Bigger really was better, just as the competitive theory suggested.

Things look different today.

The pursuit of scale has led not to monolithic companies, but to integrated supply chains involving many companies. There is no longer a clear "industry" called "automotive," with a small number of distinct companies. When one thinks about cars, there are now dozens of industries that overlap and intersect, selling to each other here, competing with one another there, joint-venturing elsewhere.

To mirror Sun Computer's old tagline, the network is the company. And when you're in an interdependent network, Porter's idea of competing with your suppliers suddenly looks enormously wrong. The pressing need is no longer to compete, but to collaborate. The old strategies seem keenly inappropriate.

CORPORATE SHIFTS SAP SOCIAL PROGRAMS

This deep belief in competition has also led us astray when it comes to social policy. Fifty years ago it was still true that "what's good for GM is good for America." It was so true, in fact, that we hitched many social programs—unemployment, Social Security, health-related, environmental—to the delivery system of corporations. At a time when the "Nifty Fifty" largest companies were touted as growth stocks, this was a safe bet.

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No longer. That system is now creaking under the bureaucratic weight of a mobile workforce, underfunded liabilities, and cost pressures—just as monolithic companies are becoming more and more dispersed. Business and society are growing less comfortable that health and retirement policy are determined as a byproduct of competition between ever-shifting corporate entities.

Perhaps most important, the doctrine of corporate competition doesn't work as well as it used to. Economy of scale is no longer the key issue, as it was 50 years ago. In industry after industry, the cost advantage of volume production has been largely eked out. Indeed, the transaction costs required to achieve that scale—the middle roles played by lawyers, accountants, bankers, brokers, and corporate staff—have begun to overtake the cost savings they were set up to pursue.

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TRUST CAN FLOW QUICKLY AND CHEAPLY

The whole idea behind bigger companies in the old economy was that you could trust people in your own organization more than you could trust outsiders. You could collaborate with, depend on, and not be fearful of people who got their paycheck from the same place, ate lunch together, and whose success depended on the success of the same employer. Being in the same company increased trust, enabling people to share ideas and information—collaborate—thus allowing large economies of scale.

In recent years, it's begun to dawn on business that the collaborative benefits of trust and scale don't depend on a common employment relationship at all—they can be enjoyed with suppliers and customers as well.

- Stephen M. R. Covey's book The Speed of Trust offers chapter after chapter on how trust-based relationships with customers and suppliers yield faster and cheaper results than the traditional contract-based, suspicious, competitive relationships.
- A 2004 Planning Perspectives study showed that U.S. auto suppliers trusted Japanese automakers much more than they did U.S. automakers. As a result, collaboration between

"Collaboration creates the opportunity to lower costs and increase speed, thereby creating value rather than simply splitting the difference."

U.S. suppliers and Japanese producers was higher, costs were lower, and innovation was greater for the Japanese automakers.

Mistrust is what keeps us from collaborating with others and instead relying on external forces—contracts, external guarantors, collateral—to ensure a result. But when trusted relationships are at hand, not only do we need fewer external forces, we feel freer to exchange ideas and information and to take small risks—to collaborate.

Collaboration creates the opportunity to lower costs and increase speed, thereby creating value rather than simply splitting the difference.

OUTMOD BELIEFS DRIVE FLAWED ACTIONS

We used to think that our competitors, customers, and partners were all distinct entities. Now the same company can be a competitor, a customer, and a partner all at once. Our biggest obstacle in making business sense of this new world is not software, talent, or resources. It is, oddly enough, our antiquated beliefs.

Beliefs drive actions. Too many of our beliefs are from the prior era. That disconnect shows up not only in costs, but in select new-era issues.

- MBA programs mainly teach collaboration in marketing or ethics courses. If they're also teaching competitive strategy down the hall, it's hard to take collaboration seriously.
- We can't figure out how to deal with intellectual property (competitive) in a world that increasingly demands that communal property be shared.
- We struggle to integrate privacy concerns with social networks.

The dominant model in business is still to see everything in competitive terms. If that's your hammer, then your customers, suppliers, and so forth look like competitor nails to you. The world has changed. Our beliefs have not. They are now a drag on productive business behaviors.

This article was first published on Businessweek.com

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THREE STRATEGIES FOR CREATING CUSTOMER TRUST

You'd probably agree that if your customers trust you, they're more likely to buy from you. The proposition is not the problem. The problem comes with execution—how do you do it? How can you create trust?

This article was first published on The Customer Collective.

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DELIVER THE PERFECT PITCH

Let's be clear: there is no single perfect pitch, since the winning pitch is situational to you and your client. Still, there are some guidelines that hold true.

This article was first published on RainToday.

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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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