IAN GORDON ARTICLE

Building Trust-Based Relationships

Ian Gordon
President - Convergence Management Consultants Ltd.
Author: "Relationship Marketing: New Strategies, Techniques and Technologies to Win the Customers You Want and Keep Them Forever"; "Handbook of Relationship Marketing" (contributing author).

Trust is the basis of a relationship, whether business or personal. Without trust in their suppliers, customers focus on short-term transactions rather than making the "soft" investments necessary for creating mutual and enduring value. Employees who have little trust in their employers look after themselves in the near term rather than putting their careers in the hands of the company. And partners and distribution channel intermediaries try to win at the expense of their suppliers in a "zero-sum game" instead of working with their suppliers in their mutual, long-term interests.

So we know trust is important. Why then is it that so many companies approach customer relationship management (CRM) by paying early attention to databases and technology rather than culture management and the development of trust, both within their companies and with their customers? It seems a little like Nelson holding a telescope to his blind eye and saying he could not see the signal to withdraw at the Battle of Copenhagen. He won that battle, but businesses operating without trust will find themselves at a disadvantage compared to their competitors who are better able to manage trust. What then are the enemies of trust and how can these be overcome?

Building trust requires that you recognize a number of factors that tend to limit the full development of trust-based relationships:

1. **Speed and Change.**
   Competing at an accelerating pace of change means that more companies focus on getting things done and done right rather than on doing the right things. And when things go wrong, leaders display little patience, moving rapidly from employee encouragement to words and actions that affect employee security.

2. **Less Formal Planning.**
   Another consequence of competing rapidly and with maximum efficiency has been the reduction in formal planning. While most companies have maintained their financial plans, fewer have CRM plans. Those that do, rarely have the development of trust-based relationships as an early priority.

3. **Outside-in Thinking.**
   Where trust does feature in CRM plans, companies focus more on building trust with customers first, especially in respect of private and secure transactions, rather than

developing trust first within the company and then moving to the outside relationships. An employee who is distracted by his or her job security or future prospects, delayed commissions, or withheld bonuses is not going to be as focused on the customer and building for the long-term. The employee might not be around to reap the benefits in an organization that does not seem to value the contributions of each individual.

4. **Fear.**
   Motivation is about carrots and sticks. Retrogression from motivation by reward and recognition to fear as the primary driver follows directly from leadership unable to foster trust. Leaders in this category include Presidents who see themselves to be strong, to have more value to the organization than their staff, and to be leaders of less able people. Board of Directors who go along with the so-called strong management and who reward Presidents who blame others, are also partly at fault in a company of fearful employees. An insufficiently empowered human resources department will serve to ensure that the company never escapes from its cultural quagmire. Early life-cycle companies often have pioneering management who developed a winning business model, product or service, but never focused on the opportunity to achieve enduring strength through a supportive culture.

5. **Greed.**
   Companies in search of great fortune rather than mutual value creation might find themselves, sooner or later, at odds with their stakeholders. The owner or investor cannot be the only beneficiary of the business. For the business to endure, customers must feel as though the company is genuinely looking after their long-term interests. One solutions company used to say that they protected the investments of customers in their software. The reality was much different, as customers who bought their software soon discovered when they needed support, professional services or other assistance. The stock market finally understood the company for what it is, and the results have not been kind to investors.

6. **"Nice".**
   This is not to say there is anything wrong with "nice" (what is not to like?); however, some companies in search of "nice" build cultures predicated primarily on friendly interactions, the exact opposite of those companies built on fear, as mentioned above. A culture built on being "nice" is not the same as a culture based on trust. Customers and employees do not necessarily trust a "nice" company if there are a number of other shortfalls, and the disadvantages of a "nice" company can be many. It can happen that strong management, openness, directness, honesty and, over time, morale and even employee self-esteem can be casualties of a culture that is headed in this direction.

There are a number of other enemies of trust that must be overcome if a company is to build enduring relationships. Almost all of them, like those already mentioned, are internal to the company, are affected by its cultural norms and values, and are dependent upon leaders who initiate changes. A President of a technology company once said to his Vice Presidents that he would not give trust, but that it had to be earned. This was the seed that had the company embroiled in distrust, a cycle that could only be broken by giving trust before it was earned and implementing values-based management and teamwork to ensure that the trust would not be misplaced.

Trust should be managed as a component of developing the company's culture and as a pre-cursor to the CRM plan. Here are some suggestions to help in the development of trust-based relationships. Note that most of them start at the top, with the leaders of companies. Higher than this, trust-based relationships should start with Board of Directors and investors, for it is these people who ultimately dictate directly or indirectly the culture and values of the enterprise and the character of its leaders:

1. **Core Corporate Values.** Have them. Use them as touchstones for the business. For example, Charles Schwab has the following corporate values: Fairness, Empathy, Responsiveness, Striving, Trustworthiness and Teamwork. Their employees know the acronym: FERSTT.

2. **Leadership Transformation.** Leaders are not equal in their capacity to give trust. Many have been trained to deny trust and in some cases, have been rewarded for it. Accountants, lawyers, and other professional service providers often look first for deficiencies in people, processes, strategies, circumstances and contracts. They are rewarded for finding these risks and often for managing them well. To reach the next level of growth, leaders have to unlearn some of those qualities that made them successful, including a reluctance to give trust to all but the few who meet their test. Many companies are now headed by accountants and most among these leaders have had to consider how their personal style, developed in part by training in risk management and financial controls, need to be balanced with an approach that gives trust, especially to teams.

3. **Collaboration.** One of the first issues for leaders to unlearn is a focus on outcomes, such as requiring compliance from their employees, before they achieve commitment from their staff. Instead, leaders should focus on the process rather than the outcome, such as teamwork and collaboration, the essence of value development, customer involvement, and strategic alignment. More than this, leaders should consider what it takes to create a culture of listening, because a collaborative and responsive environment is only possible if stakeholders are really heard. Xerox, once threatened by competitors such as Canon in many of its core markets, identified the creation of a listening culture as important for the development of trust-based relationships and as a necessary precursor for overcoming barriers to innovation and growth.

4. **Families.** Professor Leonard Berry of Texas A&M University asserts that leaders who treat employees as an extended family are more likely to achieve trust-based relationships. He points to a number of companies, such as supermarket chain Ukrops. This company was among the first to innovate in CRM by abandoning mass media and focusing instead on selected customers. It holds "all hands meetings" to keep staff informed, recognize performance, and answer questions.

5. **Mutuality and Novelty.** Relationships require both. Employees who see that success is narrowly and unevenly rewarded will be on their way to the exit. Growth companies that reward their high-performing teams and internal personnel rather than parachuting in new recruits will keep the culture that has been a cornerstone of their success. 3M is a good example of such a company.

6. **Honour.** Honour and integrity should be the absolute touchstone of the leader, but this too might require unlearning in an era where success can be based on things other than absolute principles. A few years ago, the Board of Directors of a major company met to review the firm's financial performance. In a relaxed moment, one of the Board Members, himself a company President, joked about his own lack of truthfulness. Laughter was shared around the table. Another Board member extended the joke with a personal example. Chuckles again. Perhaps co-incidentally the company seems unable to keep good people. Employees and customers want to be able to believe the commitments of senior people.

7. **Governance.** Trust needs to have a process and an arbiter for what is fair and right. Internally, the human resources function should do this. Externally, companies should have a method for governing the relationship with their customers and suppliers, including an escalation and resolution process when issues emerge that need to be resolved. Some companies use external consultants to develop the governance process and perform the role of arbiter. For example, I had the

opportunity to help an imaging company address and resolve relationship issues with its main Canadian distributor.

There are a number of other areas to consider in the development of trust in a company. You might want to read the following for additional perspectives:

- Building Trust at the Speed of Change by Edward Marshall (AMACOM, 1999);
- Discovering the Soul of Service, Professor Leonard Berry (The Free Press, 1999);
- Trust & Betrayal in the Workplace, Dennis and Michelle Reina (Berrett-Koehler Publishers, 1999).

Trust, like credibility and reputation, is hard to develop and easy to lose. All else being equal, customers would rather do business with companies they trust and employees would rather work for these firms. Companies focused on building trust should find they have tapped into a significant opportunity for competitive advantage, both in its own right and as the basis for successful management of customer relationships.

— Ian Gordon

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Ian Gordon is President of Convergence Management Consultants Ltd. (www.converge.on.ca), a management consultancy specializing in customer relationship management and the resolution of strategic marketplace issues. He is author of over 50 articles and three books. His recently released "Relationship Marketing: New Strategies, Techniques and Technologies to Win the Customers You Want and Keep Them Forever" (Wiley, 1999) provides a roadmap for a relationship marketer wanting to plan and implement relationship marketing in their company. He is also a featured public speaker at company events and industry forums. He can be reached at gordonih@aol.com.