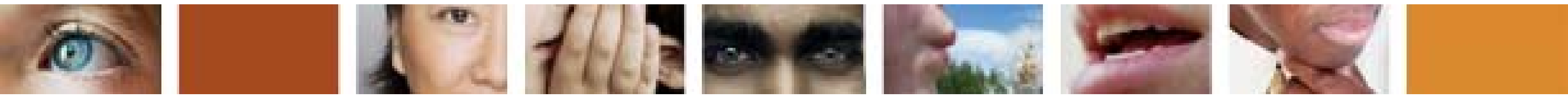
A TrustedAdvisor.com ARTICLE

Charles H. Green, 2006



The Business Case for Trust

Relevant Resources

Article:
Metrics and Trust

Article:
Build Trust Into Your Selling

Blog Post:
The Four Ways to Increase Trust in Business

Be honest. When you think of growth and profitability, is trust the first thing you think of? I doubt it.

The things that often come to mind when we talk about a successful practice are much more likely to sound like *sustainable competitive advantage, hardball, you get what you negotiate, be number one or two in your market, first mover advantage, lowest cost producer, or share of wallet*. But trust?

Usually we think of trust as an element that is nice to have, something associated with genteel behaviors which we can afford when things are going well but which have to take a back seat when push comes to shove. However, for those in the consultative professions or other complex intangible businesses—nothing could be farther from the truth.

What A True Trust Relationship Looks Like

A lot of what passes for trust isn't. Trust isn't high client satisfaction ratings—it isn't even "client delight." It's not loyalty, as measured by retention rates. And it certainly isn't being "client-focused," because a great deal of client focus is done solely for the sake of such things as increasing the seller's profitability and share of wallet.

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Trust is personal, not institutional; it's emotional, not just rational. Above all, it has to do with the firm's intent. Is your intent to help the client, or is it to make money by helping the client? Your client knows the difference.

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In one study of 2514 buyers by Bill Brooks and Tom Travesano (*You're Working Too Hard To Make The Sale*, Irwin Professional Publishing, 1995), 94% of buyers who bought on the basis of needs said they would "certainly" consider buying from another provider.

And 91% of benefits-based buyers said they would "probably" do so. But in stark contrast, 99% of those who bought on the basis of wants said they would "absolutely not" consider buying elsewhere. That's a dramatic difference – and it's the kind of difference trust makes.

Howard Schwartz was the head of the financial services practice at a consulting firm, when he got a call from his counterpart at McKinsey. "One of our clients has urgent need of a project. We have tried twice and failed to deliver satisfactorily. This work has to get done – would you folks do it?"

Howard couldn't believe it—a front door invitation to a McKinsey client. He took the job and his team did great work. But when he asked the client to consider doing more work with them, the client said "Thanks very much, great job, but we would never leave the firm that was big enough to bring you in. We know they'll always do what's right for us." "And," Howard said, "I couldn't blame them a bit."

The Economics Of Trust-Based Relationships

What happens when you get 99% declarations of absolute loyalty—when clients say they'll "never" leave you on principle? The economics are massive.

A Harvard Business Review article (*Collaboration Rules* by Philip Evans and Bob Wolf , 2005) by BCG suggests that the US GDP is comprised of roughly 50% transaction costs and that the primary strategy for reducing those costs is trust. 50% of an entire economy is pretty big.

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Now, on a micro-level, consider what happens when a client really trusts you. Your advice is taken; your insights are sought. Decision processes are fast-tracked. The costs of auditing, legal, and tracking disappear.

Your recommendations are taken at face value. The likelihood of RFPs is greatly reduced. You get asked in at earlier stages of issues. Disagreements are sorted out in furtherance of a long term good. Information is shared between professional and client, and points of view are welcomed rather than suspected.

Client loyalty based on trust is far higher and stronger than loyalty based merely on things like business processes or pricing.

The payables clerk gets your checks out on time, and you're upgraded to preferred provider status so "on time" means what it says. Pricing is accepted as "fair."

Finally, client loyalty based on trust is far higher and stronger than loyalty based merely on things like business processes or pricing. Mechanically, this raises the firm's profitability through reduced sales costs and higher margins. But, more importantly, it makes the firm far more effective in helping its client.

The Client Benefits Of Trust

What about the benefits to the client? Economic benefits are even greater and come at three levels. First, the direct costs per transaction with a trusted provider are lower.

Second, when a provider understands client needs, that supplier is likely to make more appropriate suggestions, to better anticipate emerging needs and to make better recommendations. Those benefits are indirect, but probably outweigh first level benefits.

The highest client payoff of all comes from the ability to trust immediately and completely the advice of a talented outside expert without spending any time or resources on tweaking, critiquing, hedging checking, auditing or second-guessing. At this level, professionals are as dependable as our most-valuable employees, yet with the added benefits of expertise and objectivity that come from being an outsider.

With that confidence in the pocket, a firm can afford to fast-track processes, make far

faster decisions, and take bold actions without fear. The benefits go past mere cost reduction, and instead towards achieving significant revenue and strategic enhancements.

The business case for trust ultimately rests far more on effectiveness than on efficiency. A trust-based client relationship enables far more effectiveness in the marketplace for both parties than do conventional relationships built on negotiations, contracts, and other indicators of arms-length treatment built on self-interest alone.

The only way to be trusted in the way I'm speaking of is to be worthy of trust—to be trustworthy.

The Economic Paradox

It's tempting to ask, "If all that's true, why isn't everyone doing it?" The answer is, because most of us have a really difficult time being trustworthy.

If a client trusts their provider in the way described above, the provider will be highly profitable and high-growth. But, if the firm sets out to be highly profitable and high-growth by means of being trusted, it will not work. Intentions matter and intentions are critical to being trusted.

The only way to be trusted in the way I'm speaking of is to be worthy of trust—to be trustworthy. The critical element to being trustworthy is to have the client's best interests at heart all the time. And that goes to intent.

To intend to place the client's interests first raises some radical implications. For example:

- The purpose of a sales call is not to get the sale, but instead to help the client;
- Your focus should be on work that needs doing, not on work that you can do;
- Your ultimate strategic goals should be client service, not competitive advantage;
- You should share, not hide, your economics with your client, because transparency fosters trust;
- You should write your proposals sitting next to your client.

The paradox is: If you are willing to let go of your own short-term, self-oriented goals, you will achieve those goals. Your influence is greatest when you're not trying to influence.

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Your profit is highest when your goal is not profitability by client service.

Barriers To Trust

Can it be done? Absolutely. Many successful individual professionals know the lessons of trust very well. But at the firm level, we have been seduced by the "reigning belief systems" of business: in particular, the ideas that business is about competition, and that ever-further refinement of measurements, particularly around client relationships, helps the economics.

Too many firms are focused too much on short-term measures and competitive definitions of success.

Just because you can run division-level client profitability studies every week doesn't mean you should do it. Just because you can calculate client share of wallet and hit rate on sales opportunities doesn't mean you should focus on it. Those efforts turn clients into objects, means to our own ends.

Too many firms are focused too much on short-term measures and competitive definitions of success. We need to remember that the best short-term performance comes from executing on a long-term plan or set of principles.

Trust is the goal. The powerful economics of trust are merely a byproduct.

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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