Barbara Brooks Kimmel Interviews Charles H. Green

May 15, 2010

Barbara: **Tell us a bit about your background, qualifications and expertise.**

Charlie: I grew up in the Midwest in an academic family. I studied philosophy as an undergraduate, and drove a taxi in NY part time. After realizing I knew little of the business world, I was lucky enough to get into business schools, and got an MBA from Harvard. I then spent 20 years working in general management consulting (the MAC Group and Gemini Consulting).

Consulting, it turns out, is very much about trust. You're selling air—confidence that you'll create ideas which, several steps down the road to concreteness, will benefit the client. And you're selling yourself, for that matter, which sets up all kinds of complications. Worse, consultants tend to be self-driven, neurotic loners—which is partly why they work so hard to succeed. It's a perfect environment for studying the functions and dysfunctions of trust.

In 1995, I left consulting and started doing training. I lucked into a major initiative with Deloitte, where a partner and I were asked to develop the concept of a trusted advisor. That led to publication of *The Trusted Advisor* (http://www.amazon.com/Trusted-Advisor-David-H-Maister/dp/0743212347/ref=sr_1_1?ie=UTF8&s=books&qid=1274095520&sr=8-) in 2000, with David Maister and Rob Galford. Of the three of us, I became the most fascinated with the idea of trust, and founded Trusted Advisor Associates. In 2005, McGraw-Hill published my *Trust Based Selling* (http://www.amazon.com/Trust-Based-Selling-Collaboration-Long-Term-Relationships/dp/0071461949/ref=sr_1_1?ie=UTF8&s=books&qid=1274015519&sr=1-1)

I do speeches on trust and trusted relationships in business, and with my fellows at Trusted Advisor Associates, we do training, coaching and diagnostics on trusted business relationships. I write a few magazine columns, including at Businessweek.com and RainToday.com.

Barbara: **Trust Across America's mission is to rebuild trustworthy behavior in America, starting with public companies. How would you generally define trustworthy behavior? And what are some of the specific components of trustworthy behavior in your opinion?**

Charlie: That's an important question. Trustworthiness is an attribute not of a relationship, or of one who trusts, but of the one who wishes to be trusted. To me, the answer lies in the Trust Equation: a concept we developed in The Trusted Advisor. The trust equation combines the four most common and powerful components of trustworthiness in the following format:

$$\text{Trustworthiness} = \frac{\text{Credibility} + \text{Reliability} + \text{Intimacy}}{\text{Self-Orientation}}$$

Credibility is mainly about what we say: can I believe what he tells me?

Reliability is mainly about our actions: can I trust her to consistently do what she says?

Intimacy is mainly about safety: can I trust him to not abuse my confidences?

Self-orientation is the most powerful of the four, as indicate by its sole presence in the denominator; it is about to whom you are paying attention. If someone is focused on themselves and not on me, then to that extent I don't trust them. But if they seem genuinely to be focused on me, then I'm strongly inclined to trust them. It isn't just about selfishness; it's about who their attention and intentions are aimed at.

So back to your question. I would define trustworthy behavior at the individual level as being credible, reliable, respectful, and interested in my well-being.

At the corporate level, I think the answer has to be a little different, because it just doesn't make sense to say that companies are "intimate" or "self-oriented." But we *can* say a company is trustworthy if it supports its people in exhibiting those characteristics in systemic ways. That is, we might define a trustworthy company as one that encourages trustworthy behavior at all times between individuals.

Now, that makes sense. And we can also take it one level more specific: there are certain principles that such companies follow. I've defined the Four Trust Principles as follows:

- A focus on the customer (or client) for the sake of the customer, not for the sake of the company itself;
- A habit of collaboration—working together with stakeholders, not in opposition to or apart from them;
- A focus on the medium-to-long term, which manifests in seeing relationships rather than transactions;
- An instinct to transparency, except where illegal or harmful to others.

Those are principles that can translate into behavior. There are therefore trainable, and measurable. And those are what I would point to as indicators of trustworthiness at the corporate level. If a company exhibits those four principles in all its affairs, I would say that is most likely a trustworthy company.

***Barbara:* We all know that the erosion of trust is a big problem in corporate America. What are companies doing to combat this, and is it enough?**

Charlie: Whatever they're doing, it's clearly not enough. Longitudinal metrics indicate people's level of trust in institutions, government, and certainly business, have been in decline for well over a decade now. And other indicators of social trust in the US are also declining.

In fairness to companies, it's not a problem they can necessarily solve on their own. But I do think that corporations nonetheless could play—if those chose to do so—the most important role of all in improving trust. The government, any government, is not in a position to legislate trust, because trust has to exist independently of, and logically prior to, the laws. If you've got trust, you can pass laws; but just passing laws won't create trust, in fact it can destroy it.

Here are some things companies are doing, and should be doing.

1. Making Trust a Business Problem Statement. Companies are, unfortunately, all too often turning the quest for trust into another business school case, to be solved with the usual application of goal-setting, gap assessment analyses, business process design, metrics collection and behavioral incentives. This is mostly doomed.

Trust is not a business process. It's a complex emotional interaction between human beings. It involves risk, emotion and vulnerability. The idea that you can entirely quantify vulnerability is to turn it into something else. The idea that you can incent non-selfish behavior is a contradiction in terms. The idea that you can measure trust when you can't even define it is dangerous (consider, "I trust my dog with my life—but not with my ham sandwich," and think about the constraints that word places on doing trust surveys).

Trust is one of those problems that is not going to get solved at the level the problem has been defined. We're going to have to look outside normal business processes to get solutions.

2. Attacking Trust With Structure and Enforcement. There's a tendency to see societal trust issues solely in terms of cases like Bernie Madoff. Our society's knee-jerk response to a Madoff is to pass more laws preventing doing X, or calling for more disclosure, or adding to the budget of our enforcement mechanisms or to penalties.

You can make certain behaviors illegal, but that has limited impact on trustworthiness. You can call for more disclosure, but that tends to complicate matters (think Sarbanes Oxley), and often make people be less candid (again, Sarbanes Oxley). And in Madoff's case, the existing penalties were enough to put him away for life already.

Worst of all, those kinds of remedies encourage check-box compliance. Think about how many organizations these days have an "ethics and compliance" department, or policies, or programs. One of the worse things that have happened to corporate trust is that companies have begun to confuse themselves and everyone else by conflating those two terms.

Ethics is about doing things that are right—*because* they are right. Compliance is about complying with laws, because it's generally bad for your corporate health to get caught doing things illegal. And so we end up with business processes again, and regulation by checkbox.

What this does is erode any sense of ethics. And the result is evident. We have health insurance companies testifying in congress that they wouldn't voluntarily get rid of abhorrent rescission policies *because* they weren't against the law—with little or no sense of guilt or shame. We now have companies and individuals routinely defaulting on loans because it no longer makes financial sense to honor the contracts. We are systematically stripping the ethics right out of our business relationships, in favor of self-aggrandizing behaviors—and then justifying it with rationale's like 'the market is self-regulating,' and 'the purpose of a company is to make a profit.' These beliefs lie at the heart of our difficulty in getting business to lead the way to a better sense of trust.

3. **Companies Should be Looking Hard at Trust and Business Principles.** The simple truth is, from a purely financial viewpoint, a company operating according to the Trust Principles will most often do better financially than a company consistently violating them. More often than not, doing good is also a recipe for doing well.

You know and will interview other people who can make this case with data, and better than I can. I just want to comment that, if you have a long-term company's interest at heart, you'll do better behaving in a trustworthy manner than not.

That raises an interesting question: So, why don't companies do that? And the answer, I think, is fear. We have raised an entire half-century of businesspeople on the central idea that they are competing with everyone else. Competition is the ideology of our times.

And at a time in world history where we are interconnected at unprecedented levels, where are our actions on Wall Street affect pension funds in Iceland, where oil drilling policy decisions in Washington affect shrimpers' livelihoods in Louisiana, where "six degrees of separation" is a vast understatement—this is just about the worst ideology you could dream up. We need to alter our belief systems.

And yet we are afraid. Afraid that our competitors are going to get the jump on us. Afraid that our employees, or our customers, will take advantage of us. Afraid that if we don't have airtight legal documents around conversations, documents, language, communications—that we will somehow come to harm. We are creating a business environment which resembles gated communities, and it is killing our economics.

***Barbara:* Is the "trust" climate in corporate America improving or worsening? What actions will turn things around?**

Charlie: I think the trust climate has clearly been worsening in recent years. Personally, I do believe that it will change, and turn around, if only because I believe in reversion to the mean, and because I believe that the world can't well survive if it continues to degrade trust. And so, we'll figure it out.

But when is another matter. As they say on Wall Street, the market's irrationality can outlast your liquidity in betting against it. It will change when it gets so bad it has to change, much as it probably took the BP disaster in the Gulf of Mexico to produce a change in deep-water oil drilling safety procedures.

I think what will change it is less about actions, and more about realizations. People who have come to appreciate the power of trust are very often people who have seen the dysfunction of the absence of trust, and have come to realize that things actually could be really, really better. They can see what is, and what could be, and notice the gap, and notice that it doesn't have to be.

So the best actions to take are ones that help people see how hugely ineffective a low-trust world is; and how powerfully better a high-trust world could be. Steven M.R. Covey Jr. is doing a great service by making hugely popular the simple, powerful concept that trust makes things faster and cheaper. Period. It's an economic principle we can all grasp.

I think it helps to have people like Jack Zwingli and Martha Rogers & Don Peppers out there pointing out the hard numbers, that trustworthy and ethical behavior is actually more profitable behavior.

In the US, campaign finance reform would be wonderful, even though I don't see it anytime soon. Wonderful because so, so much of politics is about getting re-elected, and that takes money, and money increasingly comes from companies. You cannot get long-term thinking from people whose jobs are dependent on constantly getting money from companies, and therefore they're not going to behave in the best long-term interests of others—like the voters. In this respect, other countries, which mandate public funding of electoral campaigning, have got it very right over the US.

Publicity is important. What you and Jordan are attempting to do—cast a spotlight on companies whose behavior is trustworthy—is also very valuable. It helps people recognize what is and what could be, and to ask 'hey why not us, why not me?' And that's how things change.

Barbara: **Can you provide a few examples of companies that are doing the "right" thing in your opinion? What steps are being taken by these companies?**

Charlie: You know, that sounds like the simplest question in the world. And yet it isn't. I'm not entirely sure why, but I just can't point to one single company and say wow, those people really get it, they absolutely have it.

Partly that's because not all industries are the same. There are some legitimate limits on transparency in the pharmaceutical industry; unfortunately, that's help excuse a whole lot of illegitimate limits on transparency.

I think of Steve Jobs and Apple as being highly trusted, by stockholders and customers and many employees, to provide innovation on a regular basis. They rate highly on customer focus on this sense. Yet Jobs is notoriously secretive, even inviting lawsuits; and the company is only selectively collaborative.

Some of the retailers—Nordstroms, Zappos, L.L. Bean—have to rate highly, though even there not every component of trust principles are equally apparent. Johnson & Johnson has for decades been highly trustworthy based on its Credo—but several recent behaviors have gotten them seriously criticized.

I think you have to look more at best practices across each of the four Trust Principles, and probably across industries, to find a powerful answer to your question. It's deceptively simple, but how do you compare the trustworthiness of L.L. Bean with that of Fidelity? As with so many things trust-related, you have to break it down a bit into constituent pieces, and ask "with respect to what?"

That doesn't mean it isn't a great question. It's just that, like with many great questions, the great answers are rich and situational.

Barbara: Charlie, thank you for taking the time to address these timely questions. For more information, please visit Charlie's website at www.trustedadvisor.com