

a mini guide to
trust



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Trust is about confidence in a person or organisation. It means that you believe that you can rely on them, that they will meet their obligations and they will not deceive you.

THE BENEFITS OF TRUST

Research published by the Harvard Business Review examined the value of trust in the business supply chains of the 8 biggest car manufacturers in the US, Japan and S Korea with their 435 suppliers. Those relationships with high levels of trust had substantially lower costs. The manufacturers with the lowest trust ratings spent nearly half their face-to-face time with suppliers on unproductive transaction matters, whilst those with high levels of trust only spent one quarter of this time on such matters.

Purchasers at the highly trusted manufacturers were freed from checking up on their suppliers and so handled twice the value of goods as the least trusted manufacturer. In addition, they also exchanged more ideas on how each party might improve their processes and so gain competitive advantage.

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THE INFLUENCE OF CULTURE

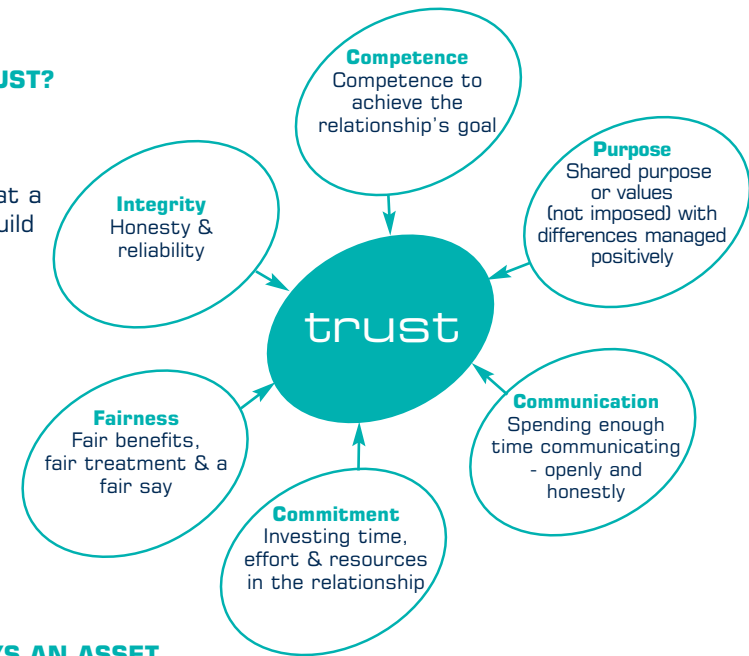
The meaning of trust can vary between cultures. For some, honesty will be paramount. For others it might be shared values (e.g. family), or the relationship itself may take precedent over getting the facts right. It is therefore important to be aware of what the other party expects.

THE TRUST ADVANTAGE

- Lower costs
- Improved productivity
- Enhanced innovation
- Knowledge sharing
- Lower staff turnover
- Reduced strike action

WHAT BUILDS UP TRUST?

Studies have shown that a range of factors help build trust:



TRUST IS NOT ALWAYS AN ASSET

Beware of blind trust. It encourages cosiness, collusion, cronyism and corruption. Networks of trust relationships can also be vulnerable if they operate at the expense of third parties. Examples can be seen in the way the Japanese banking industry made loans in the past. Establishing some review and monitoring procedures between two parties, particularly in complex relationships, can ensure that trust is working positively for you.

WHEN IS TRUST APPROPRIATE?

If trust is not always appropriate, how do you choose? Here are some factors to consider:

- your own track **Record** or experience of the person/organisation
- **Recommendations** (or referrals) especially from those you trust
- The **Reputation** of that person or organisation
- The **Risk** equation i.e. the cost if the relationship breaks down balanced against the benefits you might lose if you don't trust each other

Trust is difficult to gain and easy to lose. Studies show that its presence is often an excellent single indicator of many aspects of good relationships – in business and elsewhere.