Trusted Advisor Workshop

The Art of Forming and Managing Business Relationships

Clear expectations are vital to managing relationships. This article investigates the fundamentals of professional service relationships by providing a framework for grouping different relationship types as summarised in the Relationship Matrix. This Matrix has been used in a wide range of service industries including IT, Legal, Management Consulting and by a range of Government groups at both a State and Local level.

This approach to relationship management argues that it is the service provider's role to manage the relationship, and that the ideal relationship is one that exceeds client expectations while conforming to the service provider's ideal level and style of service. The initial and perhaps most important step of managing a relationship is to manage the process of clarifying expectations. Good relationships are the result of effectively managing the escalation effect. This often requires a systematic lowering of customer expectations so the service provider can ensure they consistently match or even beat these expectations. Changing the 'what' areas of the relationship involves negotiation while changes to the professional depth of the relationship must be earned using interpersonal techniques as discussed in this document.

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Clear expectations are vital to managing relationships. This article investigates the fundamentals of relationships by identifying different relationship types as summarised in the Relationship Matrix. This matrix analyses relationships on two axes - type of service provision and relationship quality.

The service provider's role is to manage the relationship. The ideal relationship is one that exceeds client expectations while conforming to the service provider's ideal level and style of service. The initial and most important step of managing a relationship is to manage the process of clarifying expectations. Good relationships result from effectively managing the escalation effect which involves systematically lowering customer expectations so the service provider can ensure they consistently match or even beat these expectations. Changing the 'what' or service provision axis of the relationship involves negotiation while changing the relationship quality must be earned using interpersonal techniques as discussed in this document.

The Idea At Work

What is the Relationship Matrix?

The Relationship Matrix pinpoints the type and quality of a relationship. The six service provision relationship types and five different relationship qualities are summarised in the following two tables:

TYPE OF SERVICE PROVISION	DEFINITION	MANAGEMENT STYLE
Vendor	Provides a product or the specific technical expertise requested.	Autocratic
Supplier	A vendor plus TQM (Total Quality Management) which improves the service with each client interaction	Responsive
Provider	A provider that demonstrates flexibility to a clients' general feedback	Flexible
Contributor	A provider that is more active in solicitation of feedback from its client	Active
Trusted Adviser	Contributor where virtually all issues, both personal and professional, are open to discussion and exploration	Pro-active
Partner	A Trusted Adviser that is remunerated through profit sharing	Share Responsibilities

LEVEL	QUALITY OF RELATIONSHIP
A	Core business value
B	Core business value plus value added products and services
C	Preferred supplier that demonstrates integrity and reliability.
D	Expert in the core business as well as key products and services
E	The highest level of trust and commitment that involves joint planning and team work to refine the process to achieve both sets of objectives, that is the service provider and the client work together to meet joint business objectives

Building Inter-departmental Social Capital

Common wisdom suggests people are an organisation's greatest asset. While comforting, this familiar adage is fundamentally flawed. Rather, it is the relationships between people, between departments and between organisations that matter most.

Businesses run better when key relationships are well managed. This type of interaction involves an internal client and internal service provider relationship. Building this 'social capital' means forming the most appropriate and highest quality type of service provider relationship. In today's environments of constant change in organisational structure and staffing, building this 'social capital' requires strategic relationship management.

What are the benefits of strategically managed relationships?

1. Clients will approach service providers more often for advice on issues that are advanced and strategic covering a wide range of topics.
2. Increased client acceptance of the service provider's advice.
3. Clients treat the service provider with respect.
4. Clients share information and earlier in the issue formation phase. This makes it easier to deliver quality advice.
5. The service provider enjoys a lower level of stress in their client interactions.
6. Clients are more inclined to give their service provider the benefit of the doubt, overlook mistakes, warn of dangers, or even protect them from other parties within their own organisation or department.

We would all like relationships like this with our clients. This document focuses on the first step of the process in successfully creating these types of relationships.

The Relationship Building Process

Good relationships do not happen by chance. Whether we are aware of it or not, most good relationships are built using a process similar to the diagram below.
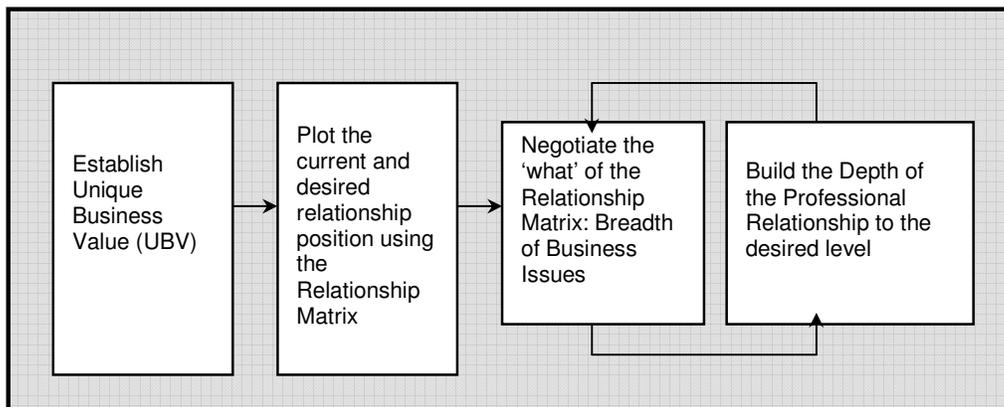

Establish Unique Business Value (UBV) → Plot the current and desired relationship position using the Relationship Matrix → Negotiate the 'what' of the Relationship Matrix: Breadth of Business Issues → Build the Depth of the Professional Relationship to the desired level

Figure 1: The Relationship Building Process

This document will first define the Relationship Staircase and Relationship Matrix. It will then explore the possible types of relationships in terms of breadth of business issues and depth of personal relationship. Finally we will look at how these concepts can be used to effectively manage relationships.

The Relationship Staircase

There are fundamentally different types of relationships. Each type has very different expectations. Understanding this is vital to effective relationship management. When a client and a service provider have different concepts about what their relationship is based on, conflict and disappointment tend to follow. This is because both parties need to agree on what the fundamentals of their relationship are before they can begin building the quality of this relationship.

To form the most appropriate type of service provider relationship we will first need to explore what types are available.

Figure 2 summarises the different forms that a service provider relationship can take. (This model is applicable to all relationships not just business relationships). Relax some of the business terms and this model can also be used in friendship where the unique business value (UBV) may be companionship, marriage (where the UBV might be sex or true love) or family relationships.

Figure 2 looks at both the level of service and the quality of the relationship. You will notice that the graph suggests that as the service provider grows in terms of the breadth of issues covered, generally the quality of the relationship is assumed to grow. This assumption causes by far the majority of conflict. While this is the assumed relationship growth path, in fact each relationship type (breadth of business issues) can be maintained independently of the depth of the professional relationship. The Relationship Matrix is designed to chart this.

While the level of service impacts the amount of client contact time and personal contribution required, the quality of the relationship is built on qualities such as the level of trust, credibility, respect and goodwill.
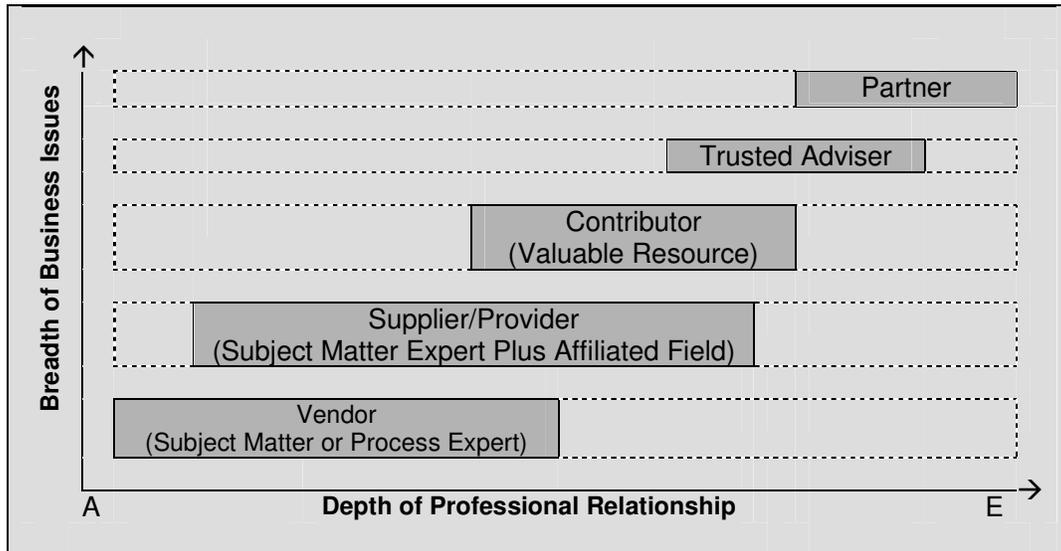
Figure 2: The Assumed Relationship Staircase

Introducing the types of service provider relationships
(Matrix: see page 7)

As the service provider roles move from 1 to 6, the relationship becomes more interactive. The service provider also demands more time from the client, it becomes more resource expensive, requires more customisation and creates a greater level of interdependence. Levels 1 to 5 are a function of the breadth of issues versus what the service provider is offering, that is the range of business issues that the service provider gets involved with.

There are six possible types of relationship a service provider can adopt: Vendor, Supplier, Provider, Contributor, Trusted Adviser and Partner. These six service provider types are described below:

A **Vendor** provides a client with either a straightforward product or specific technical expertise requested. Good vendors will have clear processes, systems and policies to deliver their product in a reliable manner. A vendor may also take the form of a Subject Matter or Process Expert, generally performing a specific task or 'once-off" service that involves highly developed technical skills. The management style of a vendor is generally autocratic. Vendors may perform with excellence and expertise but their activities are limited in scope and responsiveness in terms of client feedback.

An example of a vendor relationship is a milk vendor that delivers milk. The vendor will do this reliably under the agreed rules that include variables such as what time the milk will be delivered, the procedures for changing your order and how price changes will be communicated.

A **Supplier** is similar to a vendor in that they provide a client with a product but also include some form of TQM (Total Quality Management) to improve their service with each client interaction. A supplier management relationship is generally more responsive. For example, continuing the milk example, a milk supplier will seek to improve on what they delivered yesterday by leaving the milk in the shade.

A **Provider** is similar to a supplier but with the flexibility to respond to a client's general feedback. The management style of a provider is more flexible. For example, communication is via negotiation, conflict resolution and education.

Continuing the milk example, a milk provider will deliver his or her milk earlier on the basis of feedback from clients shared via a simple client feedback form.

A **Contributor** is similar to a provider but is more active in soliciting feedback from the client. A contributor will work with the client to offer market driven value added products and services that are often, by nature, distributor focused.

Continuing the milk example, a milk contributor will work with their clients to offer other products such as yoghurt, custard and perhaps even daily newspapers.

A **Trusted Adviser** takes the contributor relationship style to the next level. Virtually all issues, both personal and professional, are open to discussion and exploration. The trusted adviser is the person the client turns to when an issue first arises, often in times of great urgency such as a crisis, change, triumph or defeat.

Issues at this level are no longer seen merely as organisational problems. Rather they also involve a personal dimension. Becoming a trusted adviser requires an integration of content expertise with organisational and interpersonal skills.

At this level the service provider is more likely to be consulted on broad strategy issues related to their specific expertise but not limited only to that expertise. The service provider is no longer seen as just having technical expertise or problem solving ability but also the ability to put issues in context and provide perspective. The service provider begins to offer advice proactively and identify issues in an organisational context.

Continuing the milk example, the trusted advisor will consult on nutrition, child health and cooking with dairy products.

A **Partner** is similar to a trusted adviser but someone who will also develop solutions jointly with a client. A partner will trust their partner and share their values, risks and gains. A partner will empower their fellow partner and facilitate improvements in the relationship.

Continuing the milk example, a milk partner may work with a client to provide different types of milk for a special occasion or needs that will improve your sales, with the milk partner maybe taking a share a percentage of the increased profits.

Progression through the relationship types takes place through negotiation (For a full discussion on negotiation, read "Do the Numbers Get in Your Way?" (HBR, 2004), and "The Only Four-Page Guide to Negotiating You'll Ever Need" (HBR, 1996)). For example you may be in a vendor relationship but see that it would be more profitable for you and the client if you brought additional services or products to the table, thus upgrading to a supplier relationship. This upgrade would happen by you persuading the client to use effective negotiation techniques.

Relationship Quality – Depth of Professional Relationship

Independent to the form that a relationship can take, the quality of a relationship can also vary depending on the level of trust, credibility and reliability. Improving the quality of a relationship brings into play the benefits of trust discussed at the beginning of this document such as enjoying lower levels of stress, getting the benefit of the doubt and improved information sharing which makes it easier to deliver a quality service. It also has a significant effect on your ability to negotiate (For more information on this topic, see "For Better or Worse: How Relationships Affect Negotiations" (HBR, Vol 7, No 11, 2004)). The quality of the relationship can be graded from A to E and as described below.

At the initial phase of a relationship, **Level A**, the desire for the relationship is established through the provision of a Unique Business Value (UBV). The client treats the relationship as transactional. The service provider must prove itself and compete on price each time. At this level the relationship is just a commodity to the client. Level A is characterised by greater risk and higher per unit sales costs.

At the next level of a relationship, **Level B**, the service provider builds on its core business by providing value added products and services. In this context both parties agree on the tasks, relationship objectives and value added services. The service provider gives advice on other services that the client values. The client does not necessarily initiate contact when they have a new need, but they do depend on the service provider for information and recommendations on how to use the products or services they provide as effectively as possible.

The next level of relationship, **Level C**, is the preferred supplier status demonstrating integrity and reliability. At this level, the client appreciates the value of the service provider and spends less time checking product quality and negotiating price thanks to them having an established relationship.

At **Level D** the service provider is the expert who is able to clarify the client's needs as problems arise. At this level, the client identifies a broad business need but calls the service provider to help clarify this need. The client regards the service provider as an expert and looks to them for advice on specific solutions. The service provider scopes this solution.

At **Level E**, which is the highest level of trust and commitment, the service provider joins the client at the planning table. The relationship involves joint planning and teams work in terms of refining the process to achieve each party's objectives. This means the service provider and the client work together to meet joint business objectives.

What does trust look like in a business relationship context? A trust based relationship grows rather than just appears. The client and adviser experience it differently. It is personal, both rational and emotional, and presumes a two-way relationship.

Using the Relationship Matrix

Role	Five Levels	Client Needs	Core Needs	Value Add	Manage-ment	Communication
1 Vendor	A B C D E					
		Physical	Product	Support	Autocratic	Negotiation
			Processes	Clear		Conflict resolution
			Systems	Reliable		Education
			Policies	Clear		
2 Supplier	A B C D E					
		Security	Product	Support	Responsive	Negotiation
			Processes	TQM		Conflict resolution
			Systems	TQM		Education
			Policies	TQM		
3 Provider	A B C D E					
		Interaction	Product		Flexible	Negotiation
			Processes	Feedback considered		Conflict resolution
			Systems	Feedback considered		Education
			Policies			
4 Contributor	A B C D E					
		Customisation	Product	Market driven	Strategic	Negotiation
			Processes	Distributor focused		Conflict resolution
			Systems	Distributor focused		Education
			Policies	Distributor focused		
5 Trusted Adviser	A B C D E					
		Customisation	Product	Jointly developed	Consultative	Empowerment
			Processes	Jointly developed	Committed	Facilitation
			Systems	Trust		Education
			Policies	Shared values		
6 Partner	A B C D E					
		Inter-dependence	Product	Jointly developed	Consultative	Empowerment
			Processes	Jointly developed	Committed	Facilitation
			Systems	Trust		Education
			Policies	Shared values		
				Shared risk		
				Shared gain		

Figure 3: The Relationship Matrix

What is important is that both the service provider and client understand and agree how the relationship is defined.

If the client and service provider have different understandings of the 'what' and 'how' of the relationship, it will lead to fundamental conflict where expectations are broken causing deep seated distrust and a breakdown in the relationship.

A common misalignment that occurs is when the service provider wants to be further down the matrix and the client wants a service provider to be closer to the top of the relationship matrix. This means the service provider is providing a higher level of service, expecting a higher level of respect and using a greater level of the client's time than the client expects to be given. This can cause the service provider to feel under appreciated or to charge the intrinsic value of the product or service they are providing. In this situation, both parties need to discuss where they are on the relationship matrix and negotiate the type of relationship they both want and that will work best in the current situation.

As the breadth of service provider's type is negotiated, the quality of the relationship can only be changed through effective relationship management.

Once both parties understand and agree how the relationship is defined, the quality of the relationship can be improved. This means ensuring the relationship foundations are strong with a clear UBV, and building relationship qualities such as trust, reliability, credibility and creative authenticity.

Cementing the Relationship Quality Through UBV

To build the quality of a relationship the most important first step is to ensure the Level A foundations are set and formed around the UBV (Unique Business Value). Without a clear, concise and accepted UBV the relationship cannot move beyond level A. The strength of your negotiations to move closer to Partner status is based on the strength of your Unique Business Value or UBV. The stability of a service contract is directly linked to the perceived bottom line core business impact it has on the purchaser.

If this business value is not clear in the mind of both the service provider and the client there is no clear basis for a long-term relationship. Put simply, the UBV of the contract must underpin the relationship at every level and transaction point.

The UBV is the unique business value that one supplier can provide that cannot be matched by another supplier. A successful industrial services relationship has, at its core, a clearly articulated UBV that is understood at all levels by the service provider and service purchaser.

UBV is the absolute cornerstone of the relationship management process. Without it the service provider will deliver incongruent messages, both internally and externally. This will cause confusion at all levels within both organisations as to why the relationship even exists. It will also cause confusion about the core service and value added services which, in turn, can lead to the provision of frantic unappreciated activity.

A UBV that works will have the following attributes.

- **Clarity:** The team clearly knows exactly what it is.
- **Articulation:** There is a consistent perception among the team and its clients about the core service being provided.
- **Singularity and simplicity:** The UBV is not a bit of this and a bit of that. These are often the value added services.
- **Competitiveness:** It may not be the most profitable part of the service provision but it is valued by the client. (Sometimes the UBV is the basis of the relationship but it's the value added services that make the service provider profitable.)
- **Necessity:** It answers the question "What service *must* the service provider give for the relationship to continue."
- **Staff Knowledge:** It is crucial that the service provider team knows what its UBV are and that they are unified as a team to ensure the service is provided to a consistent and satisfactory quality.

The strategic approach focuses on identifying the global UBV for the client contract, determining how it can be adapted to the needs of individual divisions and developing communication and activity to reinforce this UBV.

For the service provider, the strategy comprises of three sequential steps. The first is to identify the UBV for the client contract. The second step is to develop UBV key messages. The third step is to ensure the client understands and appreciates the UBV.

The guiding principle of the strategy is to ensure that all communication about the UBV is congruent and consistent. While it may be communicated in differing formats for particular divisions, the underlying theme must be congruent with the global UBV. This will assist in the development of a uniform perception about the business value of the contract.

Quantifying the Strength of the UBV

Completing the following exercise helps to quantify the strength of your UBV.

Future Vision										Current Reality	**Total**
0	1	2	3	4	5	6	7	8	9	10	

Based on want										Based on need	**Total**
0	1	2	3	4	5	6	7	8	9	10	

Commonly offered										Uncommonly offered	**Total**
0	1	2	3	4	5	6	7	8	9	10	

Unable to produce a bottom line benefit					Able to produce a measurable bottom line benefit						**Total**
0	1	2	3	4	5	6	7	8	9	10	

Complicated and easily misunderstood					Simple and simply understood						**Total**
0	1	2	3	4	5	6	7	8	9	10	

Unappreciated by the client					Highly appreciated by the client						**Total**
0	1	2	3	4	5	6	7	8	9	10	

Misunderstood and not accepted by everyone in the organisation					Understood and endorsed at all levels within the organisation						**Total**
0	1	2	3	4	5	6	7	8	9	10	

Poorly delivered by the service provider					Brilliantly delivered by the service provider						**Total**
0	1	2	3	4	5	6	7	8	9	10	

Soon to be discontinued					A long enduring element of the business						**Total**
0	1	2	3	4	5	6	7	8	9	10	

Total UBV Score

Building Trust

Once the UBV is clear, the service provider is ready to develop the depth of the relationship depth and a degree of trust with their client through the development of credibility, reliability and creative authenticity.

Credibility can be built through honesty, being up front and never exaggerating. Furthermore the service provider must avoid saying things that others may construe as lies. Be up front when you don't know. Say so quickly and directly. When you do know, don't show off. Make sure you know by doing your homework. Know the client's drivers, marketplace and key individuals and keep your knowledge current.

How you communicate can build credibility. Speak with expression. Use body language, eye contact and vocal range. Show the client you have energy about the subject at hand. Love your topic. It will show.

Your mood can have an enormous impact on your credibility. Relax. Believe in yourself.

Reliability is a cornerstone in developing a quality service provider relationship. Beating expectations is the key to building reliability. This involves the service provider consistently exceeding expectations by consistently lowering the expectations of the client. For example, if you know you can have the work done by Thursday afternoon, negotiate the deadline as Friday so that when you deliver Thursday you have exceeded the client's expectations (for further discussion managing expectations, see "Anchoring the Big Picture" (HBR, 2004)).

There are a number of other activities you can undertake to build reliability. Create reliability around specific commitments to the client based on small things.

For example, be reliable in terms of meetings. Send meeting materials in advance so the client has the option of reviewing them in advance so the meeting time can be used for substantive discussion. Ensure meetings have clear goals and that you meet these goals every time. Don't just use agendas that are not linked to the greater plan. Before distributing the agenda, review it with your client. Ensure the client knows that you will always solicit their views on how time during a meeting will be spent.

Be reliable about scheduled events. Reconfirm scheduled events before they happen. Announce changes to scheduled or committed dates as soon as they change.

Creative Authenticity is also imperative to the ideal trust-based relationship. Building creative authenticity usually involves being courageous. Being out of action or saying nothing due to fear is not acceptable because it destroys authenticity. Remaining authentic can be particularly difficult when dealing with challenging clients and people. But creative authenticity can often find a solution (a full discussion of this can be found in "When Life Gives You Lemons: How to Deal with Difficult People" (HBR, 2004)).

Building creative authenticity obviously involves being authentic. It involves finding the fun and fascination in the current situation and testing whether you are coming too close or pushing it too far too fast.

Finally, building creative authenticity involves being client focused rather than self focused. This means listening to the client and discovering the solution together without pre-supposing an answer.

A Model for Success

In this article we've focused on the Relationship Matrix as a framework to clarify some of the most important expectations of a professional relationship. We looked at the different relationship types and levels of depth. We have also investigated how to change the relationship by:

- Establishing the UBV
- Plotting the relationship position on the Relationship Matrix
- Developing strategies to align expectations
- Negotiating the breadth of the business issues
- Managing the depth of the professional relationship.

This process enables long-term relationships to be formed on the basis of clear expectations, deliverables and value.

Exploring Further

Related readings

"The 2001 HBR List: Manage Relationships, Not Individuals" (HBR, 2001).
"Building the Emotional Intelligence of Groups" (HBR, March 2001).
"The Only Four-Page Guide to Negotiating You'll Ever Need" (HBR, 1996).
D.H. Maister, C.H. Green & R.M. Galford, The Trusted Advisor. Free Press, 2000.