Relationships in a crisis of trust

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Banks and insurance firms experience it daily. The media reinforces it, and it is here, the crisis of credibility. Clients question their trust into the institution, and the relationships start to break apart. Small client experiences, where promises are not met, reinforce the trend. It's not about reality – it is the expectations that matter and they are hard to control. What can leaders and employees in such firms do? Rather than recipes, here are some thoughts.

The facts are clear. A relationship is the prerequisite for any business transaction. In times when work cannot be accomplished by one individual alone, it is the unique task of leadership to establish relationships among people. It is the foundation for collaboration. Collaboration also requires trust.

Trust is a prerequisite for any relationship. Trust has many advantages. It enables speed. With trust, things can get done without bureaucracy. It commits. The intrinsic motivated contract is stronger than any formalism. It is reciprocal. Trust is a delicate balance between give and take. It reduces transaction costs. This is likely the most interesting area for cost reductions. It makes bureaucracy redundant. Controls go against trust. Less control raises the need for trust. But trust without control is careless.

These facts lead to the core of my thoughts. Leadership needs to enable trust in order to establish lasting relationships. Leadership is a mutual relationship: "Without a servant, the king is not king". Trust enabling leadership implies the same behaviors towards the inside and to the outside of the organization. Or, in reverse, when trust is the foundation for any relationship, then it is worthwhile to first establish trust from within. Trusted leaders develop trusted employees. They use this strength to establish trusted relationships with their clients. The reverse logic is equally valid.

Trust is the foundation for any creation of value.

With this, the circle closes to a simple statement: There are no valuable relationships with your clients without the trust of your employees. Collaboration will not occur. Employees run against missing trust. Transaction costs are very high.

The crisis is self-made. The only recipe is: Trust requires „Work on the system“. In banks and insurance firms, trust is the product or service. Trust is a fragile balance. It is worthwhile to invest into the right design of the product “trust” to gain credibility.

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