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The Client's Role in Building Business Relationships

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John I. Todor, Ph.D., Managing Partner of The Whetstone Edge, LLC interviews **Blake Hendrix**, Founder of saltmineconsulting.com about business relationship building strategies discussed in his new book, *Accounting, Finance and Presentation for Small Business*.

John

Relationships are critical to business success. This is espoused by people in all sorts of industries. In fact, a recent EIU study reported that over 90% of executives believe that in today's marketplace, customer relationships that enable a company to engage customers, not products, are the major source of competitive differentiation. Yet, much of the relationship building advice boils down to advising businesses to be nice to customers.

While your book deals with Accounting, Finance and Presentation for Small Businesses, it really deals with a critical aspect of relationships. Relationships that work are mutually beneficial and both parties are active participants. The perspective that you take that is unique and important is what the small business person can do to cultivate a better relationship with their banker and others who impact the financial side of their business. Most typically the small business person would be seen as the customer and it would be the banker who would be encouraged to cultivate the relationship.

One could argue that if you are a small businessperson, it is in your best interest to nurture mutually beneficial relationships with all the businesses you deal with. At one level this seems obvious, but I don't know of anyone else that suggests such a proactive approach on the part of the second B in B-to-B.

In this interview, I would like to draw on your experience as a banker and small business consultant to get a practical understanding of how and why this perspective on relationship building makes sense.

Blake, one of the things I enjoyed about your book was the stories. They made accounting and finance interesting but also made the point clear and put it in an everyday context. Can you tell us a story that illustrates the sort of relationship building on the part of the small business person?

Blake

John, in Accounting, Finance and Presentation, I make the point at the beginning of the book how important trust is in getting what you want as a businessperson. I

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consider trust and credibility to be the primary requirements of a mutually beneficial relationship. Here's a story that illustrates the point.

Jimmy visits me to renew and increase his \$1,000,000 line of credit. He doesn't exude command of his business's performance and needs. He isn't dressed in a professional way, down to the mud caked on his shoes. This is a signal that he is not taking our meeting seriously. Not only will I have a hard time with his renewal, but also I'm reluctant to increase his line of credit.

He tries to paint a rosy picture about the status of his business. "Things are great; I had to add ten new employees to keep up." When I sorted out his real financial picture from a poorly organized set of documents, the picture was quite different. When I pointed out the facts as I saw them he barked back, "You bankers just don't understand the business."

Jimmy doesn't come across in a credible way and he certainly didn't do anything to build trust. Jimmy might understand the day-to-day aspects of producing widgets but he doesn't understand managing a business. As a banker, it is my job to be concerned about the management of business. Unfortunately, Jimmy and I don't have a trusting relationship. He is not receptive to suggestions to improve his financial picture which would allow me to more seriously consider his request for an increase in his line of credit... Rather than working co-operatively, it seems we are competing. Of course, I have to be concerned about the risk of investing in his business.

In contrast, James, another widget producer, visits my office well groomed and professional looking. Even though his financial situation is not much better than Jimmy's, our meeting takes a very different direction. James acknowledges his financial realities but proactively describes what his plans are for the future and exactly how the increase in his line of credit will help make this happen. He asks me if I have any suggestions or advice. He is in command of his business's financial results and its future needs. On paper, the deal involves some risk but trust and credibility in the relationship enables me to take this risk.

This has happened numerous times as a banker. While both businesses cited are in comparable positions, the difference is the level of trust and the resultant relationship. In the context of my book, effective presentation leads to trust which leads to a mutually beneficial relationship. James will have my support for not only what I can do for him, but I would also have no problem referring him to others.

John

Blake, can you give an example of a small business person doing the same thing in a different B-to-B relationship? Generalize the concept.

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Blake

I once had a customer that serviced a fleet of delivery trucks for a local freight company. At the end of the day the drivers brought the trucks to his shop for routine maintenance and fuel.

My customer realized that he was like any other service facility and would always have to compete on price unless he earned the trust and goodwill of his customer. He devised a mobile service system to visit the fleet in the field each day. This saved the customer time and effort in preparing his fleet for the next day. For this service, the shop earned a reasonable fee plus any labor, parts and fuel costs. This arrangement was the result of a mutually beneficial business relationship. The shop had a loyal customer and the needs of the fleet were met so the drivers didn't have to waste time initiating maintenance and fueling. To the shop it wasn't as much an issue of "trapping" the fleet as it was meeting the ongoing needs of the customer. The shop was solving a problem for the fleet.

John

Let's turn things around. What insights do you have that would help the banker deal with the two types of customers in your first story? What could both parties do to shift the focus of the relationship from the "transaction" and the immediate one-size-fits-all deal?

Blake

The most beneficial relationships focus on the long-term instead of the best deal today right now. As trust and credibility develops the relationship blossoms. Trust is engendered by openness, honesty, understanding and performance. Once the relationship develops, both parties benefit from drastically lower "transactional" costs of knowing what is, what is needed and what is possible.

Thinking back to Jimmy and James, people like Jimmy always seem to be struggling and are not very attractive customers. They don't instill a desire to help and take risk on their behalf. If they could see how this undermines their business and business relationships, they could get a grip on the managing their entire business; not just widget production. That is one of the reasons I wrote the book, Accounting, Finance and Presentation.

Customers like James have a terrific upside. By working co-operatively there is a much better chance that his business will grow. When it grows so will the amount of business I do with him. It all starts with the business relationship when people like James take action to do their part. When they do, people like me are willing and eager to step in and contribute.

The “relationship” lets them deal with more complex issues and adapting to the curve balls the future throws at them.

John

One way to look at the buyer-relationships that emerge is that they have two characteristics: Continuity and Symmetry.

Continuity. They are no longer focused on winning on each transaction but rather are focused delivering long-term value. The “relationship” lets them deal with more complex issues and adapting to the curve balls the future throws at them.

Symmetry in influence and information exchange. If symmetry does not exist, one party tends to capitalize on the cost and effort his counterpart will have to absorb in order to overcome the gap in knowledge or bargaining power. (replaces co-operation for command or competition)

Blake

John, I think that you have put it succinctly: Continuity and mutual interest.

In banking, extending credit to a new customer requires complete due diligence which takes an enormous amount of time and effort on both parties. An established relationship reduces the “transactional” costs, turnaround time to close a loan and ultimately risk as you are financing a known entity. This reduces the banker’s cost which he able to pass on to the borrower and still maintain a profitable relationship. Most importantly, in a long-term relationship, each party becomes an advocate for the other. Priceless!

R. Blake Hendrix draws upon 20 years experience facilitating small business. His practice stresses perspective and simplicity in defining and solving the issues that confront the small businessperson. His keynote is integrating Strategy, Logistics and Tactics to achieve the goals of the organization. His latest book is, “Accounting, Finance and Presentation for Small Business. Learn more at www.saltmine-consulting.com.

John I. Todor, Ph.D. is the Managing Partner of The Whetstone Edge, LLC (www.TheWhetstoneEdge.com), a customer experience consulting and training firm that applies scholarly research on human behavior to buyer-seller dynamics including customer loyalty, trust, retention, customer service, CEM—customer experience management, and marketing strategy. He is the author of “Addicted Customers: How to Get Them Hooked on Your Company (www.AddictedCustomers.com).

Additional publication from Hendrix and Todor

Don't Compete on Price: Competitive Strategies for the Small Business, a discussion between Blake Hendrix and John I. Todor, Ph.D., March 2007. www.saltmineconsulting.com/files/interview.pdf

Hooked: The Psychology of the Customer Experience, a free bi-weekly newsletter from The Whetstone Edge, LLC. www.thewhetstoneedge.com/newsletter.php