

THE INTERNATIONAL

Journal of Sales Transformation

SPECIAL REPORT //////////////////////////////////////

FOCUS ON CHARACTER, TRUST & ETHICS

2022 / ISSUE 8.4 / FOCUS ON ETHICS COMPENDIUM



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Foreword

If you took a quick poll amongst members of the public, I suspect you would be unlikely to hear the words “ethics”, “trust” and “sales” mentioned in the same sentence unless preceded by the words “lack of” – which is a pity, because the profession has made great strides in recent years to build ethics into its DNA. Take the Institute of Sales Professionals for example, which aims to “uphold the quality, ethics and standards of professional selling”.

In the 21st century, professional B2B sales is a far cry from the days when the stereotypical foot-in-the-door salesman would promise much, take your money, and all too frequently deliver very little. Indeed, firms of all shapes and sizes are now focused on ESG (environmental, social, and corporate governance), have codes of ethics aplenty, and work hard to embed trust within their culture. Ethics have become a fundamental component of a company’s value proposition. Sellers understand that they are better positioned as “trusted advisers”. They also know that trust is hard to win but easily lost.

Importance of leadership

Nevertheless, corporate mis-selling and scandals that jolt buyers’ confidence remain too common. One aspect of this is the leadership of a company – right from the top down to first-line manager level – and its approach to ethical behaviour. Research shows that leaders also need to be individuals of high character if they are live and breathe a company’s code of ethics amid all the competitive stresses and strains of modern business life. Internal trustworthiness is essential as part of building trust among the



On the cover: Focus on ethics

wider group of external stakeholders: customers, consumers, buyers, regulators, the media.

In a sales context, sales managers play a key role in policing ethics and obviously need to lead by example, helping their teams to balance the requirement for high standards with the need to meet quarterly sales targets. Short-termism is often the problem here (perhaps encouraged by ill-conceived incentives) because research shows that character, trust and ethics have a positive impact on sustainable business performance.

Given the importance of character, trust and ethics in sales, in this edition we have brought together some of the best articles on these topics from earlier editions of the Journal, along with some new content. This content is largely research-based so its reliability can be trusted.

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The role of trust in sales

 Bob Apollo

If we expect our customers to trust us, we need to develop both an internal and an external culture of trust.

Trust is an essential foundational element in any sales environment, and it can (and must) take many forms. Perhaps the most obvious manifestation lies in the relationship between the salesperson (and the vendor they represent) and the customer's decision-making group (and the organisation they represent).

But trust must also be established in the relationships that exist within the vendor's organisation, between the vendor and their commercial partners and between the vendor and all the other influential members of the ecosystem – such as the press, analysts, consultants and all the other observers, commentators, and participants.

In my experience, this network of trust cannot be established unless the sales organisation itself works on the basis of internal trustworthiness, honest communications and mutual respect. Where these elements are lacking internally, they make it hard to establish a culture that is capable of developing trusted relationships with prospects, customers and the people and organisations that influence them.

The foundations of trust must be built internally

Management has a critical role to play in establishing this culture of trust, and I believe that the foundation must be built upon candid and honest conversations. I've observed far too many examples of organisations where salespeople, under the encouragement of management, have developed the habit of telling management what they think management wants to hear, rather than what management needs to know.

This is most commonly seen in pipeline management

and forecasting. Salespeople are often pressured to be overly optimistic in their forecasting of close dates and probabilities, even when the realities of the opportunity (assuming those are actually understood) would indicate that there is no credible chance of closing the deal in the current period.

Self-awareness, self-honesty and candid conversation are

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Trust cannot be established unless the sales organisation itself works on the basis of internal trustworthiness, honest communications and mutual respect.

the essential foundations of a trustworthy internal sales culture: without a trustworthy internal sales culture, it's going to be hard for salespeople to establish a trustworthy relationship with their prospects and customers. If members of the organisation are willing to fool each other, they are probably going to be willing to try and fool the customer – and that never ends well!

Trust has never been more important

Trust was always a critical element of the vendor-customer relationship. But the exponential growth in as-a-service (as opposed to outright purchase) commercial models has made delivering on promises and establishing and maintaining trustworthy relationships even more important. It's no longer enough for the salesperson to be seen as a trusted adviser. The commitments the salesperson makes during the sales process must actually be delivered by their colleagues in service, support and customer success throughout the lifetime of the customer relationship.

This requires that commitments (whether explicit or implied) are thoughtfully made, with due regard for the consequences, and that these commitments are understood by the wider organisation. This in turn requires that commitments are made with the collective knowledge and acceptance of the functions responsible for delivering them. Needless to say, any salesperson who makes commitments they know (or ought to know) cannot be honoured must be terminated.

How can salespeople establish trust?

I've already identified self-awareness, self-honesty and the commitment to candid conversation as some of the key foundations of trustworthiness. It should be obvious that in the absence of personal integrity, there can be no basis for trust. And I'm pleased to say that these are qualities I see in the vast majority of sales professionals (even if there is sometimes scope for further development).

Assuming salespeople have what let's call a "trustworthy mindset" as a foundation, let's now explore how salespeople can establish themselves as trusted advisers in their relationship with existing and potential customers. Here are a few of the behaviours I've observed in effective sales professionals:

- **They demonstrate empathy.** Effective salespeople put themselves in their customer's shoes. They seek to understand how the world looks from their prospect's perspective. They empathise with the prospect's situation. They share relevant experiences. They communicate at a human level and avoid jargon or cliché. They realise that most decisions are made emotionally, and justified rationally.
- **They develop capabilities that are valuable to their customers.** And no, I don't mean that they are experts in the products or services they are hoping to sell. That seems to me to be a necessary but far from sufficient condition. If they are to establish trust, salespeople need to become experts in the issues their prospective customers are trying to fix, avoid or achieve, and how the organisation they represent has helped other similar people in comparable customer organisations to deal with them. They need to be able to share compelling stories and experiences that their prospective customers can relate to. At all times, they need to describe the capabilities of their "solution" in the context of what the customer is seeking to accomplish.
- **They demonstrate genuine thought leadership.** "Thought leadership" must be one of the most overused and misapplied terms in the sales and marketing vocabulary. All too often, it is no more than a mildly warmed-over rehashing of facts or opinions that the prospect – if they chose to listen – could hear from dozens or hundreds of other sources. Genuine thought leadership causes the prospective customer to think differently, to see things from a fresh and unexpected perspective. It reflects a distinctive point of view that is unique and valuable, and because of that it is far more likely to be appreciated and trusted by the prospect. Trust-building thought leadership addresses issues,

implications, and consequences the prospect may have been previously unaware of or had undervalued. It offers a point of view. It makes the customer feel smarter as a result of having participated in the conversation. And it makes it far more likely that they will want to learn more.

- **They behave at all times in an ethical way.** Effective salespeople do the right thing at all times. They demonstrate through their actions that they have the best interests of the customer at heart in every decision they make. This may mean turning away business, suggesting better alternative solutions or challenging a customer's misconceptions rather than brushing them under the carpet. They act for the long-term, rather than the short-term. And they follow up on their commitments.

Establishing a trustworthy sales culture

Trustworthy sales cultures cannot be developed overnight. Publishing a "code of conduct" isn't enough; it requires principled focus over an extended period of time. And if the foundations are fragile, they can be destroyed overnight by a single inconsistent action on the part of the organisation's leadership.

Managers need to walk the talk. It's my experience that deeds are far more important than words in this regard: the culture of trust needs to start at the very top and be echoed at every level of management. Organisations, even if they are sympathetic to other forms of weaknesses, cannot afford to tolerate untrustworthy behaviour at any level.

If we expect our customers to trust us, we need to develop both an internal and an external culture of trust. We need to set high expectations and coach our people to achieve them. We need to treat everyone with honesty and respect. We need to expect the same from our partners and customers.

And on the (hopefully) very rare occasions when our trust is not reciprocated by a prospect or customer, we surely need to very carefully consider whether we ought to be doing business with them.



About the author

Bob Apollo is the founder of UK-based Inflexion-Point Strategy Partners, the B2B sales effectiveness experts. Following a successful career spanning start-ups, scale-ups and corporates, Bob now spends his time as a coach and advisor to growth-phase technology-based businesses, equipping them to adopt the principles of Outcome-Centric Selling.

Four steps to embedding ethics

 Professor Mark Johnston

Sales ethics is essential in the new normal.

Good business strategy

Many companies, even entire industries, struggle to remain open during this ongoing period of challenging economic uncertainty. Business models that were shifting prior to the pandemic, such as the move from instore shopping to e-commerce, have accelerated because of the pandemic. Businesses are adjusting strategies to stay ahead of rapidly changing business models. Supply chains experience significant pressure to maintain production standards.

In this “new normal” business environment sales executives face unprecedented challenges. From changing delivery schedules to price-cut demands, aggressive competitors to unsettled customer relationships, salespeople are experiencing significant pressure to “adjust” their ethical policies and procedures.

So, the question becomes: is sales ethics relevant in the “new normal”? Research consistently shows strong ethical values, policies and practices build a solid ethical reputation in an industry with clients and competitors which, in turn, is a winning business strategy (Johnston and Marshall 2021). However, in the “new normal” can a company “afford” to maintain strong ethical standards when successful business models are shifting, and customer relationships are tested?

There is growing evidence that business ethics and, more specifically, sales ethics are even more important in building and sustaining customer relationships. A recent study of business leaders found that 80% of respondents reported their company’s ethical values and policies were critical in developing strategies used to manage the pandemic as well business models going forward (Dean 2021).

Importance of ethics

There are two primary reasons for this renewed focus on sales ethics. First, as companies adjust their business strategy to compete in the new business environment, they seek established suppliers that can consistently deliver on promises. While certainly a factor prior to the pandemic, companies now place an even higher priority on a vendor’s ethical reputation in evaluating potential strategic relationships.

The pandemic forced many companies to assess their risk profiles in critical areas such as supply-chain management. The disruption to many supply chains for critical parts (for example the recent shortage in semiconductors) has left companies not able to deliver the quantity or quality of products their customers expect.

At the same time, due to the supply-chains issues, some companies have sought to take advantage of the situation by implementing unwarranted price increases. The result, in many cases, has been a greater focus on the quality of the supplier relationship and increased importance on identifying and partnering with companies that have good to excellent ethical reputations.

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80% of respondents reported their company’s ethical values and policies were critical in developing strategies used to manage the pandemic as well business models going forward.

Second, while trust plays a critical role in the supplier relationship, more than ever consumers want to purchase from companies they can trust with strong ethical practices and policies across a variety of areas (business practices, environmental policies, and employee policies). Trust has been a “casualty” of the pandemic with a significant number of consumers reporting that companies have not met their expectations in terms of service, product quality, and price. This has led many consumers (50% of consumers in one recent study) to reconsider their company relationships with a greater focus on trust, health, safety, and less on price (Björnsjö 2021).

Interestingly, these consumers are concerned not just about the safety of the product and services for themselves but also for the community at large, and even the health and safety of the company’s employees. At the same time, consumers consider not just the ethical policies and values of the manufacturer but also companies inside the supply chain before making a purchase decision. This has led many companies to put additional emphasis on supplier relationships they can trust. So, the increased focus on trust and ethics comes from inside your customers but also externally from their customers.

One outcome from the amplified focus on ethics is



This has led many consumers (50% of consumers in one recent study) to reconsider their company relationships with a greater focus on trust, health, safety, and less on price.

the opportunity to build and sustain customer loyalty. The foundation of the increased focus, the linkage between customer loyalty and a robust ethical program, is well established.

All things considered, customers want to do business with companies they can trust. Once that relationship is established, there is a great sense of loyalty and stronger commitment to that supplier. Research consistently reports a strong linkage between loyalty, trust and ethical business practices, particularly in the sales force (Johnston and Marshall 2021).

Making sales ethics essential in the new normal

In a rapidly changing business environment with customer expectations and company strategies changing often, it is easy for sales leaders to lose focus on building a successful ethical environment in the sales force and then maintaining strong ethical standards. However, research suggests there are four recommendations that sales leaders can implement now to deal effectively with emerging ethical challenges:

1. Review company ethical policies and practices – The rapidly changing business environment has led many companies to adjust business strategies and manage changing customer expectations. As a result, sales leaders need to confirm that existing ethical policies are consistent with changes in the business model. For example, the move to a more virtual sales environment creates several potential ethical challenges including misrepresentation or even falsely presenting data to customers.

How companies manage crises has always been a significant measurement of overall company performance, but the pandemic has put more pressure on companies to “do the right thing” for their employees, customers, suppliers, and the community at large (Smith and Pepe 2020). As the primary point of customer interface, the sales force should lead the organization in aligning values with policies and action. Customers are paying attention and a code of ethics that reflects the company values that then leads to ethical behavior, particularly considering the pandemic, communicates a great deal about the company’s overall commitment to ethics.

At the same time, it is part of the value proposition: “your company’s ethics drive the company’s decision making” is a strong message to the customer.

2. Develop a sales code of ethics – If not already in place, consider developing a sales code of ethics to reflect the unique challenges faced in sales today. The boundary-spanning role of sales coupled with challenges in the “new normal” business environment mandates salespeople engage in activities not addressed in the organizational code of ethics and potentially make decisions that do not reflect the values of the organization.

While salespeople may bring their own values and experiences into the organization, the unique nature of the sales subculture should provide frameworks for handling ethical dilemmas daily. Unfortunately, organizational codes of ethics are often not designed to accommodate the unique challenges of the sales environment. As a result, creating a sales code of ethics that reflects real ethical sales challenges in today’s evolving business climate provides salespeople with decision-making tools that can help solve ethical dilemmas.

3. Provide specific training on ethical decision policies and decision making – Many companies have instituted ethics training as part of their overall ethical policies and procedures. However, this training, usually delivered online, focuses most often on compliance with legal or industrial ethical guidelines rather than providing frameworks to help salespeople make better ethical decisions. Dealing with the unique challenges facing salespeople in the current business environment, training can play an essential role in reinforcing established ethical policies and be the best method for delivering new policies and procedures designed to deal with emerging ethical challenges.

4. Measure and reward ethical performance – Many companies speak to the importance of ethical decision making but far fewer measure the ethical performance of their employees, particularly salespeople (DeTienne et al 2019). The adage “what you measure is what you get” is true in ethics. If not already in place, consider developing KPIs around ethical performance (for example, customer complaints, or customer requests for price adjustments).

Measurement is only half the equation, however; the other component is rewarding good performance. Linking rewards (for example, incentive compensation) is essential in “closing the loop” on the importance of ethical behavior in the organization. The key is to connect the company’s ethical policies to salesperson behavior using metrics to assess key performance indicators.

Bringing it all together

One of the persistent questions in business ethics and more specifically, sales ethics, is the age-old conundrum: must I trade short-term quarterly expectations (hitting the immediate sales targets) for long-term strategic benefits (a strong ethical reputation)? Sales leaders wake up every day wanting to be ethical but are faced with the “hard reality” of hitting monthly or quarterly sales targets. They perceive the choice is binary: I can be one or the other, but not both.

In the “new normal” the choice is no longer binary; rather, customers are seeking strategy partnerships with suppliers that possess a strong ethical reputation. Essentially, while a company’s ethical reputation was always part of the RFP evaluation process, the “new normal” has increased the importance of ethics essentially making it a “must have”. Look around your industry: how many competitors are left with poor ethical reputations? The answer is likely none because the reality is that your customers are demanding that suppliers maintain strong ethical standards. The price to maintain existing relationships or build new partnerships is a strong set of ethical policies and procedures.

However, while ethics is now a fundamental component of a company’s value proposition, there is still an opportunity to harness a strong ethical reputation in the marketplace. Many companies still do not fully appreciate the importance of ethics in the customer decision-making process. As a result, salespeople need to understand that ethics and the company’s ethical reputation should be part of the value proposition.

The “new normal” makes ethics an even more important element in the company’s overall business strategy and a critical part of the sales message. >

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BRAND ETHICS



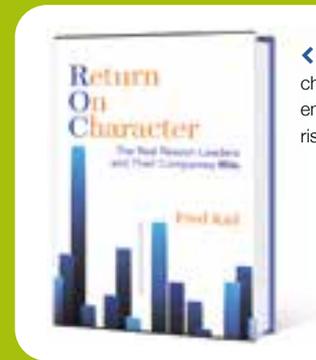
ETHICS IS AT THE TOP OF THE AGENDA ACCORDING TO A RECENT SURVEY OF 1,023 UK CONSUMERS*:

- 🌿 **87%** OF RESPONDENTS BELIEVE BRANDS SHOULD BE HELD ACCOUNTABLE FOR THEIR ACTIONS TO CONSUMERS, WITH OVER HALF FEELING STRONGLY ABOUT THIS.
- 🌿 **73%** OF THOSE SURVEYED SAID THEY OFTEN OR SOMETIMES GO OUT OF THEIR WAY TO ENGAGE AND BUY FROM BRANDS THAT ARE CLOSELY ALIGNED TO THEIR PERSONAL VALUES, SUCH AS BEING MORE SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE.
- 🌿 **40%** PERCENT HAVE ACTUALLY STOPPED USING BRANDS THAT DON'T ALIGN WITH THEIR VALUES.
- 🌿 **52%** OF PEOPLE SAID THEY THINK ABOUT WHETHER THE BRAND THEY'RE BUYING PRODUCTS OR SERVICES FROM SUPPORTS THE ETHICAL ISSUES THEY FEEL STRONGLY ABOUT.
- 🌿 **49%** OF RESPONDENTS WOULD SWITCH TO BRANDS THAT ARE MORE ALIGNED TO THEIR ETHICAL VALUES.
- 🌿 **46%** SAID BRANDS SHOULD BE DOING A LOT BETTER WHEN IT COMES TO BEING ENVIRONMENTALLY RESPONSIBLE.
- 🌿 **25%** SAID THAT ENVIRONMENTAL ISSUES WERE THEIR NUMBER ONE REASON FOR CHOOSING A SERVICE OR PRODUCT FROM A BRAND.

* Toluna's Global Consumer Barometer Study is a regular index that taps into a panel of 36 million plus members to provide accurate and timely information on the world's current perceptions.

Without character, ethics is just a rule book

✍️ Kelly Garramone, Fred Kiel and Phil Styrlund



◀ Return on character: engagement up, risk down.

Almost every leader claims to be ethical in business, but do they have the character to foster trust?

Ethics, necessary but not sufficient

Corporate scandals from Enron to Freddie Mac occurred despite the fact that the organizations and individuals leading them were operating in environments governed by a code of ethics. Yet, people still behaved poorly. Why? Why do people cheat on their taxes, break the law, or cover up mistakes?

Because ethics alone is not enough. Ethics, defined as “a systematic approach to analyzing, and distinguishing matters of right and wrong, good and bad, understanding them and admirable as they relate to the well-being of the relationships” act as a rule book. They assume people are rational and analytical; that they stop and make thoughtful, rational decisions about behavior – but more often than not, they don’t.

In fact, when we conducted our research (published in *Return on Character*), we hypothesized that if we could isolate the specific beliefs – ie, a personal code of ethics – embraced by top-performing CEOs that were different from the low-performing CEOs, then we would have identified an important factor that accounted for business results. The problem we discovered was that all the CEOs in our study claimed to embrace the same set of beliefs. They *all* listed socially desirable ethical beliefs: tell the truth, treat other people respectfully, and so on. The conscious, rational brains of these research subjects all seemed to be the same.

In reality, people make their most consequential decisions without deliberation or conscious thought. Recent neuroscientific studies, such as Kahneman’s seminal work *Thinking: Fast and Slow*, reveal that perhaps as many as 95% of the decisions and choices, including ethical choices, made by the typical individual are not made consciously; they’re made automatically. And that automatic system of decision making is our character.

Character as the foundation of ethics

Character is a foundational element, more important even than ethics, because it’s that set of behaviours – that automatic response – which reveals how well a person is adhering to the rule of ethics. Do we tell the truth even when it reflects poorly on us? Do we take responsibility for errors or omissions even if it means something painful to us? Do we stand up for what’s right even if we risk criticism?

If ethics were really the governing system, it would be powerful enough to stop us in each of these moments, analyze the data, touch base with the ethical code, and come to a decision (perhaps reluctantly) that we need to behave in a particular way. That would be the case if we were purely rational beings – but we’re not. Those moments are not moments where we stop and analyze; we just behave. That unconscious automatic system of decision making is our character; those

automatic actions are our character habits.

When or if we slow down to be analytical actually depends a lot on our character. Are we self-aware enough to distinguish when we have the experience and expertise to make a “gut level” decision or when we should elevate the decision to a higher level of interrogation? Do we have some cues or signals that tell us when we can rely on our automatic system or when we should side-step it and be fully analytical and rational to make a decision (an ethical decision) based on an ethical code?

Trust as an outcome

This interplay between ethics and character either creates or destroys trust. People trust others whose automatic responses and consistent behavior – ie, their character – is in service of the ethical code they all share. Those who aren’t consistently behaving in that way will lose and break people’s trust.

Our research shows that high-character individuals are trusted by others; they are specifically trusted because of how they demonstrate their character.

Ask anyone to think of someone they deeply trust and then ask them to tell you why they feel that way. Almost certainly, the person will list a set of behaviors that are habitual, behaviors that the person automatically demonstrates.

When we’ve asked people why they deeply trust a specific individual, they typically say something like:

“Well, I trust them because I know that they tell me the truth. They keep their promises and stand up for what is right. Furthermore, I feel deeply respected and cared for by them. I know that if I fail in some way that they won’t shame me – and furthermore, they are quick to admit when they’ve made a mistake – they take responsibility for their behavior and actually take steps to correct whatever it is that they did that failed.”

Trust is the *impact* high-character people have on others.

We are currently conducting the Return on Character for Sales research initiative for corporate cohorts. Contact us to find out more:



About the authors

Kelly Garramone is Director of Research, KRW Research Institute; Fred Kiel is the founder of the KRW Research Institute, and author of *Return on Character: The Real Reason Leaders and Their Companies Win*; Phil Styrlund is CEO, The Summit Group.
<https://www.amazon.com/Return-Character-Reason-Leaders-Companies/dp/1625271301>

Character wins through

 Dr Fred Kiel



Is there link between a leader's character and business performance? Research conducted by Dr Fred Kiel and his team indicates there is. Here, he talks to editor Nick de Cent.

NdeC: Can you summarise the link between high-character leaders* and business performance?

FK: We studied the lives and leadership skills of over 100 CEOs. We interviewed and surveyed these CEOs, and we surveyed the ratings from over 8,500 randomly selected employees about the CEOs and their senior leadership teams. So, our findings are based on a very large sample.

Then we selected the ten CEOs who were rated as having the strongest character habits and compared them to the ten CEOs who were rated as having the weakest character habits. We studied the differences between

these two groups. Keep in mind that these were all CEOs – by definition they had all achieved a measure of success by becoming a CEO.

Three findings were compelling:

1. The CEOs with the strongest character habits – we call them the Virtuoso CEOs – produced investor returns five times greater than the CEOs with the weakest character habits – who we call the Self-Focused CEOs.
2. The Virtuosos created conditions that successfully energised and engaged the workforce 16 points higher on our Workforce Engagement Index than did the Self-Focused CEOs.
3. And finally, the Virtuoso CEOs reduced risk significantly compared with the Self-Focused CEOs – one declared bankruptcy, one was teetering on insolvency, and two struggled with their workforce's unions. None of the Virtuoso CEOs encountered these problems.

So, we concluded that strong Character CEOs bring significantly more \$ to the bottom line, they energise and engage the workforce and they create cultures where risk is significantly reduced. Profits and employee engagement go up, risk goes down.

NdeC: What is the importance of the four qualities of integrity, responsibility, forgiveness and compassion?

FK: We settled on these four moral principles because they are human universals. Parents in all cultures around the globe teach their children to tell the truth, keep promises, accept the consequences of their choices and admit mistakes, and to show forgiveness and compassion to those in their tribe.

My co-author and I made the case in our first book, *Moral Intelligence*, that these four universal moral principles provide the foundation for effective leadership. Our findings reported in *Return on Character* confirm that indeed, when leaders treat people in ways that are aligned with these four principles, they create exceptional value for all stakeholders – customers, employees, vendors and investors.

NdeC: Is character different from ethics?

FK: Yes, there is a difference. Ethics is

a branch of philosophy that deals with morality. We don't view the business world from a philosophical vantage point – we begin only with what we can measure.

We measure the habitual ways a leader treats people. When a leader behaves in ways that enhance the wellbeing of others, we generally view the leader as a person of strong character. We believe that how a person treats other people is a reflection of his or her character.

NdeC: Is it also possible to link high-character leaders (for instance, sales leaders) with sales performance?

FK: It's interesting that you should ask this because we are launching a major research project to assess just that. We are quite certain that high-character sales leaders enjoy higher performance than low-character sales leaders. After all, achieving success in sales is all about trust and relationships – who you are as a person is almost certainly more important than your technical knowledge about products or services.

NdeC: "There is a significant return on character." Can we go beyond the two metrics of return on assets and level of workforce engagement – for instance, revenue, innovation?

FK: In fact, we did assess a variety of other dimensions in our research and we discuss them in the book. For example, strong character leaders create the organisational conditions so that both collaboration and innovation flourish. When we launch our research on the link between character and sales performance, revenue and specific sales metrics will be included.

NdeC: Are there any other possible explanations for the results around return on assets?

FK: Our research is descriptive – we do not and cannot prove any causal relationship between character and the return on assets. What we can say, however, is that we cannot find any other factor that would explain the consistent, observable and measurable relationship we found in our research. We researched and found many other dimensions that do not explain the results. For example, neither age nor

tenure of the leader was significant nor was education, religious practices, nor political beliefs.

NdeC: How do you teach character?

FK: I am certain that one's character is expressed in the habitual ways we treat other people, and because these are habits, they can be modified – either strengthened, weakened or replaced. Of course, changing one's habits is never easy. (I'm sure you've experienced that in your own life.) But it can be done. So, since we know how to help people change habits, I guess in that sense we also know how to "teach character".

NdeC: Learning character habits: empathy, others first, admitting to mistakes. How does this translate to sales?

FK: There is incredible complexity in the sales world, especially in areas like Key Account Management. Have you ever seen a presentation or made a major purchase from a person or an organization where it was obvious that they were primarily interested in their own agenda or their own metrics? Or have you worked with a group where individuals showed little or no empathy to you and if a mistake was made, tried to blame someone else? I doubt if you would have done business with that kind of a salesperson or organisation.

I'm quite certain that outstanding sales executives and management are masters at viewing the world from the customer's eyes (and even perhaps the customer's customers' eyes.) I'm also quite certain that they are honest, transparent, and openly admit when they've made a mistake. And they certainly are highly focused on what the other person cares about the most – not what they want from the other person.

I believe we'll be able through our research to demonstrate a very strong connection between these "character habits" and sales performance.

NdeC: Mentors – where do you find these?

FK: Companies that place a high value on talent development build in mentoring as part of their culture. Additionally, a culture that sponsors strong character leadership finds that their executives see mentoring three or four other younger executives as part of their job. They just do it. Costco Wholesale, a large global retailer, is a



Dr Fred Kiel

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good example of this. Managers at all levels are told that the most important part of their job is not to manage their people, but it is to teach (mentor) their people. It's built-in as part of their culture.

NdeC: You mention developing a tool to assess character. What is the value in having a character rating for senior leadership figures? What are the practical issues? How do you prevent this becoming just another tick-box activity?

FK: We have developed several diagnostic tools for assessing the character reputation of an individual, a senior team and even the culture of an entire organisation. We don't allow these tools to be used as stand-alone entities but only offer them in the context of a well-planned programme for benchmarking and then elevating the leadership character strength throughout the organisation.

*The real "virtuosos" were groups that included both the CEO and the senior team.

Does ethical compliance really make salespeople ethical?

 Dr Phil Squire, Mark W Johnston and Ian Helps



Pressure on the sales function has placed the salesperson in the uncomfortable position of dealing with complex, unrelenting ethical dilemmas on an almost daily basis.

The sales department has never been more important to the organization. Given clearly established metrics and direct revenue contributions that connect to financial performance, coupled with an essential role in creating customer value, it is easy to understand why sales has overtaken the marketing department as the primary customer-facing function in many companies (Homburg et al, 2015).

At the same time, pressure on the sales function from a variety of sources – customers, management, competitors and others – has put the salesperson in the uncomfortable position of dealing with complex, unrelenting ethical dilemmas on an almost daily basis. To be sure, salespeople have contributed to the problem by focusing on short-term goals and often placing their own self-interest ahead of the company and the customer. The increased importance of the sales function has led managers to consider the potential damage to the company's short- and long-term performance goals created by the unethical salesperson (or department) operating outside established company guidelines and protocols.

Corporate scandals

Beyond sales there has been a profound, long-term shift in ethical business practices dating back to the corporate scandals in the United States and Europe more than a decade ago. Initially defined by societal concern then through legislation, companies are now encouraged – even required – to develop and maintain ethical standards. The standards take many forms such as “codes of ethics” or “codes of conduct” but are designed to convey the basic ethical values of the firm as well as define what is and, even more importantly, what is not acceptable behavior throughout the organization.

Research suggests that ethics programs play an important role in conveying the organization's history, culture and essential values (Ferrell, Fraedrich, Ferrell, 2015) and, when company ethical values are not communicated to employees, they are more likely to make decisions using their own self-interest as the benchmark rather than consider the best interests of the company.

The process of developing a company's ethical standards usually involves broad input from across the company but is directed and ultimately defined by the board of directors and senior management. For the most part, the goal of the process is to develop broad ethical values and standards for the entire organization rather than focus

on the unique challenges of a specific job function such as sales.

Enforcement of the ethical standards is frequently relegated to compliance programs often managed by centralized departments such as HR or Legal. Research reports that over 75% of all ethics and compliance programs are managed from a centralized function rather than localized departmental control (Deloitte and *Compliance Week*, 2013). The reasons for centralizing the management of compliance programs are consistency of message and risk mitigation.

In some business functions such as finance, compliance certification is not only encouraged but required. However, in most of the organization the compliance program serves more to

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Companies can demonstrate high levels of ‘compliance’ but the actual impact on ethical decision making and behavior is minimal

satisfy regulatory or legal requirements that foster actual ethical decision making and behavior (Biskup, 2014). Companies can demonstrate high levels of “compliance” but the actual impact on ethical decision making and behavior is minimal.

Indeed, it can be argued that the focus on compliance rather than ethical sales decision making can make it very difficult for the salesperson to effectively perform his or her job. It prioritizes compliance over the value-creation sales model.

Sales call

Consider the example below: it is a summary of a short phone call from a telecom sales department, which highlights the limitations of compliance-led sales conversations (call received on a mobile phone).

S – Good morning this is xx calling from telco x. I see that you qualify for an upgrade on your phone; are you interested?

C – Yes, I am but I thought that I had just renewed my contract.

S – Actually you do qualify for an upgrade on your phone if you would like one.

C – OK so tell me more.

S – Fine. First of all, this conversation is recorded for training purposes; are you OK with that?

C – Yes.

S – Good, can I just check that I am speaking to the right person; can you confirm the name of the account?

C – Yes (name given).

S – Can confirm your name?

C – (name provided).

S – Can you confirm that you are the right decision maker?

C – Yes.

S – Can you confirm the first line of your address and your post code?

Sorry, I need to need to go into these questions; we have to do for compliance reasons.

S – OK (salesperson then talks quickly about the offer and customer decides to go for one option).

S – I see that you have two phones on the account; it makes sense to do the upgrade on both phones.

What do you think the other user will want?

C – I don't know; you need to talk to him directly. He's not based at this office.

S – Oh, that's a shame! Can you call him now?

C – No, he is in a meeting. Can you call back later this afternoon and I will find out?

The salesperson calls later that afternoon and goes through the same routine re name, address, etc. This is interrupted by the customer, who is now more irritated.

C – Do you need to do that again?

You spoke to me just two hours ago; you know who I am, and I have given you all the details you are asking for. The phone conversation was even recorded.

S – Sorry, I know it's a pain but I have to go through these questions; it's more than my job is worth. My manager would kill me if I did not ask these questions.

We have to do this for compliance reasons.

It is probably not surprising that the outcome of the two conversations was that the customer hung up.

What is ethical selling?

A discussion with the sales enablement team of a major international bank led to a deeper reflection of the extent to which compliance training promotes ethical selling behavior. The bank's managers are of the view that if their sales staff undertook compliance.

A doctoral research study of the values customers look for in selling

(Squire 2009) suggests an ethical selling framework. The research describes four positive values that develop trust (table 1) with customers and four negative values that destroy trust (table 2).

A customer's trust is gained once they feel a salesperson demonstrates authenticity and is focused on their requirements – client centrality. Trust deepens once the salesperson in addition displays the values of proactive creativity and tactful audacity. The customer wants a salesperson to suggest ideas they have not thought of and to be bold in challenging a customer if they feel the customer is making the wrong decision or if they are particularly convinced a new “idea” will benefit the customer.

With one caveat, that the customer recognizes that the “idea” is grounded in a sincere and genuine belief that it will benefit the customer. According to Squire's research, less than 10% of salespeople demonstrate all four positive values when selling.

The negative values described

Table 1: Four positive values that develop trust

Differentiating/ Outstanding Values	Drive behaviour that can be seen as being:
1. Authenticity	Honest, credible, unpretentious, sincere, ethical, trustworthy, dependable
2. Client Centrality	Interested, investigative, knowledgeable, dedicated, passionate, accountable, attentive
3. Proactive Creativity	Strategic, forward thinking, innovative, creative, reflective, above and beyond
4. Tactful Audacity	Daring, bold, challenging, aware of limits, diplomatic, unconventional enthusiastic

Table 2: Four negative values that destroy trust

Limiting/Negative Value	Drive behaviour that can be seen as being:
1. Manipulative	Pushy, insincere, pressuring, dishonest, glib, annoying
2. Supplier Centrality	Reactive, lacking foresight, disinterest, lacking accountability, unstrategic, unknowledgeable
3. Complacency	Egotistical, self-satisfied, inattentive, unconcerned, lazy, unoriginal
4. Overt Arrogance	Motivated by self interest, arrogant, individualistic, opinionated, controlling

Table 3 suggests the limitations of compliance-led ethical selling against the framework of values for selling

VALUES	COMPLIANCE TRAINING		
	At Best	At Worst	
Positive Values Attract Customers	Tactful Audacity		
	Proactive Creativity		
	Client Centrality	At best compliance protects the interests of customers	At worst, customers feel they are having to listen or sign disclosures that have nothing to do with their interests, wasting time
	Authenticity	At best compliance ensures transparency	At worst customers feel the compliance process experience is dehumanised ie the “robot” sell
Negative Values Detract Customers	Manipulation	At best compliance avoids customers being manipulated into buying products they don't require	
	Supplier Centrality		At worst compliance is seen by customers to serve only the interests of banks
	Complacency	At best compliance seeks to ensure sales people follow a set process to ensure 'ethical' selling occurs	At worst salespeople do not spend time being curious about the client - they can hide behind compliance and not sell
	Overt Arrogance		

above, relate to those behaviours customers observe in salespeople they don't like. It is easy to see a connection between the negative values described and the summary sales conversation earlier (that many of us will have witnessed from mobile phone operators trying to sell new contracts).

Ironically, many of the “mis-selling” issues that compliance training seeks to protect consumers from achieve just the opposite. There is so much the salesperson has to communicate in a short space of the time (much of this compliance related) that the

conversation is rushed, including the explanation on the “offer” resulting in customers feeling they are being coerced into making a decision. To add to the irritation, the customer feels manipulated – overall a very poor sales experience.

Code of practice

Clearly there is a requirement for setting of an ethical code of practice in sales but the limitations of this being governed by the HR or Legal department have been argued earlier in this paper. Other professional groups such as

accountants, doctors, lawyers and procurement professionals sign up to a code of conduct. No such code exists in sales: this is a reflection, perhaps, that sales has had no long-term established professional association.

The newly formed Association of Professional Sales has recently announced a world first: a sales code of conduct “the code”; this is publicly available and backed by a professional body serving the whole sales community, with ethics at its core. Sales professionals signing up to the code are publicly stating their willingness to be measured by their customers by

the terms within it and to have their professional status within the APS at risk if they transgress the code. Salespeople will complete online education and a test, to ensure that they have considered some of the consequences of both ethical and non-ethical behaviour.

The APS acknowledges that signing up to such a code can never “prove” that a salesperson will be ethical. However, signatories to the code are proactively choosing to differentiate themselves from the rest of their peers and to their customers that they will make every effort to “do the right thing and get the right results”. Over time, we will be able to assess if this initiative has borne fruit.

Conclusion

The current approach to creating ethical standards and then enforcing them through centralized compliance programs has three significant implications for the sales force. First, sales-specific ethical standards, for the most part, don't exist. As a result, very few companies engage in sales-specific

ethical training. Given the unique ethical challenges of the sales environment and the “cost” to the company of unethical decision making and behavior by the sales force, it is surprising then to see that most companies consider the centralized organizational ethics-compliance program as sufficient for sales ethical training.

A second implication is that, while most sales managers do not manage or control the company's ethics and compliance programs, they are held responsible for the ethical conduct of their salespeople. Not surprisingly, the highest incidents of corporate unethical behavior are in organizations with a weak ethical culture; in these circumstances, when coupled with the external, less connected role of the salesperson, the opportunity for ethical misconduct is magnified.

The third implication is that, by disconnecting sales training from ethics training, the salesperson fails to see the connection between sales effectiveness and ethical decision making. Topics like bribery, expense account fraud, and

appropriate customer communications may be covered in various ways by the sales manager, legal department or HR but their integration with the company's ethical values often does not happen, leaving the salesperson to know the “letter of the law” but not the reason why the law exists.

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Ian Helps is a director and shareholder of Consalia and is passionate about helping others reach their potential through deeply connecting their personal values to those of their business. This has led to complementary interests, including being a Practice Advisory Board member for Cranfield Business School and the Chair of the Standards in Sales Group for the Association of Professional Sales. Ian holds an MBA from Henley Business School.

Trust selling: a new source of business competitiveness

 Dr Choi, Yong Joo

Vice chancellor of the Seoul School of Integrated Science and Technology, Dr Choi Yong Joo discusses the research around trust, social capital and value in the context of Korea.

Social capital

Research on “social capital” as a new source of competitiveness is very much in full swing. In 1997, Professor Francis Fukuyama at Stanford University – a renowned academic and author of *Trust* – defined social capital as “something that makes people work together as well as the value and trust among the group”. Building on academic research to date, more work is being carried out today on applying the theory of social capital to real-life business, particularly in the field of sales management.

Social capital has recently emerged as the third of the three main sources of capital owned by an enterprise, along with “financial capital” and “human capital”, which have long been regarded as fundamental to any enterprise. At the core of social capital lies trust.

How trust affects performance is usually taken into account in transaction costs. In markets where a lot of transactions take place, transaction costs would go up if the level of trust is low, no matter how well the rules and systems are established. The level of trust among trading partners would also impact their mutual growth as well.

In fact, real-life business all comes down to two factors, “quality” and “cost” – when discounting the hundreds and thousands of relatively less important factors affecting business

today. Accordingly, business managers must always weigh between the two conflicting options. That said, although quality and cost are two fundamental factors that cannot be dismissed when it comes to business, they are also the main issues that concern business managers today – since better quality means higher cost and vice versa. Numerous issues arising from this underlying conflict place an extra burden on managers.

Another similar but equally daunting headache for managers is the conflict between distribution and brand. If your company has strong brand power, you don’t really need to worry about distribution. As long as end users strongly favour a particular brand, the task of distribution becomes insignificant. In real life, however, because acquiring strong brand power is

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Social capital has emerged as a major research topic in the area of sales competitiveness.

never easy, many managers usually end up grappling with distribution.

Although most manufacturers in

Korea sell through large-scale distribution channels, some are seeking to establish their own marketing channels. For instance, they may sign contracts with certain exclusive channels – such as an “exclusive agents (exclusive contract agent)”, “affiliated store franchise agent”, or “chain stores (special contract agent)” – to cover their distribution needs. Classified as indirect channels, they are often grouped under a single category as “general trade” (GT).

GT has become an increasingly important mode of distribution for manufacturers. On rare occasions, manufacturers may try to go into the distribution business themselves, but not many have been successful. Meanwhile, distribution through large-scale distributors is called “modern trade (MT)”, and is considered by manufacturers to be a more direct channel. Obviously, manufacturers are the biggest suppliers of large-scale distributors, with the key to success lying in ensuring a supply of high-quality products at a lower price.

This has always been the subject of an endless tug-of-war between distributors and manufacturers, however. And although there are many things a distributor can compete on – such as the number of outlets, scale, location and assortment, and so on – more recently they have been developing and expanding their own brands to be more competitive, which is seen in the big trend toward “private labels” (PL). Armed with their own PL products, distributors are now attempting to gain bargaining power against manufacturers while also negotiating

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Overall, the expected role of the (head office) sales department nowadays is mostly to serve as a messenger...

higher margins. By offering high-quality PL products, there is the added benefit of being able to win a higher level of customer trust and satisfaction.

All in all, enhanced trust can lead to stronger customer loyalty. In the UK, which has a long retail/distribution history, the proportion of PL products has already exceeded 50% as of 2014, indicating that manufacturers are literally engaging in “manufacturing” only. Overall, the balancing act between distribution and brand power is becoming increasingly challenging, which is why plenty of manufacturers are working hard to increase their brand value or establish their own channels to deliver products directly to their customers.

Social capital and GT channels

Social capital has emerged as a major research topic in the area of sales competitiveness, and GT channels in particular. This paper focuses on GT channels as they have several noteworthy features in terms of the underlying sales business model, represented by “exclusive agents”, “affiliated stores” and “chain stores”.

First of all, in the Korean market, GT channels have shown that a network of relationships, which is at the core of social capital, has a direct impact on market sales performance. In

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Because social debt builds up not only in the distribution channels but also within the head office sales reps themselves as well, realistic and performance-oriented sales training is a must.

other words, in a GT channel it’s the independent agents (exclusive agents, affiliated stores and chain stores), which are under contract with the head office of a manufacturer that recruits the sales reps who sell and deliver the contracted products and services – this is unlike other distribution modes. Accordingly, the success of sales is dependent on the relationship between manufacturers and independent operators, and between independent operators and their respective sales networks.

A GT channel is by nature a network of relationships, through which products and services are sold and delivered. Furthermore, the mode of GT channel-based sales assumes a different “logic of exchange”, setting itself apart from other traditional mechanisms. Most affiliated operators of a GT channel receive a variety of sales and product support from the head office, but as independent sole operators, they are not unilaterally subordinated to the head office.

While these operators conduct business according to their contracts with the head office via their sales reps, strong human relations between the salespeople and the manufacturer’s head office usually play a big role in their operations. As such, GT channels, which build on this kind of innate network of relationships, can be a prime research target to investigate the direct impact social capital may have on performance.

Negotiation

The biggest difference in manufacturing between the United States and Korea can be found in the structure of distribution – whether manufacturers have their own distribution channels (fully owned or under management control) or outsource to specialized distributors. American companies tend to engage channels such as dealers or brokers, for their retailing needs.

With the head office responsible for core technology, marketing and branding, US companies typically seek to locate their factories in a cost-competitive location, while commissioning general trading companies to take care of their sales and distribution overseas. By providing a variety of buying options, they employ tactics to urge their counterparts to offer satisfactory price/volume conditions that they are willing to accept. As a result, “negotiation” becomes a crucial tool in their sales management.



Francis Fukuyama

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Problems like these that are intrinsic to sales cannot be resolved just by setting new strategies or through training on its own. I believe the fundamental answer lies in enhancing the level of trust.

In the same vein, the subject of “negotiation” has emerged high on the agenda in the field of sales training, as it can be a truly useful means of driving trade. Regardless of whether you are in a superior or inferior bargaining position, negotiation (when done well) can always lead to greater performance as a fundamental factor that drives sales performance. “Negotiation” has been highlighted as a core subject for sales training for quite some time now in Korea as well. But contrary to gathering interest, many local people in sales were largely found to be quite indifferent to the topic overall. Is it because they believe mere training is not enough to change sales practice in real life?

Although most acknowledge that negotiation can be a great sales tool, most of them look like they can’t be bothered – why? Plausibly, it may be because manufacturers located in Korea – and also Japan – have been developing their own GT channels for a long time now. Naturally, from their perspective, having a good set of sales policies that can influence their GT channels in the desired direction might be seen as the more important tool rather than negotiation.

Social debt

“Policies” feed on trust; if trust is firmly established between the head office and its sales channels, policies from head office would receive support from the channel operators and vice versa. A successful sales policy starts from clearly defining the roles and responsibilities of all involved parties followed by full implementation. In the event that the head office passes on its responsibilities to its channel operators or where operators are solely dependent on the head office for their entire sales, all mutual trust would be destroyed.

This kind of ruined trust is most commonly called “social debt”. As it happens, social capital doesn’t necessarily bring about positive results only. Just like any other type of investment, you cannot change or convert toward social capital investing without incurring certain costs. Portes (1998), for example, categorized these negative aspects of social capital investment into four categories: exclusion of outsiders, excessive demands on insiders, restrictions on individual freedom, and downward standardization. One common example of social debt is the “gang culture”, which aims to cut all ties to the outside world by creating a subculture all its own.

Examples of social debt can easily be found in business transactions and distribution. Common sense would assume that building a good relationship would be key to achieving superior sales performance. No doubt strong ties are linked to the success of a business as they definitely help lessen the burden of “negotiations”.

Nevertheless, a good relationship can sometimes become

a fatal weakness, as it may distort the nature of the transaction altogether due to the underlying incentive of the parties to ensure that nothing bad happens to the relationship. For example, the head office may hesitate in providing honest criticism or feedback to a particular channel because it wants to maintain good terms with the operator. Ultimately, although a good relationship can often be an obvious shortcut to achieving success, it can sometimes end up undermining business momentum.

Conflict

This is particularly true when a once-successful business stalls or even during a business boom, when it comes time to pay out profits, for instance. Let’s take an example from Korea. Recently, several exclusive channels that had previously enjoyed long periods of growth serving local manufacturers found themselves suddenly confronted with a new reality. A series of confrontations and disputes were breaking out everywhere – between head office sales reps versus the GT channels and agents.

Faced with ever-intensifying market competition, signs of conflict started to emerge between the head office and the GTs, despite the strong collaborative ties they had built together over the years. All kinds of conflicts, both big and small, broke out between the head office and its affiliated stores and agents. This crisis among the GTs marked the start of a whole new dilemma surrounding distribution. A great number of GT-dependent manufacturers found themselves at a critical juncture in innovating their sales and distribution.

Let’s look at one more example of conflict. Typically, the head office of a manufacturer would announce an aggressive



▲ Frank Cespedes

plan for growth every year. The stretch goals outlined in the plan would then be allocated to each sales department, which, in turn, would allocate the assigned goals to the distribution channels under its control, with GT channels being no exception. Agencies and dealers, however, which are at a disadvantage to the head office in size, would often be incapable of meeting the aggressive sales targets. Surely, it

cannot be easy keeping up with the increasingly demanding targets every year, especially amid flat market growth due to intensifying competition and where certain business sectors are nearing maturity. In the end, the head office would often have no other alternative than to push the GT channels to achieve their assigned goals, which would then prompt the GTs to do whatever it takes to achieve their targets so that they could get some respite from the mounting pressure.

This is why it became the primary role of the head office sales staff to clearly communicate the company’s sales policies to all its channels in order to encourage better sales performance without causing any friction. Sometimes, the sales department would offer carrots or alternatively, sticks to achieve its policy goals, but overall, the expected role of the sales department nowadays is mostly to serve as a messenger, communicating company policies to the distribution side, and providing support in line with the policies of the head office, as this is assumed to be directly linked to business success. This was how the role of the sales staff was first defined and shaped over time here in Korea, and it’s also probably the reason why

sales training has been deemed less important here compared with the West, and why good training programmes targeting in-field salespersons have produced very little success so far.

Different business environments

Because social debt builds up not only in the distribution channels but also within the head office sales reps themselves as well, realistic and performance-oriented sales training is a must. What then should be at the core of such training? In fact, many sales training tools have been brought in from the US as is, with little regard for the differences in the two business environments, resulting in significant distrust toward sales training altogether among salespeople in Korea, which is quite unfortunate.

Let's take an example of such failure. One common psychological hurdle against sales training typically lies in the GT's attitude, especially the more experienced ones that are convinced they have already tried every conceivable tactic in the book. This phenomenon is widespread and common across business in terms of the "real-life" status of sales training today. No matter what latest programme the training department may try to introduce, people at the frontline of sales would ignore their effort and carry on the same as before.

Many times, innovative sales tactics were often put on hold even before they got started. Even when head office would try to introduce a new "Plan B" for innovation, for instance, the sales side would often jump to the conclusion that, based on their past experience, they would most likely be asked to go back to the same old "Plan A" in the end anyhow. In short, no matter how innovative or well formulated a plan might be, Plan B was regarded as being no different from Plan A, and often ending up being aborted with no progress to speak of.

Other times, salespeople would just look on like bystanders when the next new plan was unveiled. Even if a high-level lead in the HR department with authority over personnel matters was the one trying to drive up innovation, field staff would act like they couldn't be bothered. Why was this happening? Can we change this



▲ Neil Rackham

situation at all with sales training?

The fact of the matter is that problems like these that are intrinsic to sales cannot be resolved just by setting new strategies or through training on its own. I believe the fundamental answer lies in enhancing the level of trust. In which case, where should we start looking for clues on how to go about enhancing trust? The answer is not far away; it lies in

having a keen eye and getting clear and up-close visibility on what is happening on the ground.

Trust Selling: "selling" your company's value

According to many current sales training programmes, the most important quality of a good salesperson is to serve as a "trusted business advisor". But what does this actually mean? How should you go about gaining trust? Do you earn your customer's trust by becoming fast friends after a couple of drinks? Or by keeping your word on something?

In general, it is widely understood that trust can be earned by acting on one's words, keeping even the smallest of promises, maintaining consistency throughout and working to comply with the prescribed rules. That said, what can a salesperson do in real life to actually gain another person's trust? Before going further though, let's consider the subject of performance first.

What does "performance" signify in the context of business management? What stresses out managers the most? The biggest, most obvious source of stress is the pressure to deliver good performance results.

Although performance is generally regarded as a good yardstick for measuring how good or bad a job management is doing, when it comes to making a judgement call on what qualifies as good performance or not, views will vary. This is one of those topics you've probably come across at some point in your business lives but most likely glossed over for lack of time. But let's take a moment to consider this question – put yourself in the manager's shoes. There can be many different ways of looking at this, of course, and it's very rare to ever see a unanimous decision when judging performance is concerned. There will always be disagreement about whether something actually qualifies as performance or not, with some agreeing but others saying it somehow falls short. However, despite these conflicting views on what constitutes (good) performance, there is one perspective that is surely worthwhile to consider: that is the concept of "time or time period".

Let's consider the popularity of white-soup ramen noodles as an example, led by the brand "KOKOMEN (white soup instant noodles)", which enjoyed great popular demand thanks to being different from all of the other conventional red-broth, spicy noodle

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Let's imagine, what might have been the shared dilemma of countless CEOs like Steve Jobs just before they passed away. I would think they may have all wished for an "avatar" of themselves to run the company after they were gone. I suppose it would have given them peace of mind to know they were passing down their business to someone that thought and behaved just like themselves.



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How can a salesperson earn trust from his or her customers? It begins with ‘establishing and communicating the value of your company systematically when describing your products and services’.

competitors. At its peak, it even mounted a serious threat to “Shin Ramen”, the all-time number one ramen brand, which had a predominant position on the market at the time.

But what about now? Not many consumers even recall the brand name any more, as its market presence has been completely wiped out. Would it be fair to say then, that KOKOMEN achieved good performance? This is actually a very tricky question. One could argue about it one way or the other depending on your point of view, which will always vary. For example, at its peak KOKOMEN would definitely have been called a “sensational” success for sure, although its success didn’t last very long unfortunately.

Values

Let’s think about what kind of product or service would be likely to achieve more enduring success? One answer could be a “value product”, something that is worthy of longstanding customer loyalty. What about you? Are your company’s corporate values embodied throughout your products and business activities? And are these values, in turn, communicated successfully to your customers?

Successful sustainable businesses and products have both been found to be those that have successfully integrated their underlying corporate values into their entire corporate processes, whose values are appreciated by their customers and easily identified by everyone. The key to their long-standing success lies in their constant effort to communicate their values throughout their distribution channels and customer base.

Let’s imagine, what might have been the shared dilemma of countless CEOs like Steve Jobs just before they passed away. I would think they may have all wished for an “avatar” of themselves to run the company after they were gone. I suppose it would have given them peace of mind to know they were passing down their business to someone that thought and behaved just like themselves.

In the real world without avatars, it’s likely they tried to create something to ensure that their successor would carry forward their hard work in the exact same way they themselves did when building up their empires. These things that they leave behind may be called by different names, but they embody the “way” business is supposed to be run at that particular company.

For example, a successful company will most likely have a “code of conduct” which embodies their unique corporate values, which they expect all employees to strictly follow. In the same way, these values are integrated into the company’s products and communicated to the outside world via corporate

“sales talk”. Even if a company doesn’t explicitly spell out the “way” work should get done, most will have these expectations somehow reflected in their company policies or code of conduct one way or another.

Now, let’s go back to the essence of the question we dealt with earlier: how can a salesperson earn trust from his or her customers? It begins with “establishing and communicating the value of your company systematically when describing your products and services”.

For companies that rely on GT channels for distribution, sharing their corporate values with their GT partners may be more important than anything else. This is largely due to the inherent characteristics of GTs, which are as follows:

- First, the consignment-based structure of the channel makes it difficult for manufacturers to know exactly what is going on more down-stream from the GTs at the customer-facing side of the value chain, which is why sharing values upfront with the GT channels is key. If not, no matter if you set up some kind of a dedicated team under the head office to provide consulting and guidance to the distributors – which is what many companies are actually doing – it may all be in vain.
- Second, salespersons affiliated with the GTs are the company’s interface with its customers, and they are the ones who have to represent and deliver their corporate values to the market. Managing these GT sales reps, however, is actually quite challenging for most manufacturers. According to a survey conducted in 2014 by the Sales Innovation Research Center (SIRC) at aSSIST, the average turnover of salespersons in Korea’s seven key industries combined recorded 32% – quite high, mostly due to the poor local sales environment. In general, higher turnover among the sales staff, which again are the company’s interface with its customers, hurts the sustainability of sales, resulting in unnecessary direct costs to cover repeated rounds of recruitment and training, and so on, as well as many indirect costs from loss of customers following turnover and lost business opportunities, and the like. Making an effort to prevent churn can sometimes even cause some customers to drift away.

What is worse than high turnover is the fact that the quality of training for sales personnel has been at a standstill for many years now. This is because for the majority of salespeople, the only learning they ever receive is what’s

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As the trainers usually lack practical knowledge or expertise on what’s happening out in the field, training is often no more than a pep talk for boosting morale instead of providing systematic lessons that are based on real-world practice.

handed down to them from their seniors or channel heads in the form of tacit knowledge. So the topic of sales



▲ Tom Peters

innovation is often perceived as something that is beyond their reach or a luxury, particularly for salespersons working in the indirect channels.

Some companies may hire their own training specialist and have him or her tour their sites to provide some hands-on education. Still, as the trainers usually lack practical knowledge or expertise on what's happening out in the field,

training is often no more than a pep talk for boosting morale instead of providing systematic lessons that are based on real-world practice. In addition, training that is aimed at achieving short-term performance goals always tends to take priority over any related to teaching corporate values, which is pushed way back onto the back burner.

This lack of value-focused training has often resulted in a loss of trust among customers towards the head office due to something a salesperson from the GT side might have said or done. In other words, you can get them to "think" and realise they have to do something in their heads, but they will still not know what to do in terms of real-world implementation and practice, without value training.

Trust selling: selling the value of salespeople – a three-step approach

1. One significant element of the forward-looking sales approach is that "sales are no longer directed toward simply communicating or introducing products but towards helping to deliver and create value". The most incompetent salesperson in the world is one who is nothing more than a messenger delivering simple company policies or product information.

Nevertheless, there is one remedy to get this person to boost value, regardless – and that is to "deliver the details". If you wish to help build social capital by delivering value, your first step should be "to act in detail". You should go beyond just explaining the qualities and differentiating factors of your products and instead emphasize the best method of use and explain the expected benefits in detail.

Neil Rackham, the author of *SPIN Selling*, once reiterated the importance of detail in winning customers over by suggesting: "Don't just say your mouse trap is better. Say, 'the best time to set a mouse trap is 8 o'clock if you really want to catch a mouse', which sounds much more convincing." In other words, the value of a salesperson is enhanced when he or she provides added details about a particular product based on their expert knowledge.

2. The second step for delivering value through sales is to present "business value" through company products or services. This is where alignment with the sales strategy side becomes increasingly important. Many times in the real world of sales, a serious issue arising at a particular channel is often hard to find since its salespeople are usually working away from the head office – which is also why people responsible for setting strategy at the head office often end up overlooking the issues altogether.

Professor F Cespedes, a long-time sales expert at Harvard Business School, figuratively called this the divide between "strategy priests" and "sales sinners". There are many examples of this divide where people in charge of strategy have no idea what is actually going on on the sales front.

Let's take a look at a couple of examples. Recently,

strategists at manufacturers have been thinking up new ideas to address emerging conflict between the GTs and the head office. They started developing methods designed to achieve the manufacturing company's goals while making strategic use of the GT channels.

One idea centred on increasing the number of agency channels for greater scale. The goal was to increase market coverage by recruiting new dealerships (ie affiliated stores) or dividing existing channels into sub-segments (referred to as "dividing agent"). This approach soon hit a wall, however, because you can only increase the number of channels by so much. After the channel count reaches a saturation level, you're no longer competing against the competition but against other GT channels.

For instance, Company K, a leading local office equipment manufacturer, maintained a broad network of exclusive agencies for over 30 years. Its dense nationwide distribution network, which had evolved closely in line with corporate policies, was the main driving force behind its top market position. Salespeople, who were responsible for managing the agencies under the head office, performed so well that they were likened to graduates from the "sales boot-camp academy". However,

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There are many examples of this divide where people in charge of strategy have no idea what is actually going on on the sales front.

the tide turned in 2005 as large overseas competitors started moving in, bringing substitute products onto the local market.

Although all agencies were allocated to different sales zones, they started encroaching on other zones as business started to stall. Faced with intensifying price competition, they started cutting prices below levels set by the head office to increase sales volume. Consequently, market prices collapsed, and more agencies resorted to selling products at almost no-margin prices through promotions. Ultimately, the company ended up spending more time mediating internal conflict among its own agencies, and less time paying attention to its competitors.

The second idea centred on boosting agency sales through hit products. As a strategic option involving big marketing costs with very low probability of success, this is a constant dilemma for manufacturers. Even if you somehow pulled off a successful launch though, a new entrant would usually follow with a similar offering, often replacing your existing product sales instead of the other way around, mostly due to the limited size of the GTs.

Company J is an Aloe-based door-to-door direct sales company with 210 exclusive dealerships and 3,000 direct sales representatives. Although the company's marketing division believed the optimal number of products that one salesperson could handle was between 15 to 20, the company ended up with more than 110 products in its line-up. This imbalance was due to the company's marketing practice of launching new product lines and throwing up a bunch of sales incentives for its dealers

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Providing your customers with forward-looking advice and helping them look ahead to the future for their problem-solving purposes, will maximize the value you provide to your customers to its maximum potential – here lies the future of sales.

anytime sales appeared to have hit a limit.

You might be wondering, “Why don’t they just get rid of product lines that aren’t selling well?” This wasn’t so simple though since 210 exclusive dealers and 3,000 sales reps meant that even slow-moving products were still being sold by somebody somewhere, making it difficult to eliminate any existing lines due to resistance from the channels. Not wanting to be criticised, the head office chose to maintain all of its unprofitable lines, which naturally resulted in a huge build-up of product lines. The company was also concerned that its top-performing sales reps, who had no trouble selling across all product lines, might be discouraged if anything were discontinued. In the end, the new products displaced the existing lines, and the company’s policy of launching new products to support top-line growth in its agencies fell short of its goal, resulting in just more products and nothing else.

A third idea centred on changing the structure of the agencies, for example making standalone agencies bigger, or merging several together for greater scale. In theory, it is better to build a network of agencies with greater scale and investment capacity if you’re trying to respond to market competition and open up new markets rather than trying to compete with agencies of lesser scale. In practice, however, since large-scale dealerships (대리점) held greater bargaining power against the head office, prompting them in the desired direction usually meant added costs, both tangible and intangible, for the manufacturers. Furthermore, amid tighter enforcement of fair trade regulations over the years, the regulators have been increasingly taking sides with the underdogs in case of disputes, with calls for greater transparency and fairness across all business transactions.

Against this backdrop, the worries of the manufacturer have deepened as well. Contrary to their expectations of better sales, strategic use of the GTs ended up fracturing the longstanding trust it had built up with the channels over a number of years. This is what happens when there is not enough effort to align corporate strategy with the real-world practicalities of sales.

3. The third step is to think hard about what values exactly can be delivered through the sales process. This is the part on “sales strategy”.

With customer expectations rising constantly, anticipating some future need that they themselves don’t yet realise can be an example of providing high value. For instance, if sales at one of the agencies are down, an ordinary sales rep would probably

come to you asking for some help to boost product sales or find new customer leads. If, however, one of them comes to you and says, “Hey, boss! I think this agency is likely to encounter a problem with sales pretty soon”, this is a person who deserves to be called a “value provider”.

Providing your customers with forward-looking advice and helping them look ahead to the future for their problem-solving purposes, will maximize the value you provide to your customers to its maximum potential – here lies the future of sales.

In his best-selling book *In Search of Excellence*, Tom Peters suggested that corporations of excellence worked in accordance with their values. He wrote: “They do not seek short-term profits unlike the rest. They hold fast to their own beliefs and goals. *Quality first* and customer satisfaction are some examples. Their strength comes from their commitment to sacrifice everything for their values.”

In the end, the key to sales competitiveness is engaging in trust-enhancing sales, which starts by systematically communicating the value underlying the products you are trying to sell as well as your corporate reputation and image.

How do you define what constitutes sales performance? I think it’s all about “selling value in an effective way”. It is up to the manufacturers to provide holistic support for “selling value”, while the role of the sales side is to share the company’s corporate values with its partners and communicate it well to its customers alongside the products they sell. This is the basis of what “trust selling” is all about.



Nick de Cent

About the author

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The Trust Dividend

✍ Dr Mark Hollyoake, Dr Melanie Ashleigh and Professor Malcolm Higgs

The strategic implications of trust building in B2B client relationships and the way towards enhancing them to create mutual economic value.

Abstract

There is a noticeable lack of clarity around the construct of trust in the business to business (B2B) context. The thesis on which this article is based considers how trust building antecedents operate dynamically within a B2B relationship, and how they can be used proactively to help develop trusting relationships.

It deployed grounded theory qualitative research undertaken through a focus group, feedback workshops and 37 semi-structured interviews utilising critical incidents as units of analysis. The interviews were multi-level (inter-organisational, inter-team and interpersonal) between dyads.

The findings evidenced cognitive and affective dissonance occurring when relational intentions failed to meet expectations, engagement and experience that both sides intentionally set out. The thesis also evidenced B2B relationships being strategically driven from an organisational level through relational intent and the establishment of mutual relational benefits. Finally, the thesis addressed where trust resides in B2B relationships between both sides and levels. At organisational level, trust resides in the moral bonds that have achieved a cultural quality.

This thesis, therefore, contributes to the body of literature and theory in B2B trust between two organisations in a relational context in the following areas:

- Firstly, it contributes to understanding the importance of relationship intentions, as opposed to commitment, at an organisational level, highlighting the strategic mediating effect of the cross-dyad role through the relationship intentions. Additionally, the thesis highlights both commitment and communication as important antecedents

of B2B relational trust at group/team and interpersonal level, as intention moves from intangible to tangible action between both sides of the relationship.

- Second, the study confirms the proposition made by social exchange theory that emotions and feelings play a role in business relationships, which involve social exchanges as evidenced in the role of affective trust expansionist/reductionist antecedents between both sides of the relational dyad. The theory of dissonance and consonance that incorporate two different groups of characteristics (affective/emotional and cognitive/rational) with a reductionist and/or expansionist effect on B2B relational trust is also developed.
- The third contribution identifies trust residing at organisational level, manifested through: moral bonds (cultural), action and behavioural conceptualisation, shaped through the development and signalling of relationship intentions. At an operations, group, team and interpersonal level, the contribution builds on structuration theory, demonstrating that trust resides at these levels as a manifestation of artefacts (relationship charter/mission/vision) standard norms (contracts, processes, systems and ways of working) and cognitive social stuff in the effective memories of the relationship agents/actors.
- Finally, a model of B2B relationship trust development contributes to academic research and new knowledge. It does this by developing an intention-ability-credibility-interdependence-mutual value outcomes–time framework that works across all organisational levels and between dyads. It builds on the definition of B2B trust and sheds light on how both sides of the relationship can work proactively to use trust to enhance the relationship.

Trust is recognised as a central concept in relationship marketing (Blois 1999) and this may be attributed to the significant impact on many outcomes in this area (Seppanen, Blomquist and Sundquist (2007).

This paper considers the strategic implications of trust building in B2B client relationships, the way trust-building antecedents operate dynamically within B2B relationship and how they can be used proactively to help develop trusting relationships between two businesses to co-create mutual economic value. It sets out and answers the research question: **What are the mechanics and dynamics of trust building within B2B client relationships, and how can this understanding be applied proactively to enhance client relationships and create mutual economic value?**

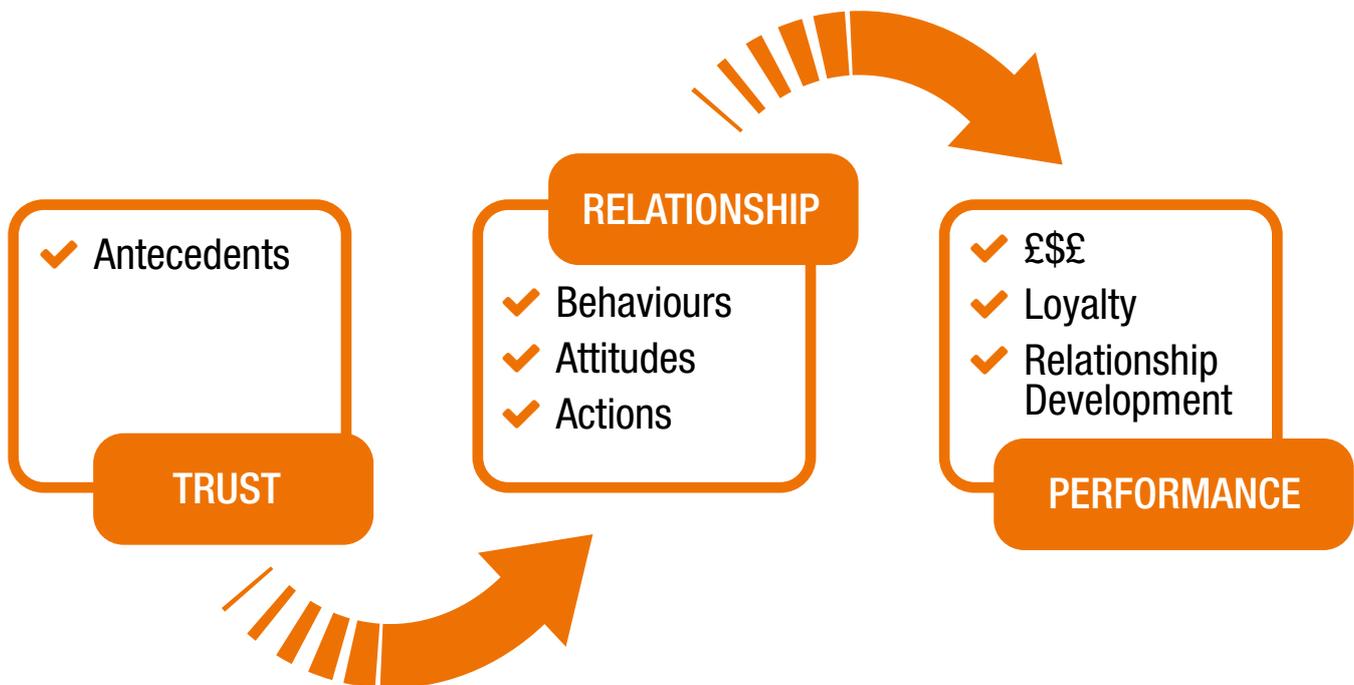
The key research objective is to determine the dynamics of trust building in B2B customer relationships at interpersonal, inter-team/group and inter-organisational levels and, through this understanding, identify how to apply the dynamics and how they enhance customer relationships. This overall objective then frames the more specific objectives outlined in this section. When viewed graphically (Figure 1), trust is placed first, which influences the relationship affecting the performance.

Treatment of qualitative data

In this study, the unit of analysis is the level of an organisation between both sides of the relational dyad. Specifically, this represents the relationship between one company (supplying company) at a defined level (ie, interpersonal, inter-team/group, inter-organisation) and another company at a defined level, which in the case of this research is an actual customer of the supplying company. This aligns with the research aim, objectives, questions and purpose of this study that focuses on understanding B2B relational trust and its role between the dyad at multiple levels.

This study focuses on the identification of critical incidents in the relationship(s) (Flanagan, 1954) between both sides of the relational dyad at multiple levels developed through the application of CIT. This is developed through the deployment of grounded theory and semi-structured interviews as a way to unlock the incidents to develop initial codes for analysis (first-cycle codes). In this study, the respondents (the unit of measurement of the critical incidents) represent the three levels of the organisation(s) being researched:

1. Informants from organisational/leadership level who are knowledgeable about the relationship the two organisations have at an organisation-to-organisation level, and how the



▲ Figure 1: Trust, relationship, performance framework.

Research methodology

Trust research employs a diversity of methods, disciplines and traditions (Lyon et al, 2012b). Lyon et al (2012) proposed that, as research on trust matures, this creates an opportunity to consider the innovative developments by trust researchers into the methods they have used in order to examine this concept. These have been taken into consideration, discussed and evaluated prior to identifying and selecting the grounded theory (GT) method and critical incident technique (CIT) approach in the thesis to collect, codify, analyse and generate insight. The methodology developed and deployed involved firstly a focus group and then qualitative interviews.

2. Informants from the team/group level who are knowledgeable about the relationship between the two organisations at this level, as well as their relationship with the other levels.
3. Informants from the staff/personal level who are knowledgeable about their one-to-one relationship with the other organisation and the other levels.

This provided the research with respondents and informants covering the three levels of the relational dyad on both sides of the organisation. Previously, many studies into business relationships have focused on the supplier side of the relational dyad (Barnes et al, 2007; Joshi, 2009). In other

instances, data were collected from informants with a more functional responsibility (Rindfleisch and Heide, 1997). These include sales managers (Anderson, 1985; 1988; John and Weitz, 1988; 1989), purchasing managers (Heide and John, 1990; Noordewier et al, 1990), or agents' intermediaries (Anderson and Narus, 1992). This research extends the reach of the informants in the relationship between two organisations used previously, to include project managers, customer services, administration, finance, information technology, operations and respondents from three levels in each organisation (personal, group/team, and leadership/organisational).

Focus group participants and recruitment

The participants were selected using purposive sampling (Hair et al, 2009) on the basis that they occupy or have occupied a senior position within a B2B organisation within a customer-facing role. They represent a diverse number of sectors:

outsource services, pharmaceuticals, wines, beers and spirits, fast-moving consumer goods, and information technology services.

The seniority of the participants helped to achieve a multi-level view of trust within B2B relationships. Zaheer et al (1998) argued that the leadership team can reflect the action conceptualisation of trust through their intentions, actions, behaviours, attitudes, reality of the actions and the effect they have both internally and externally. Furthermore, the experience and roles of the group also offer the potential to provide insights into the group/team and interpersonal levels of trust in B2B relationships.

Qualitative interviews

The sample drawn upon consisted of 37 interviews: 18 interviews with representatives from selling-side organisations and 19 interviews with representatives from buying-side

FOCUS GROUP PARTICIPANTS

	ROLE	COMPANY/ORGANISATION
1.	Client Director	Information Technology Services
2.	International Markets Director	FMCG
3.	Commercial Excellence Manager	Pharmaceuticals
4.	Commercial Director, Grocery	WBS
5.	Business Account Manager	WBS
6.	MD	Outsource Services
7.	Commercial Director	FMCG
8.	Sales Development Director	Information Technology services
9.	MD	Outsource services
	Lead researcher/ facilitator	
	Support researcher/ notes	
	Support researcher/ sound	

Relationships explored during trust research

- **Relationship 1. Financial services organisation to a key intermediary:** the relationship has existed for over five years, is mature, and the exchanges represent a combination of channel marketing and distribution.
- **Relationship 2. Pharmaceutical organisation to a key wholesale/retail/hospital organisation:** the relationship has existed for over ten years, is mature, and the exchanges represent a combination of supply chain, channel partner and specialist service provision.
- **Relationship 3. Fast-moving consumer goods organisation to a multiple retail grocery company:** the relationship has existed for over 15 years, is mature, and the exchanges are across multiple categories, facia formats and locations at a shopper/consumer level.
- **Relationship 4. Outsourced technology, information and data organisation to a key utility provider:** the relationship has existed for over five years, is maturing, and the exchanges represent the provision of contracted services across multiple functions, departments and sites.

organisations. The respondents represented organisations from the following sectors: financial services, fast moving consumer goods, outsourced information technology services, utilities, pharmaceuticals, and retail. Each organisation and key contacts were known to the researcher through longstanding professional relationships. They were approached in the initial thesis concept stage (research proposal), where the research aims and objectives were shared and potential organisational insights for relational improvement discussed.

Research participant procedure

All the interviews took place face to face, and extensive notes were taken during each interview. All of the interviews were audio taped and transcribed verbatim. Only four interviews were not recorded, due to internal security procedures and regulations. In this instance the handwritten notes were transcribed. Each side of the relationship was represented and had respondents from all three levels of organisational structure: leadership level – inter-organisational, management level – inter-group/team, and operational/activation level – interpersonal. The interviews followed a semi-structured approach, in each instance of the fieldwork.

Working with the data corpus

The data were coded in two separate stages in order to demonstrate the objectivity of both the approach and development of the first-cycle and second-cycle codes. This provides the objective platform for emergent theory development. The data were collected from two primary sources: focus group and research partner interviews.

The first stage involved transcribing the focus group session from a recording of the entire event conducted with eight respondents into a Word document. This provided the researcher with the opportunity to listen to and compare the transcript to the notation taken in parallel as the fall-back

plan to check for validity. During this process the narrative was coded to each participant in a way to ensure anonymity yet allow analysis of the respondent's answers within the focus group session. The second step involved loading the transcript into NVivo.

An initial word-frequency query provided insight at a high level and a cross-check against the focus group common themes that emerged from the session. This allowed the first-code generation. At this step, the focus group transcript and themes were shared with two independent observers to verify the initial themes and a less than 10% divergence was observed, validating the approach. The third step involved transcribing the 37 digitally recorded interviews into individual Word documents. These were individually coded to allow respondent analysis – ie, by level, by supplier/customer – while retaining individual and organisational anonymity.

Developing the initial codes

Systematic interrogation of each transcript of the interviews was undertaken to identify themes that related to the focus group and critical incidents that surfaced in the interview. Specific coding approaches were selected and developed based on “fit” to the subject and qualitative nature of the research. Three methods were deployed at this stage: initial coding, invivo coding, and process coding.

The next stage involved searching for themes across 175 codes in two discreet steps, one of which offers a new methodological approach to qualitative research.

To explore the total data corpus for code frequencies for qualities (Saldana 2016), the data corpus was split into the two sides of the relationship – buyer/suppliers – and code frequency was once again used to explore the data for qualities within and between the two datasets.

The next step was reframing the data corpus to reflect the level of respondent. The research was organised and conducted to reflect the different levels/structure in both sides of the relationship: leadership – inter-organisational level, management – inter-team/group level, and staff – interpersonal level. At this level, the analysis focused on variance between levels and across the dyad, “what's working” and “what's not working” at each level, highlighting and captured as code charting (Harding, 2013). This led to the identification of 14 trust-building themes and 16 trust-diluting themes.

Reviewing the initial themes

Focused coding: This searches for the most frequent or significant codes to develop the most salient categories in the data corpus. Focused coding is seen as appropriate for virtually all qualitative studies, but particularly for grounded theory methodology, and the development of major categories of themes from data. Using the lens of focused coding in conjunction with theoretical coding applied to the 30 themes emanating from the bridging process led to amalgamation of the 30 themes into:

1. **Four core themes** – cognitive dissonance, affective dissonance, cognitive consonance, and affective consonance.
2. **Five supporting themes** – relational intention, relational ability, relational credibility, relational interdependence, and relational mutual benefit.
3. **Two linking themes** – relational commitment and relational communication.

Findings and discussion

Overall, this thesis supports and evinces the role of trust as a key concept for relationship development or dilution, so influencing B2B relationships at multiple levels is supported. >

This confirms the findings of previous studies, which show the effect of trust on relationship outcomes – ie, strategic information sharing, cooperative behaviour and relationship benefit (Hammervol and Toften, 2013; Ashnai, 2014; Dowell, 2015) – and develops further by showing the role of dissonance (cognitive/affective) and consonance (cognitive/affective) on relationship trust development and its mediating effect (**Figure 2**).

The strategic nature of relationship development through the relationship intention is evident as a vision and mutual value opportunity. This leads to positive mutual change outcomes that motivate the relationship at an organisational level. The role of commitment in this instance has a secondary/supporting role aligned with mutual value, relational intent and understanding each other. The role of commitment in relational development and trust building was found to be counter to the work of Morgan and Hunt (1994), Palmatier et al (2007a), and Ashnai (2014), who found commitment as having a central role in determining relationship outcomes. This is an organisation-level specific finding from this study that adds to and builds on organisational-level trust-building.

The distinctions between cognitive and affective trust were confirmed, in line with previous studies, (Dowell, 2015; Akrou, 2017) by showing and discussing their different impacts, roles and outcome constructs in B2B relationships. However, this thesis goes further by exploring cognitive and affective trust as the foundational elements of B2B relationships and how it affects performance negatively through dissonance and positively through consonance. This develops and contributes to B2B relationship theory in trust development, through the demonstration of the expansionist effect of affective and cognitive antecedents when applied in consonance and the reductionist effect of affective and cognitive antecedents when applied in dissonance.

The relationship establishes intention as the initial B2B relational trust trigger at organisational level. It operates between both sides, setting out intangible trust expectation “vulnerability” and the engagement required to turn the intangible trust into tangible trust. This is the first stage in the model presented in **Figure 3**. Relational intentions can be attributed to a new relationship or to the continuation of an established relationship.

When operating in an interlinked nature, the six elements depicted in **Figure 3** contain the potential to positively build relational trust through an expansionist effect or to negatively dilute trust through a reductionist approach. Ashnai (2014) posited a relationship framework of attitude-behaviour-outcome in business relationships. This thesis goes further in establishing intention – ability/credibility – interdependence and mutual benefit as a relational framework for business relationships. Furthermore, the role of relational intention has a strategic mediating effect at inter-organisational level. Anderson and Weitz (1992) contended that a business partner may undertake an action that demonstrates good faith and binds the channel members to the relationship, affecting the perception of the other party. In this case, Anderson and Weitz (1992) discussed the actualisation of a relational intention that moves from intangible to tangible (Mollering, 2002).

However, in a later work, reference is made to relationship intention: “Businesses send signals that they intend to work together with channel members over the long run.” “These signals help build the level of mutual trust in a dyad.” (Anderson and Weitz, 1989, pp. 314,315) Relational intention was also found to have a mediating effect at the inter-group level in framing the joint working, co-creation and ways of working to turn the intention into reality. At interpersonal level, the relationship intention operates on an affective level reflecting the attitude, commitment and expected effect (mutual value) from interpersonal interaction between

the dyad.

The thesis demonstrates that inter-organisation, inter-team/operations and interpersonal trust are three distinct constructs through showing how they interact between the dyad at the three levels. Doney and Cannon (1997), Fang et al (2008), Jiang et al (2011), and Ashnai (2014) have also researched and explored multi-level trust, providing evidence for discriminant validity between inter-organisational and interpersonal aspects of trust. This thesis establishes the third level of inter-team/operations.

At the initial stage of the relationship, the intention enacted has the potential to create dissonance if the intention enacted falls short of the expectations established at the intangible stage. The intention shortfall could be on a cognitive or affective level or a combination of both (Dowell, 2015; Akrou, 2017). This thesis established the potential for dissonance occurring at the team/operations and interpersonal level between the dyad, as one side of the dyad failed to live up to the intentions established at organisational strategic level.

Methodological contributions

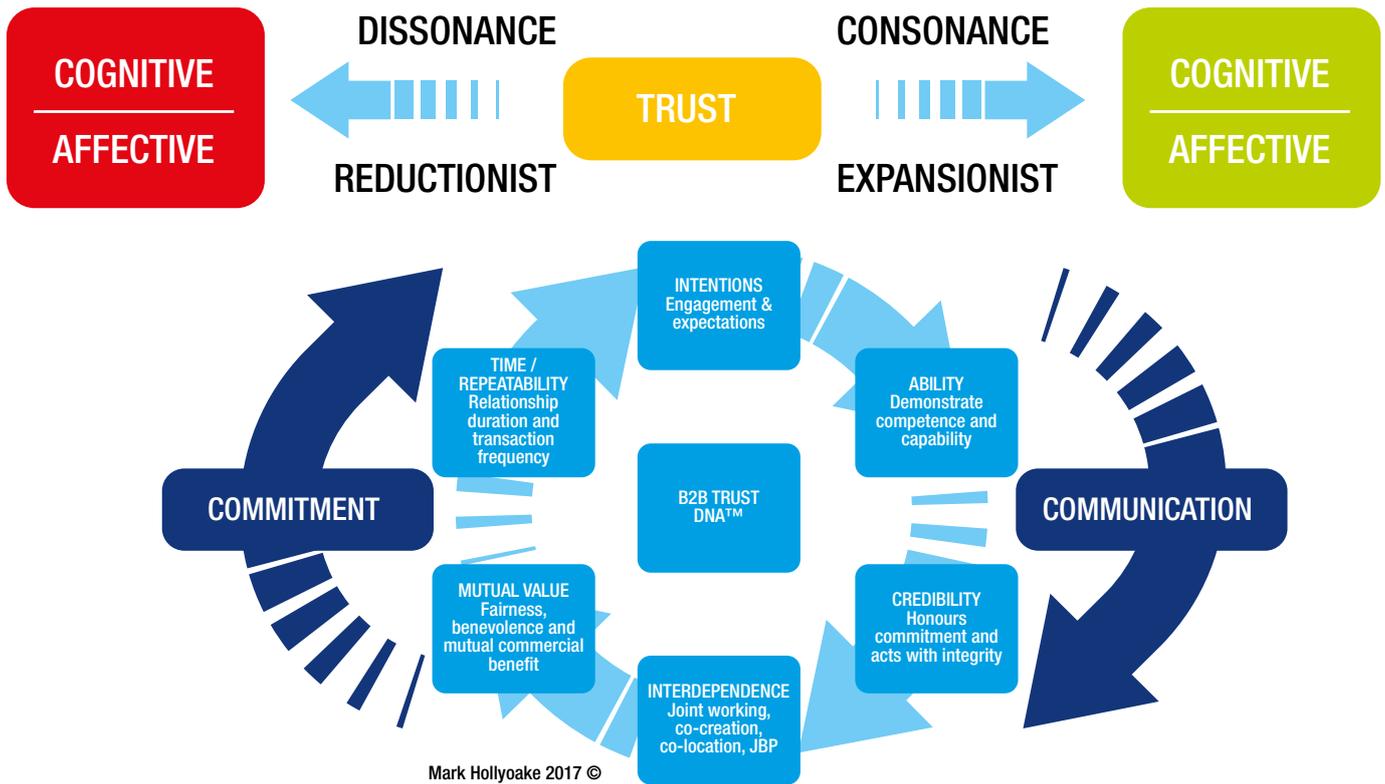
Through the use of multi-level research across both sides of the relationship dyad and multiple research partners, this thesis addresses gaps in B2B trust research methodology. It also contributes an understanding of how trust can be proactively developed (intention, ability, credibility, interdependence, mutual value benefit), the roles of cognitive and affective trust, and where these reside at organisation, group/team and interpersonal levels.

Therefore, this thesis extends our understanding of different aspects of trust by applying a research methodology that negates misspecification, making a methodological contribution to B2B research through the use of three methods in triangulation. Furthermore, the qualitative research approach is enhanced through the introduction of a bridging process between first- and second-cycle coding, independently validating, informing and contributing to theory development. This adds to the limited number of studies that have attempted to do so (Zaheer et al, 1998; Currell and Inkpen, 2002; Fang, 2008; Ashnai, 2014; Dowell, 2015; Nikolova, 2015; Stevens et al, 2015; Saunders, 2016; Akrou, 2017).

Managerial Implications

This thesis makes a practical contribution to the body of literature and theory in B2B trust between two organisations in a relational context in the following areas:

1. It differentiates from previous studies investigating the importance of commitment in the development of trust in B2B organisational relationships (Morgan and Hunt, 1994; Mouzaz et al, 2007; Ashnai 2014). As this thesis contributes to an understanding through highlighting the importance of relationship intentions, as opposed to commitment at an organisational level, it builds on intentionality in the trust-building process (Doney & Cannon 1997) as the strategic mediating effect cross dyad through the relationship intentions both sides have towards the relationship. **Therefore, managers need to be clear about the relational intentions they set in terms of customer or supplier expectations and the organisation's ability to meet them. Managers need to ensure relationship measures reflect the true role of commitment in trust development.** This has implications on the use of net promoter score (NPS) and how customer relationship quality (CRO) is established in a B2B relational context. Additionally, the thesis highlights both commitment and communication as important linking antecedents of B2B



▲ Figure 2: Training, Mentoring and Coaching cycle.

relational trust at operations/team and interpersonal level, as intention moves from intangible to tangible action between both sides of the relationship. This **offers managers the potential to track and measure implementation at these levels** through the commitment and communication being undertaken between the dyad and within the organisations and the delivery of the relational intent.

2. Social exchange theory assumes that the role of social interactions and interpersonal relationships are critical in exchanges such as business relationships, (Blau 1964; Emerson 1981). Both social and structural characteristics are considered as influential factors when examining business relationships, (Wilson 1995; Blois 1999; Ashnai 2014). This thesis confirms the proposition made by social exchange theory that emotions and feelings play a role in business relationships, which involve social exchanges (Thibaut and Kelley 1959; Ashnai 2014) as was evidenced in the role of affective trust expansionist/reductionist antecedents between both sides of the relational dyad. Relationship consonance occurring through cognitive, affective antecedents and/or combination has an expansionist effect on trust development. In this context, **managers/leaders need to match resources for the optimum effect in the early relationship effective stage. Care needs to be taken that the relationship doesn't get stuck at this stage and smoothly transitions into the cognitive stage.** Careful selection of the boundary spanners and commensurate development is required in order to effectively manage this transition.

The resource-based view, highlights implementation strategies that enable firms to gain competitive advantages, accessing and managing resources productively, and profitably (Wernerfelt 1984; Barney 1986; Ashnai 2014). This

thesis contributes to this perspective by developing the theory of dissonance and consonance that incorporates two different groups of characteristics, affective/emotional and cognitive/rational, which have a reductionist and/or expansionist effect on B2B relational trust development between both sides of a relational dyad, operating as a supporting link. It is therefore vital that managers/leaders regularly and objectively survey both sides of the relational dyad. Doing so, would determine the affective/cognitive balance and nature of trust development, enabling corrective action to be taken if required.

3. The relationship boundary spanners have a mitigating effect on the movement from relational intent (intangible) to relational action (tangible), reducing vulnerability and leap of faith, which supports the earlier work of Naslund (2012 p.23), suggesting that: *"interpretation and expectation are largely based on cognition, while the leap of faith relies more on the affective aspects"*. The thesis uncovered the role of the boundary spanners and affective trust as having a positive impact on the move from intangible trust as organisational intention towards the activation and into tangible trust. **An additional role of relationship trust developer needs to be considered for the boundary spanners and closely related relationship stakeholders**, as they take on the responsibility for risk mitigation through relationship trust development. This would require systematic development of capability and competency in this relationship development for the boundary spanners and connected stakeholders – in essence, holding the hand of one side of the relational dyad as they make the step (rather than the leap of faith) (Mollering 2002) to mitigate the risk and ameliorate the vulnerability.
4. The thesis identified trust residing at organisational level manifested through moral bonds (cultural), action and behavioural conceptualisation. Trust has been argued to

pass into the collective entity over time, (Clark 2010) and is seen to live in a state beyond the collective individuals, confirming and supporting (Fleetwood 2018) conceptual structuration theory. It also posits an answer to the academic conundrum of where does trust reside in an organisation, which in turn contributes to social exchange theory (Szomptka P 2016), and supports the conceptualisation of an organisation's actions as a characteristic of trust (Stevens et al 2015).

It also **confirms the strategic importance of the leadership team** (Legood et al 2016) **in shaping organisational trust through the development and signalling of relationship intentions**. The implications are significant for leaders as they have responsibility not only for the strategic intent, but also the development of the organisation's moral bonds. These emanate from the organisational leadership's actions and behaviours, passing into organisational culture over time. At an operations, team and interpersonal level, the contribution builds on structuration theory.

The implications for leaders in the creation of organisational trust is ensuring the relational intent manifests in the artefacts at operations/interpersonal level, this is communicated effectively, and then checked for understanding, relevance and appropriateness at inter-operations and interpersonal levels: ways of working, actions and behaviours are briefed effectively, trained, embedded and rewarded; undertaken until they become organisational muscle memory, overwriting the historic ways of working. This thesis demonstrates trust residing at these levels as a manifestation of artefacts (relationship charter/mission/vision) standard norms (contracts, processes, systems and ways of working) and cognitive social stuff as the effective memories of the relationship agents.

- The practical contribution to theory and literature of B2B customer management, marketing, partnerships, sales and purchasing is made by introducing a model of B2B relationship trust building. The model (see **Figure 3**) contributes by developing an: intention-ability-credibility-interdependence-mutual value outcomes–time framework that works across all organisational levels and between dyads. In essence, **this provides managers/leaders with a B2B relational trust development blueprint, the “how to guide”**. This starts and emanates from organisational level as strategic intent, turned into relationship reality at operations level and then into the effect seen through the creation of mutual value. It builds on the definition of B2B trust, and sheds light on how both sides of the relationship can work proactively to use trust to develop the relationship. It provides a sense check as the framework, if applied from an opportunistic/coercive behavioural perspective, has the potential to develop dissonance and a



▲ Figure 3: Model for B2B trust DNA.

reductionist effect on the relationship. The application of the trust DNA model has a positive impact on trust development in a B2B relationship and can be proactively planned and applied.

Additionally, the thesis bridges two perspectives into the study of business relationships (ie, social exchange theory and resource-based view), as they both play a role in shaping this model/framework, particularly due to the emphasis on outcome(s) from the relationship in the form of mutual value outcomes and the role of ability and credibility antecedent resource allocation to achieve them. The application of the trust DNA model and its reductionist/expansionist potential impact on the relationship contribute to the understanding of **trust as being dynamic in nature through constant updating and/or recalibration of trust between both sides** (Stevens et al 2017).

Research limitations

The research was conducted with organisations all of which operated the relationship researched in the **United Kingdom**. This means the findings of this thesis may not have validity in other regions or geographies. The regional variations in terms of business ethics and business culture would need to be considered.

The organisations researched all operate across a number of distribution channels, with the internet and online business being a key element. However, the **online channel**

was not explicitly researched and therefore may need further consideration and/or exploration.

This thesis and research explored B2B trust across dyads and at three different organisational levels: inter-organisational, inter-team/operations and interpersonal. In total, 37 people were interviewed. When matching respondents to organisational level, the research cohort at **staff/interpersonal level** would have benefited from additional respondents to balance with the organisational and inter-team/operations/managerial level.

The qualitative research reached saturation before the total number of respondents (37) were interviewed; however, it could have benefited from more respondents from the **fast-moving goods and financial sectors** research partners. When broken down between the **supplier/customer sides of the dyad**, the number of respondents became somewhat diluted, and could have benefited from additional respondents from both sides.

The research focused on the private sector and one quasi-private/public sector organisation and thus may be subject to issues of generalisability beyond the sectors researched, ie the third sector, industrials/auto/manufacturing). This thesis is predicated on the research gathered from organisations representing the fast-moving consumer goods, grocery retail, healthcare distribution and retailing, pharmaceutical, utilities and outsourced services sectors. As such, it may **not reflect the relational and trust dynamics in the third sector, public sector and other business sectors not covered in this thesis.**

Areas for further research

Other regions – Scholars focusing on researching B2B trust using a cross dyad by organisational-level methodology would benefit from building on this thesis to explore additional areas for further research, extending the research to encompass other regions could offer a comparative analysis on the differences among other regions when researching B2B relational trust. Exploring a specific market or country may also add richness to the current research and build on the findings.

Third sector – The development of the research into the third sector would provide an interesting build on the findings. It could also allow comparative analysis by level and cross dyad. The public sector also holds significant opportunity as significant relationships exist between the public sector and business. Research into this sector could provide further insight into mutual value benefit from a not-for-profit relational perspective.

Zero-sum game – An interesting area for potential further research exploration, which surfaced during the initial research phase, is the use of trust in a zero-sum game scenario. This could in some way be linked to calculative trust (Williamson, 1975; Lewicki and Bunker, 1985); however, it actually appears to go beyond this as it relates to relationships where failure is too great to contemplate. In this instance, the trust is based on an unknown or known fear of what the consequences could be if one side cannot trust the other.

References

Unfortunately, we do not have space for the extensive list of references supplied. Please contact the author for further information about the literature.



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Ethics in sales: a novel approach to sales education

 Carl Day

Completed in May 2016, this Masters project investigates links between ethics and education, and sets out to evaluate the impact that longer-term education will have on individual sales behaviour.

The aim of this research is to investigate if there is a link between the subject of ethics and education, and to evaluate the impact that longer-term education will have on individual sales behaviour in the office print industry, particularly with regard to ethical behaviour and how that manifests with regard to the client experience.

The dominant question in my research is the following:

- **To what extent can a values-based educational programme impact on the performance of salespeople in the office print industry?**

Subsidiary questions are:

- How will that potential change in behaviour impact on client perception and trust?
- How can education and development result in a more ethical behaviour of individuals?

The level of professionalism generally displayed by sales in the office print industry has long been a concern for me and, as part of the research for my final work-based project, I have become keen to investigate whether I was alone in this concern.

Relevance of my concern

There are many researched cases of institutional mis-selling and unethical behaviour: Baigrie (2012), Salz (2013) and Ericson & Doyle (2006) have all conducted research into the cause, impact and changes required to rebuild organisations that have been accused of institutional mis-selling.

However, limitations exist in terms of the time available to carry out a Masters research project on the scales they attempted. For that reason I am focussing on individual sales behaviour, ie when the salesperson makes the decision to mislead a client or behave unethically. For the purpose of clarity throughout this project I refer to this as “behavioural mis-selling”.

When you look at the office copier and print industry it is clear that unethical behaviour spans decades. In 1993 the *Guardian* reported that the Office of Fair Trading along with The

Federation of Small Business were to carry out investigation into malpractice in the photocopier industry, citing one particular case where an organisation had been charged over £1.5 million for eight photocopiers. As a result of increasing complaints the Confederation of British Industry (CBI) issued a warning to unsuspecting firms, of the extortionate charges that were hidden behind innocent looking photocopier contracts (*Guardian*: 1997).

Despite this warning it would appear that many organisations have fallen foul of the underhand tactics of some individuals; independent Canon reseller v Addenbrooke's Hospital Trust (*Independent*: 1998) resulted in the government intervening over a disputed overcharge of £310,000 to the hospital trust. More recently the *Daily Mirror* (2015) ran an article exposing an independent Canon and Ricoh reseller, reporting a scam in which they preyed on schools and charities by charging three times the market rate for break-fix servicing.

These examples highlight a need for change in photocopier and print sales, not only for the long-term health of the industry but also for practitioners in the industry to be regarded as professional. The highlighted behaviour damages the reputation of global brands whose names are associated with their resellers. It brings into question not only the professionalism of the industry and its suppliers, but the professionalism of sales which is of particular concern to me.

Ironically in all of the cases I have researched to date, the damage to an organisation has followed a period of sales growth, which raises another very important question: can an organisation grow sales exponentially at the same time as behaving ethically?

It is clear from the research I have carried out that unethical sales tactics can influence short-term sales results and profits positively. For some who are under pressure to improve short-term results the temptation to employ underhand tactics seems too much to bear. Writing for the *International Journal for Sales Transformation*, Professor Mark Johnston (2016) argues that high performers in sales are afforded a different lens with regard to ethical violation and the longer-term damage to an organisation's reputation as a result is extensive.

I have read extensively about ethics in sales and the need for long-term change, and there are various opinions on the reasons for behavioural mis-selling or what the future of sales as a profession looks like; for example, Tang & Lui (2012) suggests unethical behaviour is driven by individual greed, whereas Lee (2016) argues that often unethical behaviour is

driven by a lack of belief in one's ability to carry out a task. It is clear however, whilst researchers don't necessarily agree on the cause, all concur that education would have a positive impact on the current situation.

Methodology

I selected a qualitative approach because of the nature of my project. As a study into behaviour I wish to draw on experience and opinion of buyers and procurement specialists. The methodology approach I have selected as most appropriate is an ethnographic study, using Action Research to address any problems highlighted by the study.

To generate data from interview I selected representatives from procurement, sales and organisations who have been involved post-scandal transformation, using semi-structured interviews to gain insights from each of the participants. As Csordas et al (2010) advise, a semi-structured interview gives the ethnographer the opportunity to conduct a more social-based interview, offering more insight into context and experience. This strategy is opposed to a structured interview, which is more suited to interviews of a more medical or scientific nature.

Whilst survey isn't usually regarded as a method for collecting data in ethnographic study, I was interested in comparing survey data with interview data to analyse any difference from answers, particularly when respondents were offered a different environment to complete the questions. I have used literature extensively, not only to reinforce my argument but to obtain criticality, balance and the opinion of others. To increase my pool of ethnographic data, I have visited seminars on ethics in business, ethics in sales, emotional intelligence, sales transformation, coaching in sales and client engagement throughout my research for this project.

I have come to learn that there are many factors and contexts that determine ethics and trust in sales. Steare (2013), Saltz (2013), provide arguments that the large majority are addressable by education. I would make the caveat that some factors, such as economics, culture and politics are more complex and require change at a higher level.

I have identified two areas of weakness within the sales engagement process, addressable by better education and understanding. My research has identified that current sales behaviour in these areas often results in a perceived lack of ethics and a loss of trust between sales and buyer:

- lack of trust at first engagement with the client; and
- ethical decision making and the lenses that are used.

Focusing on these two areas I have attempted to create a less linear model for engagement (Ricks, Williams & Weeks: 2008), which involves the salesperson and client in a joint planning process designed to create transparency, trust and value through shared goals and objectives from the outset

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I strongly suggest that the importance of demonstrating trust to a prospective client and the perception there is a lack of ethics are intrinsically linked, and are controlled by the salesperson's behaviour.

of their relationship.

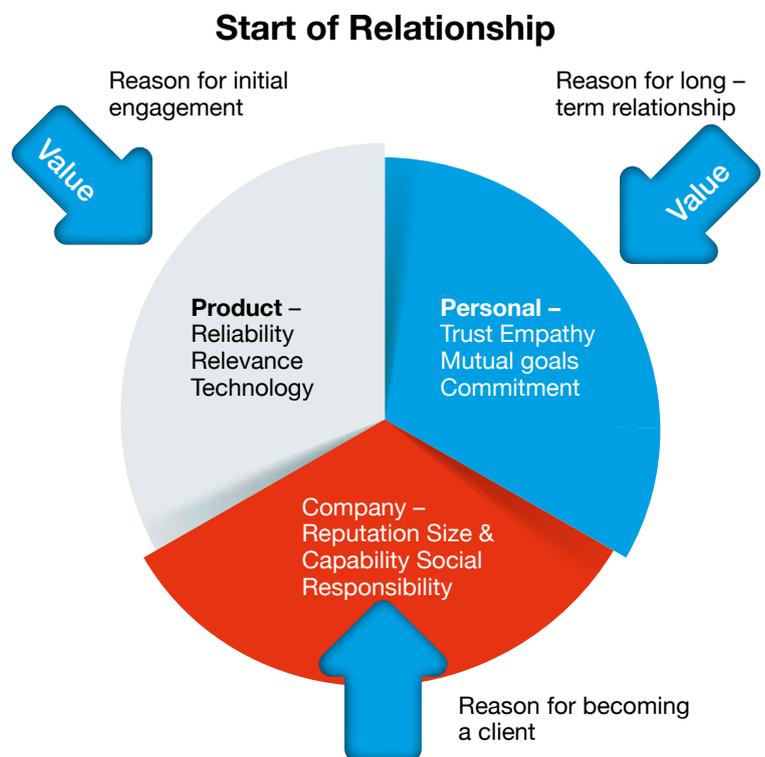
Gaining trust

My analysis identified that many buyers only start to trust a salesperson once their relationship is mature. Whether explicit in their comments or implicit in their actions, the buyer's position when engaging with a new salesperson is generally one of mistrust, and trust needed to be earned. Unlike other professions which are generally trusted at the outset, allowing both parties to focus on the task in hand, sales has not been predicated on trust. This mistrust often drives a protective behaviour in a salesperson, which can lead to a further loss of trust or a loss of opportunity. This is an area of behaviour that I felt could be addressed by better education and

understanding.

There are many ways to earn a buyer's trust; Powers and Wilkins (2007) researched the key factors that influence a buyer's decision to engage with a new supplier. The research highlighted the importance of demonstrating transparency and relevance to a client in order to gain trust and build long-term relationships. Using the data from Powers and Wilkins' (2007) research, I created a model (Figure 1) to highlight to my sales team the importance of values and behaviour, particularly in building long-term business relationships.

Figure 1: Model for personal differentiation.



The model identifies the factors that the salesperson needs to consider in order to create a long-term relationship. Powers and Wilkins (2007) point out that trust is important but not the key factor in a long-term relationship. My own research would suggest that their claim is not the case. Throughout my research, trust came up as the most important factor to the buyer in making a decision and maintaining a long-term relationship with a supplier. I have considered theories for this difference of opinion: Powers and Wilkins' (2007) research was in sales in general, not in a specific industry in which there could be less trust; secondly, their research was carried out in 2007 and as Buvik, Andersen & Gronhaug (2014) point out: the relationship between sales and procurement has seen significant change in the last decade due to technology and the increase in mis-selling. I strongly suggest that the importance of demonstrating trust to a prospective client and the perception there is a lack of ethics are intrinsically linked, and are controlled by the salesperson's behaviour.

Making ethical decisions

At an event hosted by Ernst and Young on business ethics, I had my biggest "eureka moment". Professor Steare was talking about the lenses we look through to make a decision, asking whom we consider when we make a decision and how many in the corporate world make decisions with different lenses when at work compared to at home or in our personal life.

During the event we were asked to form small groups and discuss a situation (real or hypothetical) that required a decision and then we were asked to discuss the process we would go through and the lenses through which we would look through to make the decision. To help illustrate this task, I created a hypothetical situation – albeit a situation that is very real in a sales environment for our group to discuss:

“Consider a situation where you're a salesperson who has not sold for three months – this means you haven't been paid and are at risk of losing your job. You are introduced to a charity that feels they need 500 new devices costing £500,000. Doing your job you realise that the charity could actually achieve what is required by purchasing 300 devices, resulting in a saving of £200,000. However, if you sell them the 300 devices, it would mean you still haven't hit your company's quarterly target and you won't receive any commission. What would you do?”

In our group there were five people, four salespeople and one student. All of the salespeople considered the position and answered after reasoning that they would more than likely take the deal of 500 devices. The student answered that he would discuss the situation with the charity and let them make the choice.

It occurred to me at this point that all of the salespeople had considered the situation, but only from a short-term sales and a personal perspective (lens) – we all failed to view it through the lens of the client, the beneficiaries of the charity or for the long-term health of our relationship. The student however, had a completely different perspective. This point hit me like a train: in the role of a sales professional, salespeople

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We must look to educate future professionals in a way they can build long-term trusted relationships with their clients, delivering value through not only the products and services they sell but also in the way they sell them.

are empowered to make decisions on behalf of the organisations they represent. Those decisions have consequences for many stakeholders and are often judged from an ethical position, more often by their client.

When salespeople make a decision they have generally been educated to make a decision in a certain way. In their mind they are making a good decision, one that benefits them and their company. If however we were educated to make a decision taking on the lenses from other stakeholders would this assist us in making better ethical decisions?

Coming back to my initial research concern and question of “why does a salesperson whose organisation expects them to sell in an ethical manner cross the line and act unethically”, I pose the

suggestion that it's because:

- a) They have been educated to behave this way.
- b) They believe they are making the correct decision ethically.

Reflecting on the interviews and conversations I had with salespeople, I believe now that their comments implied they believed that they acted both ethically and professionally. In the cases I observed, if you look through the lens of the salesperson, it is hard to argue against them. However, the disconnect is clearer when you consider the decision through other lenses. Ciulla (1997) suggests that better education and influence can improve the ethical decision making of future leaders. Ciulla's (1997) point regarding education resonated with me, particularly when I consider how my own sales education has lacked any focus on how I should make ethical decisions.

So what can be done about it?

When we consider that sales and procurement are both viewing the situation with different lenses it is clear to see how this situation has developed. Salespeople make decisions viewed through a sales-focused lens, believing they have made an ethical decision, whereas procurement view their position through a buyer's lens, often without consideration for the salesperson or their organisation. This situation can leave the buyer questioning the decision, often resulting in a loss of trust and a short-term relationship.

This realisation became the starting point of a sales engagement model that I have created applying the learning from my Masters research to date. Learning from the actions of sales, procurement and transformed organisations I have developed the **J-GOA process (joint goal, objectives & actions)** to provide a model of engagement for my sales team. The process involves using an engagement process template, which has been developed to address the trust and ethical issues that exist between sales and procurement highlighted by my research.

The objective of the J-GOA model is to create trust from the outset of a relationship by understanding the client's goals and using a cyclical process to build a relevant and transparent plan for both sales and procurement to follow. The benefit of the J-GOA process is it has been developed to create a “thinking relationship”, first understanding what both parties expect and then to jointly create objectives and actions to

assist in achieving the clients goals. By working through the cycle, both parties can build on the objectives and create new actions in a transparent manner keeping the partnership trusted and valued.

In order to demonstrate the method in action I have created a training video, which can be viewed at <https://youtu.be/MHqtOqPcWSA>.

Early results, conclusions and what next

Throughout my Masters project I have held the belief that sales within the office copier and print industry can become a trusted and respected profession. However, to effect this change we must act and behave differently to how we have in the past. In order to achieve this goal we must look to educate future professionals in a way they can build long-term trusted relationships with their clients, delivering value through not only the products and services they sell but also in the way they sell them.

Early results and feedback from clients who have taken part in the J-GOA planning method have been extremely encouraging. One of our clients, who has taken part, has told us that it has provided focus for their business goals right across their organisation. The client has also requested permission that they be allowed to use the method for engagement with their own clients.



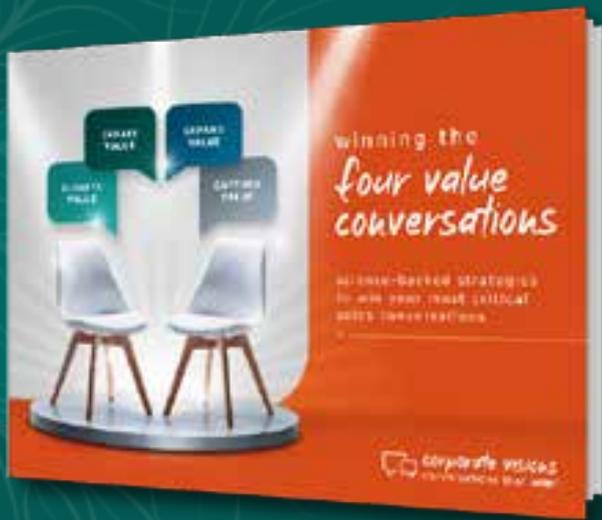
About the author

Carl Day was National Sales Director for Channel Sales at Toshiba TEC UK when this research was conducted.

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The Emerging Importance of Ethical Leadership

 Athanassios (Sakis) Tassoudis

A modern-day Odyssey in search of ethics and purpose in leadership.

Background

I have observed increasing concerns about the potentially unfortunate fate of organisations and society in the event of ethics and purpose not playing an important role in leadership, human relationship and our behaviour. Therefore, I strongly believe that it is the responsibility of today's leaders to communicate to the workforce the need for developing behavioural models based on ethics and purpose in organisational life. The importance of ethics and purpose in leadership is at the centre of my inquiry. My research aims to delve into the significance of leaders acting as an "ethical role model" and being an "important antecedent of ethical leadership", as Brown and Treviño (2006:600) point out. Next to persuasion, which is based on ethics and purpose, leaders should demonstrate congruity in their words and actions.

Using ancient Greek literature, Greek philosophy and the work of leading authors in the field of leadership, ethics and purpose, my research uses metaphors from Homer's *Odyssey* and the *Iliad*, to illustrate my business journey and experiences.

My research aspires to produce findings based on honest rendering from an autoethnographical perspective about ethics and purpose that might inspire leaders and upcoming leaders in my company. I hope to inspire leaders to embrace ethics and purpose as part of their leadership style and also hope that they will inspire their followers as well.

Nostos (Ancient Greek: νόστος) is a theme common in Ancient Greek literature. It was brought to life in Homer's *Odyssey*. Nostos concerns an epic hero returning home by the sea and retaining both his status and identity. In a metaphorical sense, I planned to use Homer's *Odyssey* to draw upon my business life experiences and journey.

Little did I know about the nostos of leaders and what I would experience throughout my career aiming for great leadership when I was first baptised in the waters of business 25 years ago. The nostos of my business life has allowed me to meet many influential leaders. By some of them I was impressed, and I observed high levels of ethical virtues, the power of sharing personal values, the importance of a purpose-driven attitude, integrity, vision and the courage to lead. I praised them like Odysseus in Homer's *Iliad* praised Achilles, the greatest of all Greek warriors (Markantonantos and Tsangalis, 2017:3).

Other leaders in my business life have been influential too but to a lesser degree, as examples of what to avoid rather than to emulate. Leaders guided by narcissism, self-love, megalomania and cyclothymia have behaved like Poseidon when Odysseus blinded his one-eyed giant son, Polyphemus as Morrison (2011:3) explains. Odysseus had to deal with many narcissistic characters in the *Iliad* and the *Odyssey* as well as Olympian gods and goddesses, great warriors and kings.

Known for his cunning intelligence, he employed ruse and the weakness of narcissists, their extreme hatred of being embarrassed, against them. But Odysseus behaved himself with narcissism too, as in the case of Polyphemus. Before Odysseus blinded Polyphemus, he was asked about his name, he replies that his name is "Nobody". After getting Polyphemus drunk and blinding him, he wakes with a shriek, and the other cyclops come to see what is wrong, but they leave as soon as he tells them that, "Nobody" blinded him. As Odysseus and his men escape from the cave, unseen by the blind Polyphemus, Odysseus calls from his ship to land and reveals his true name.

Polyphemus lifts up a prayer to his father, Poseidon, calling for vengeance on Odysseus, (Cliff Notes to Book 5, 2020).

My resistance to abandoning my principles to follow narcissistic leaders has been the reason I earned their wrath and the cyclones of their hatred, like Odysseus after getting released from the captivity by the “bewitching nymph” Calypso and then spotted by Poseidon on the open sea (Cliff Notes to Book 5, 2020). I do not regret my courage to stay true to my personal virtues and my will to not compromise and leave toxic leaders in my career. I have also accepted instances that resulted in me not getting a promotion to excellent jobs.

In my life, I have also met mentors such as Athena, the ancient Greek goodness who advised Odysseus with wisdom, handicraft and warfare. One of these mentors was my professor at university, Professor Dr Kreuzer, who helped me understand that I need to create opportunities to grow. Mentors like Professor Dr Kreuzer made me understand that I needed to welcome the breeze of business-life freedom when leaving a toxic leader, and embrace the odyssey to lands of new opportunities.

Looking back at some of these toxic leaders, their actions sometimes appeared to me like pursuing self-annihilation due to their emotional isolation and distrust, as Freud explained as being the dark side of narcissism, as Maccobi (2004:1) describes. And for some who I still happen to know, their careers ended just as Narcissus died.

However, I have to acknowledge that I still see many narcissistic leaders to be very successful in large organizations. In my career, I worked, and I competed with many narcissistic leaders. I might have some characteristics which they admire and cause them to choose me for their teams. Perhaps it is my audaciousness? My conclusion is that I can’t avoid them, I rather need to learn how I can thrive and grow next and above them.

As Stein (2013:282) explains, many world leaders rely on their “grandiose belief systems” that makes them motivational and constructive. However, narcissistic leaders might incubate problems that are uncovered at a later stage as seen by Stein (2013:281) in the Lehman brothers’ case he uses for his analysis. In my view, the potential problem of narcissistic leaders is the ethical component of leadership. I believe that narcissistic leaders often have to deal with ethical grey areas in corporate life due to their ambition to have positions of power and a desire for a manifestation of their belief system that is strongly based on feeling special and seeking power for themselves as the priority while sacrificing their employees if necessary for their own benefit.

Narcissus, in Greek mythology, is the son of the river god, Cephissus, and the nymph, Liriope. He was known for his beauty. According to Ovid’s *Metamorphoses*, Book III, Narcissus’s mother was told by Tiresias, the blind seer, that he would have a long life, provided he never recognised himself. Narcissus died by pool gazing at his own reflection with which he fell in love.

The leaders I have met, the human relationships and the development of virtues through my learning have shaped my understanding of leadership. In my view, all of us have the potential to become leaders. It is our choice which leadership style we will choose or develop. I believe that the catalyst to becoming an outstanding leader relates to devotion to virtues, ethics with purpose for doing good, next to humanness in our leadership style: all of these aforementioned qualities have to be the integral parts of any leadership style. In this context, while reading Adler’s story (2008:6), I was intrigued by the words of David Krieger whom she quotes: “We are all born with the potential to become humans. How we choose to live (and to lead) will be the measure of our humanness.”

Today, in moments of critical reflection about leadership, I recognise the importance of ethics and purpose. They are

undoubtedly paramount in my understanding of leadership. The “why?” needed to be answered in this project. Do ethics and purpose have an emerging importance in the 21st century leadership approach? How does this impact not just my own but also my teams’ and my company’s effectiveness? The “how?” needed to be clarified.

Finally, my recently discovered passion for communicating effectively and coaching, backed by real-life business experiences, has become a crucial element of my leadership practice. But can communication and coaching in leadership illuminate to my team and future leaders the emerging importance of ethical and purpose-driven behaviour of a leader? The “what” is related to the influence of using communication and coaching in leadership for inspiring others, by acting as an ethical role model, about the importance of ethical and purpose driven behaviour.

My research question is: **“Can the behaviour of a leader who reasons well and is guided by moral principles be construed as a behavioural model that supports the development of more ethical leaders?”**

Hypothesis

My hypothesis is that by believing ethical behaviour and purpose to be components of leadership, with a growth mindset and an ambition to use communication and coaching as elements of my leadership style, I will be able to elicit ethical behaviour in my team and the teams I’m working with.

The elicitation of ethical and purpose-driven mindsets in my organization will positively influence the ethical culture in my organization by role modelling and encouraging others to follow. I further believe that ethics and purpose in leadership support the effectiveness of the workforce. Effectiveness is related to the satisfaction and psychological well-being of the workforce and is related to the positive effects of ethical leadership within organizations, as Avey, Wersing and Palanski (2012:32) conclude. **Figure 1** illustrates my hypothesis and research theme.

Methodology

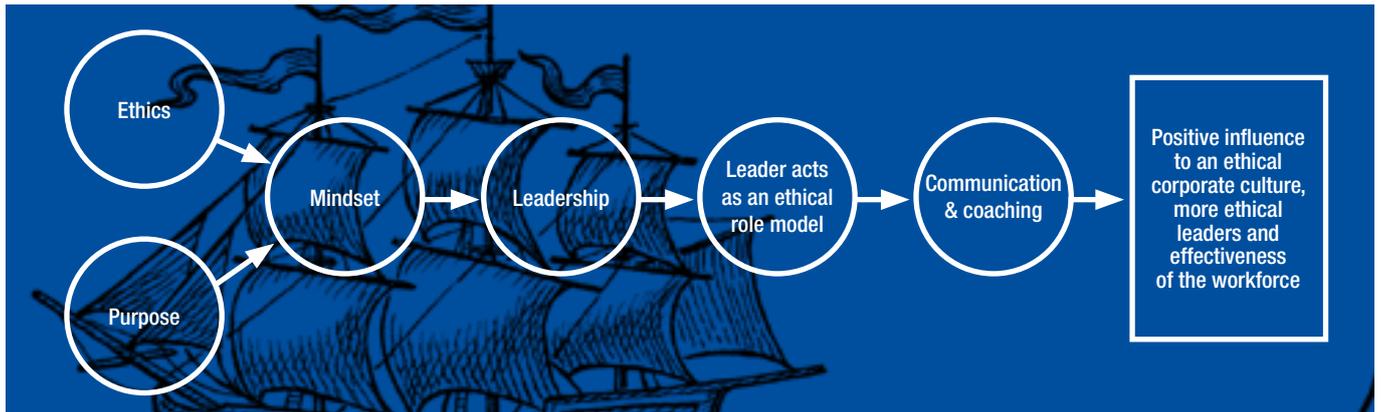
The core of my research is mirrored in my research question: “Can the behaviour of a leader who reasons well and is guided by moral principles be construed as a behavioural model that supports the development of more ethical leaders?”

Inspired by Aristotle’s Rhetoric, the later rhetoricians created the rhetorical triangle as described by Lutzke and Henggeler (2009). Similarly, I have formulated the “triangle of ethical and purpose-driven leadership (ETL)” (**Figure 2**).

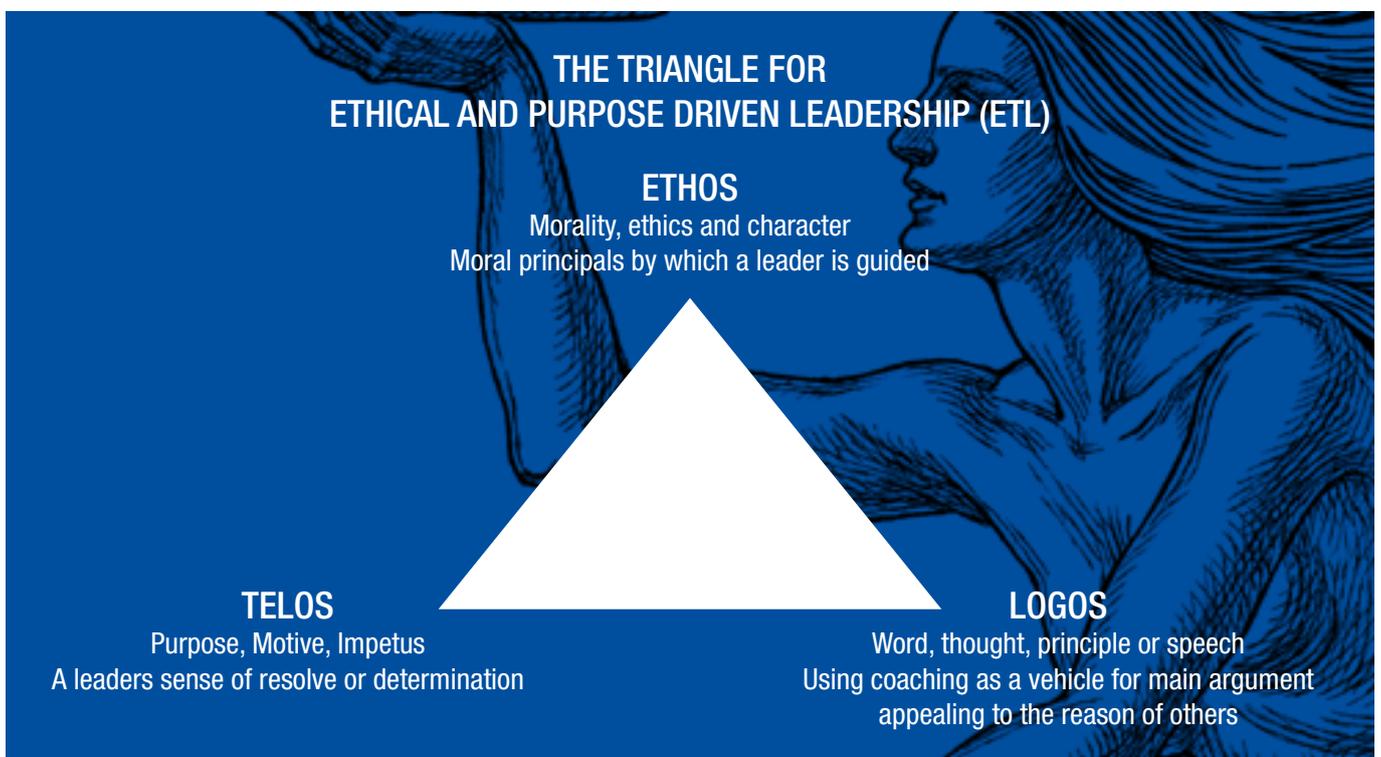
ETL highlights the three main traits of ethical and purpose-driven leadership. In this context, Ethos appeals to the morality, character, and the moral principles by which a leader should be guided. Telos appeals to the purpose or motive of the leader, his sense of resolve or determination. Logos is the term for the words, thoughts, and principles of speech for a leader, and his main argument when appealing to others with reason. Coaching is a modern complementary way of using Logos.

My hypothesis that relates to my research question is that the behaviour of a leader who reasons well, with a purpose (telos), and is guided by moral principles (ethos) can be construed as a behavioural model that supports the development of more ethical leaders. The role of the leader as a coach in this context is the transactional component that involves using communication (logos) to emphasize ethical behaviour.

To crystallize the emerging importance of ethical leadership, I analysed my leadership identity in the cultural environment of my team and organization, relying on my experience as the basis for the exploration. Autoethnography, >



^ Figure 1: Ethics and purpose in leadership mindset as a behavioural model.



^ Figure 2: The triangle of ethical and purpose-driven leadership (ETL).

being “an approach to research and writing that seeks to describe (graphy) and analyze personal (auto) experience to understand cultural experience (ethno)” as Ellis, Adams, and Bocher (2011,273) state in their overview of autoethnography. That is the approach that I used for my research.

I focused on the following main means of data collection:

1. **Personal interviews** – I gathered data from four types of informants. First, senior executives (including board members) from my company. Second, my peers in business, meaning people who are on the same level as I in the hierarchy in my organization and with whom I frequently work face to face. Third, my direct SAP reports, people who work closely with me every day. Fourth, the members of the wider SAP team who work directly with other managers in their countries but report to me from a functional perspective (indirect reports).
2. The second source of information has been my observation of the so-called **watercooler or coffee-corner discussions**

in which people are open and enjoy the informal discussion. Observations that I have from my experience, my past projects, and actual discussions that happen in any way are reflected and analysed.

Data collection

The following four formats were used for data collection: 1) semi-structured Interviews, 2) team and group interviews, 3) water-cooler discussions with individuals and teams that engage with me frequently, 4) observation and epiphanies that aim to support that recollection of moments that had significantly impacted my understanding of ethical and purpose-driven leadership before and during the period of the research.

The key themes that I used in the interviews and that were relevant to the observational elements of my approach have been the following:

- Ethical leadership
- Purpose-driven leadership
- Leadership communication and leadership coaching
- Ethical leadership as a behavioural model and the attitudes of the subordinates

Through thematic analysis, I obtained clarity on the main themes of my research. Coaching was an anticipated theme, which I expected to be important from my perspective in the context of communication, but a leader acting as a coach was not thematised at all by the majority of my interviewees. Without neglecting the importance of coaching in the context of leadership, I stayed true to the input I received through my data collection and therefore, excluded coaching as a major theme. With thematic analysis, the following three themes, which are linked to my research on the importance of ethics, purpose, and communication in leadership, emerged:

1. Ethics
2. Purpose
3. Communication

In my hypothesis, these three themes are considered the main components of ethical leadership behaviour, and this can be a behavioural model for the next generations of leaders and workforce to follow. This leadership behaviour has potential to contribute to a corporate ethical and purpose-driven culture based on shared beliefs about ethics and purpose from the members of our organization.

Findings

Some of the interviews combined with my autoethnographically experienced situations in my journey in business life uncovered the unfortunate fate of organisations and our society in neglecting and negating the important role ethics and purpose need to play in our lives. The emerging concern about the significance of ethics and purpose in leadership, in organizations, in human relationships, and our behaviour is more vital and crucial than ever before.

The fact that the majority of the people I interviewed and had discussions with have clear indications about the importance of ethics, purpose, and communication in leadership gives me hope. It also illuminates the fact that most of the leaders I interviewed in my company are aware of the importance of their purpose and behaviour as a good role model for ethical behaviour.

Regarding the first part of my hypothesis (the behaviour of a leader who reasons well with purpose and is guided by moral principles can be construed as a behavioural model who supports the development of more ethical leaders), I found that this is a perspective accepted and practised by many of the interviewed groups and people. With regard to the second part of my hypothesis, it is recommended that further research be conducted on the role of the leader as a coach and whether it can be described as the transactional component that involves the use of communication to emphasise ethical behaviour.

It is my belief that leadership must contain a rich component of ethics and morality, and that this component must be never compromised. I believe that my research might become a contribution to highlight the inevitable requirement of ethics and purpose in leadership in our corporate world. A behavioural model based on ethics and purpose needs to become the intellectual legacy that leaders and each one of us follows and passes onto the next generation and followers – in corporate or private life. An effective persuasive communication form is needed in leadership to influence the corporate culture to embrace and devote attention to the importance of ethics and purpose in business.

“Ethics has to become the epitome of leadership and organizational culture”

Conclusions of my research Odyssey

In my research, I aimed to investigate the emerging importance of ethics and purpose in leadership. More specifically, my research intended to shed light on the significance of the leader acting as an “ethical role model” for the workforce and setting an “important antecedent of ethical leadership”, as Brown and Treviño (2006:600) point out.

I conducted 16 semi-structured interviews with executives and managers in my organization, three group interviews with my own teams and extended teams within SAP and 18 watercooler discussions, which have been combined with my learning over 25 years of professional experience. My accumulated data and experiences have been synthesised as the empirical evidence that supports my hypothesis.

As seen through my autoethnographical lens, the findings confirm that the behaviour of a leader who reasons well and is guided by moral principles can be construed as a behavioural model that supports the development of more ethical leaders. The emerging significance of communication in the context of leaders conveying an ethical and purpose-driven behaviour model to followers and organizations has been crystalized in my findings as well.

In my research, I have asserted the emerging importance of ethics and purpose in leadership in my company. My research findings also highlight the relevance of ethics and purpose in leadership to the behavioural framework of the workforce and the organizational culture in my company. Ultimately, I conclude that leaders represent and shape the ethical culture of an organization. However, further investigation is needed on the specific influence of ethics and purpose in leadership with respect to the creation of an ethical and purpose-driven corporate culture.

Elaborating on the importance of communication and based on my findings, I would recommend that leaders use their preferred types and channels of communication and to integrate them into an ethical and purpose-driven communication. It is of vital importance when using communication to aim to generate and sustain trust, constancy, congruity, reliability and transparency as ingredients of an ethical and effective communication. The findings of my research further suggest that communication has to be used to stimulate the workforce to get inspired by trust and empathetically help them develop their own ethical framework for the greater good. The predominant opinion among the participants in my study has been that through this process, leaders shape the corporate culture.

Overall, my research on ethical leadership and purpose contributes to a growing body of scholarly opinion that supports the importance of ethics in leadership being related to employee effectiveness, as Kalshoven, Hartog, De Hoogh (2011:61) mention.

Significance of defining ethical leadership

Ethics and purpose in leadership represent a sensitive topic. All organizations, leaders and workforces understand the importance of ethics and purpose in business, but probably only a few could define these values. Therefore, based on the definitions provided by leading authors in the field of ethical leadership, I have developed my own definition with the aim of using it as part of my ethical framework, alongside my actions, and in my communication. Hence, I aim to implement my findings to act as an ethical role model for the next generation of leaders and those in my organization.

I define ethical leadership as the leader's disposition to act and continuously sustain fundamental notions of morality such as honesty, fairness and respect for others, and promote an ethical behavioural framework by



communication in the corporate, social and global context.

The data collected in my research also revealed indications of ethical precariousness. Leaders have to be aware of how they deal with the grey areas of ethics as they have to uphold certain expectations – to behave ethically and act as an ethical role model for their followers and the entire workforce. I believe that leaders' ethicality is reflected in the representation of their business as an ethical business.

Implications for leaders: leaders as the ethical compass of the organization

Whether we like it or not, as leaders we are the ethical compass of a company. We have to embed ethicality in our behavioural framework. Our understanding of moral and ethical leadership can be reinforced by viewing the inextricable tangling of moral leadership with transformational leadership, authentic leadership and trust in leaders. Leaders in the corporate world can become ethical role models by developing and being guided by a purpose-oriented ethos, manifesting that ethos in interactions with others, engaging their workforce in the co-creation of a purpose-driven leadership through interactions with the larger community. Understanding the importance of ethics and purpose in leadership will become their legacy for the next generation of leaders and our workforce and will, in effect, lay the foundation for an ethical and purpose-driven corporate culture.

Implications for leadership, future leaders and the workforce

As an immediate action, my research suggests initiating "triage" by offering leaders training on ethical leadership based on their level of ethical leadership awareness. In my case, the term "triage" pertains to the process of prioritising the need to reinforce the importance of ethics and purpose in the leader's ethical framework. Considering Ciulla (2009:325) who states that the examination of ethics in leadership has many interdependent dimensions, I have used the four dimensions that she describes in my approach to classify the actions according to the leader's awareness of the importance of ethical leadership. The dimensions that Ciulla recommends are a) the ethics of a leader as a person, b) the ethics of the leader's/follower's perspective, c) the ethics of the process of leadership, and d) the ethics of what the leader does and does not do.

Considering the aforementioned aspects, I observed the following three categories of recommended actions based on a leader's ethical awareness:

1. Leaders who act ethically and with purpose need to also act as the organisation's ethical role model and support their followers in prioritizing and adopting an ethical framework, using communication as their main tool.
2. Leaders who might have an ethical awareness but do not proactively promote the importance of ethics and purpose in leadership need to be given the opportunity to dive deep into the significance of these values for leadership. This can be achieved via training sessions and workshops that will solely focus on ethics, purpose and communication.
3. Leaders who either have no ethical awareness or do not consider ethics and purpose as relevant dimensions in leadership are recommended to undergo individual training and coaching based on a professional assessment. Recommendations for the subsequent steps for this category need a deeper investigation.

The leadership styles that I detected in my research, pertaining to the leaders in the first and second categories were mainly authentic, transformational and spiritual. Brown and Treviño (2006:596), in their review and proposal for ethical leadership, confirm that the above-mentioned leadership styles

share a common concern with respect to the moral dimension of leadership. Identifying a leader's leadership style in relation to her/his awareness of ethics in leadership might allow us to better recommend the coaching and training needed for the leaders in the third category.

Final words

Despite the almost unanimous agreement on the importance of ethics in leadership, there is no set formula to incorporate ethics in leadership. Neither can it be formulated as a one-size-fits-all concept. Blurred lines exist between a person's purpose and personal moral code in terms of leadership and in private life. At the end of the day, how we behave as leaders and as individuals, and how we are guided by our values and our ethical framework, declares who we are.

References

Unfortunately, we don't have the space to publish a full list of references here, but these can be supplied on request by contacting editor@journalofsalestransformation.com.



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