



Managing Trust: bridging strategic and operational issues for project business

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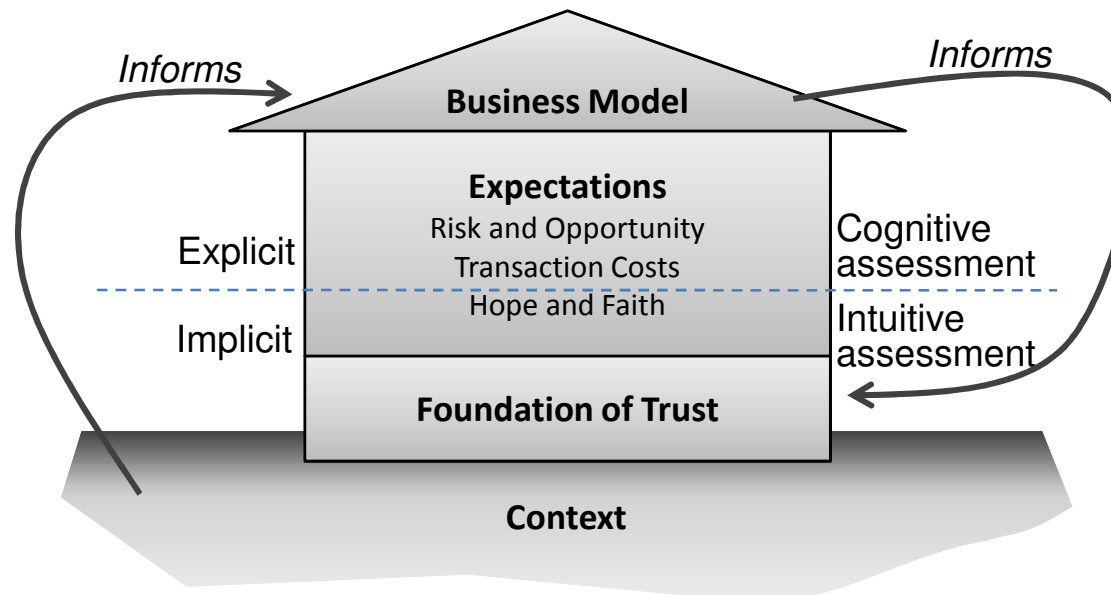
Background - Trust

- Trust has a real value financially in terms of transaction cost savings and as part of customer assets and liabilities.
- The source of the value from the supplier is that trust is foundational in customer-supplier relationships and is part of social capital.
- For the customer, trust as part of its assets arises through co-value-creation.

- When the customer trusts that the supplier has the will and the skill to provide a solution to the challenges in the business:
 - Customer satisfaction increases
 - Sales margins increase
 - Project margins improve
 - Sales volumes increase and include more immaterial aspects

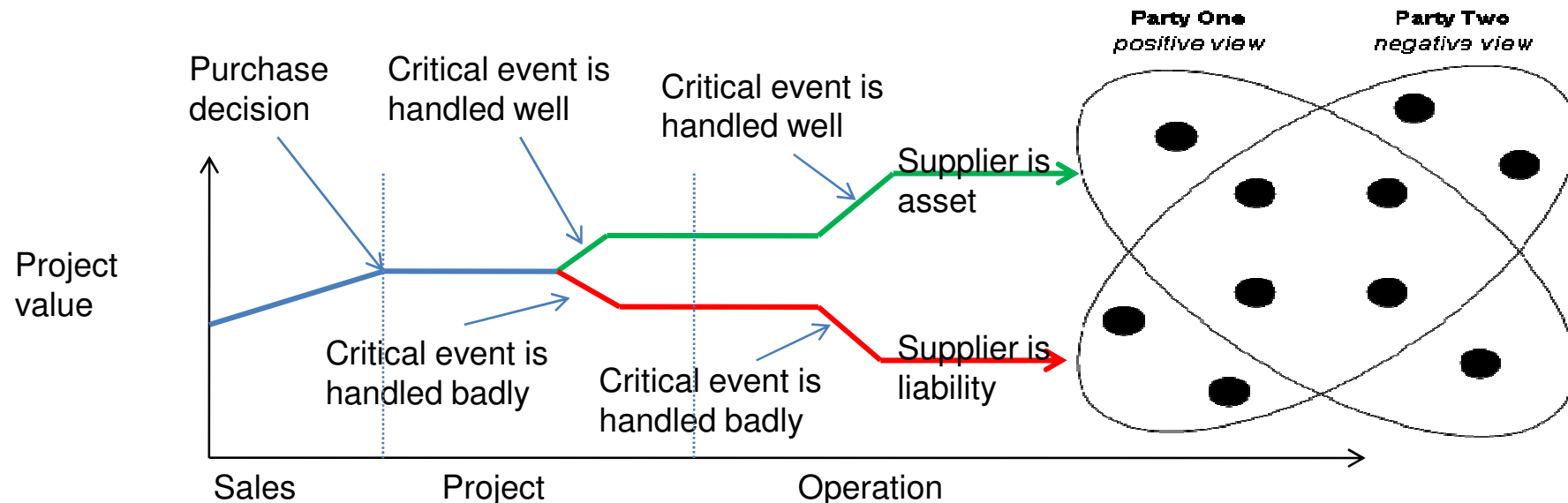
Definition

- *Trust is a foundation of effective relationships.*
- *Trust is intangible in form and is sensed largely intuitively.*
- *It is formed as a disposition and attitude and is in evidence through the willingness to rely upon the actions of or be vulnerable towards another party, under circumstances of contractual and social obligations, with the potential for collaboration.*



Trust and Value

- The customer discounts future events based on how he sees the supplier.
- If events are handled well value increases as future events are discounted against present response.
- If events are handled badly value decreases as future events are discounted against present response.
- The customer's view of the supplier evolves and can change during the project lifecycle.





Research Questions

1. How do you manage trust in project business?
 - How do you develop trust?
 - How do you maintain trust?
2. What is the influence on project value?
 - How do you add value?
 - How do you defend value?



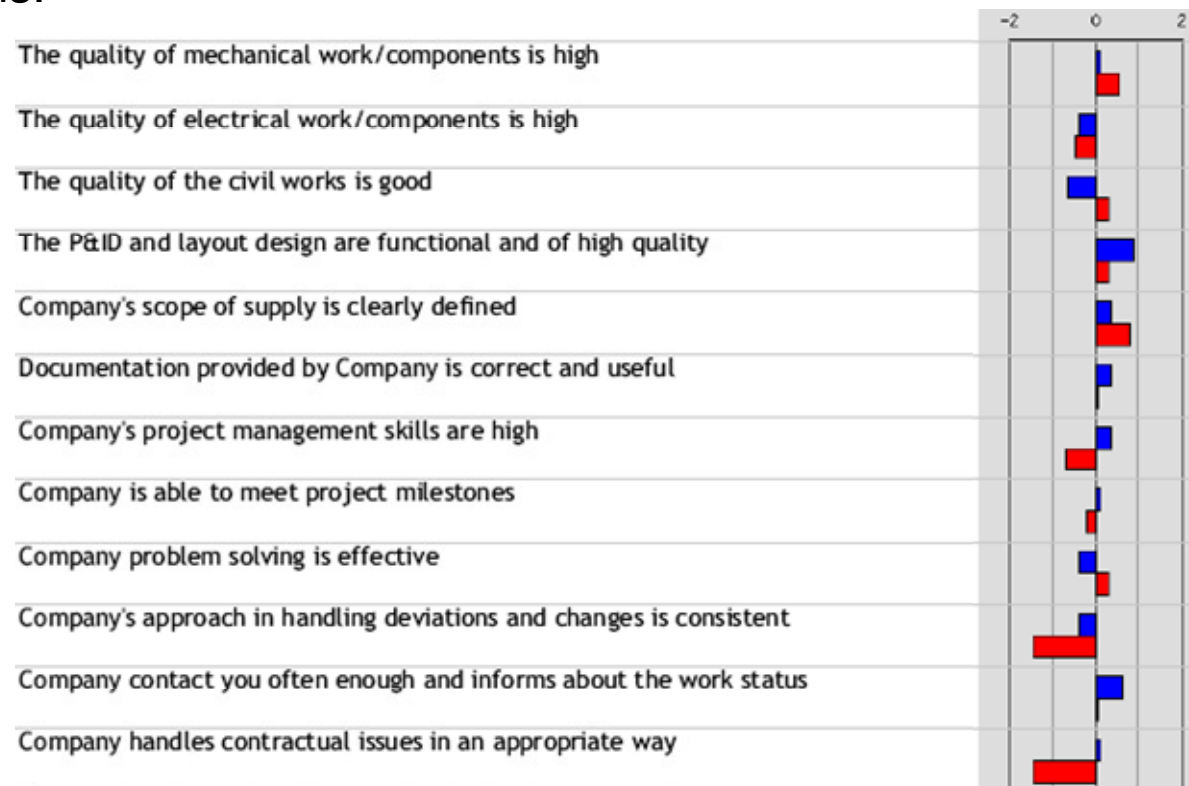
Empirical Analysis



- Data gathered through a relationship monitoring process that has been built specifically as a process for managing trust
- The process has been implemented globally within a number of international companies as a management process
- The process is used for managing corporate relationships throughout the project lifecycle:
 - Customers
 - Suppliers
 - Other stakeholders in project business
- The process is also used to ensure that the personnel (including management) are aware of strengths and weaknesses in the company's performance.
- Builds on the principle of reflection in the business process.
- To date over 30,000 business relationships have been monitored across 3,500 international projects

Ensure Customer Awareness

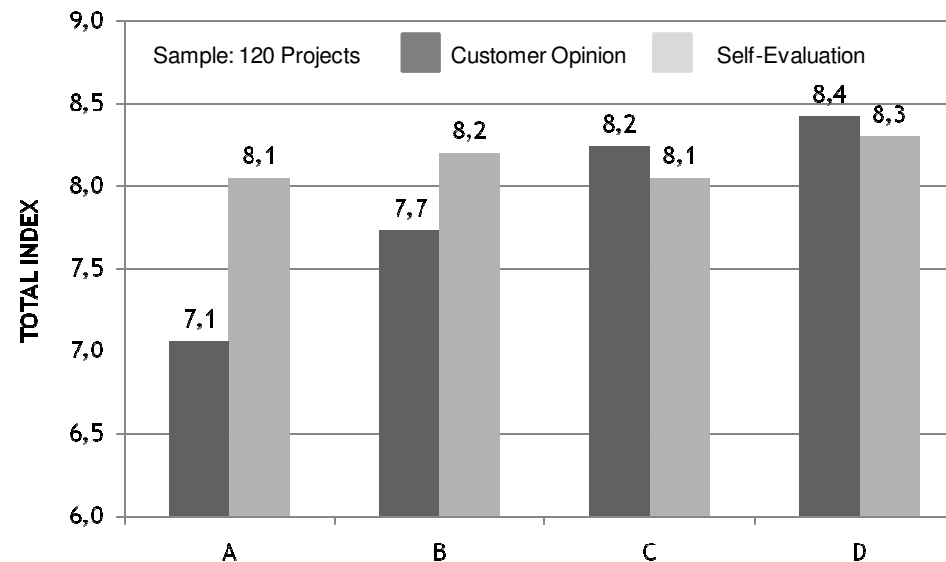
- To manage the customer's opinion of the company's performance you must know the opinion.
- Sales people and project managers are often unaware of how the customer sees the suppliers performance – they recognize that there is a problem but not what the problem is.





Systematic Customer Focus

- Systematic reflection on how the customer sees the company increases customer satisfaction, commitment and profitability.
- Systematic attention to improving the relationship and discussing weaknesses with the customer essential for maintaining customer trust.



A = 1 Measurement point / project

B = 2 Measurement points / project

C = 3 Measurement points / project

D = 4 or more Measurement points / project



Conclusion and Recommendations

- Trust plays a key role in project business.
- Trust is the foundation of the business relationship and the basis for how risks and opportunities are perceived.
- Trust can be managed by systematically focusing on the customer. This increases satisfaction and profitability.
- Companies must ensure that key staff (sales people, project managers) regularly reflect on the customer relationship.
- Regular reflection provides the basis for customer awareness, identifying weaknesses and specific points of improvement.