Managing Client Relationships in the Public Sector

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Every kind of peaceful cooperation among men is primarily based on mutual trust and only secondarily on institutions such as courts of justice and police.
Albert Einstein (1879-1955)

Introduction

Today we're talking about trust and relationship management in the delivery of government services. That involves cooperation between government agencies and the community. How can we trust that the community will cooperate? Well that's easy many might say - the law and the use of contracts, sanctions and audits ensures that we can trust others. The law allows us to trust others because we all know what is expected of us and we all know what will happen if we don't do what is expected. The law is important but I suggest to you that this is a narrow view of trust – because the law, contracts, and monitoring are never perfect. We may be talking about control rather than trust. That is a rational view of trust, and it forgets something very important, something so basic we often don't even realise it. And that is that trust is also relational – trust is the basis of our social relationships, not only with those we know personally, but with strangers and with government departments. I prefer Einstein's view that cooperation is based primarily on trust and only then on reliance on the law. Trust is first and foremost a moral orientation or a social bond with others.

I would like to tell you about a couple of my recent experiences in the public service with the management of client relationships. I'll then briefly outline what I see as the changes being asked of the public service, define the different types of trust, describe

what is meant by values based management, then give you some evidence from academic work which highlights that trust is a blend of both the rational and the relational.

My relationship management experiences

My interest in trust and relationship management came through my most recent work as a public servant in the Tax Office. Trust was not the word that would spring to mind when you saw the Tax Offie in action – neither inside the organisation nor between the organisation and the community. And the reason for that was not only organisational culture but the culture of bureaucracy generally which views the world from a rational perspective.

Child Support Agency, ATO

When I joined the ATO in 1995, I began work in the Child Support Agency in Belconnen in a client service team. One defining feature of the Agency in those days was stress – staff were stressed about being on the 'phones to clients, stressed about their caseload and about keeping up with their stats, stressed about what the other team did and about what National Office was telling them to do.

But they were good people, who cared very much about getting through the workload and meeting the stats, and tried hard to do so. One of the requirements was that all 'phone calls had to be answered within two minutes. I interpreted that to mean you didn't let a client wait in the 'phone queue for longer than two minutes. However, I was very quickly reprimanded for spending too long on calls and letting the team

down as far as their stats went. Everyone else in my team took that directive to mean you had to finish speaking to the client in two minutes. Never mind that the client needed to discuss multiple issues and was, shall we say, somewhat fragile because of the highly charged emotional situation with their ex and the children – you had to get them off the 'phone in two minutes. This practice created an explosive situation - clients were ringing back to finish what they started, often abusive and yelling at the next person who took the call. While the interaction had been person-to-person, the effect was on the agency's reputation. This was a classic case of goal displacement – the stats ruled rather than the management of the client relationship.

Small Business, ATO

In late 1997 I moved to the small business part of the ATO and was asked to develop a model which would help the tax office to understand the motivators of cash economy behaviour and to suggest a process for improving compliance in this area. The usual method of gaining compliance used by taxation administrations, including the ATO, has been one of command-and-control – the assumption was that people are self-interested rational actors, there was total reliance on the legislation and guidelines, and the approach was one-size-fits-all. Cash economy practices include things like the keeping of two sets of books, not recording takings in the books, skimming of business takings from the till, collaboration between business persons and suppliers regarding receipts, and so on, and because it is in cash there's no obvious audit trail. These are hard issues to manage because the ATO is working blind and coming in after the event, trying to find evidence of non compliance. So it was something new and innovative for the ATO to be considering things like the

motivators of this behaviour and the development of other strategies to supplement

the usual audit, penalty and prosecution.

I used the work of senior ANU academics, Valerie Braithwaite (1995; 1994) on

motivational postures, and Ian Ayres and John Braithwaite (1992) on responsive

regulation, to develop what became known as the ATO Compliance Model

(Braithwaite, 2003; Commonwealth of Australia, 1998). It is not an econometric

model but a behavioural model, designed not to be a static rulebook but instead a

dynamic management process. Responsive regulation highlights the building and

maintaining of a relationship of trust between regulator and regulatee to encourage

voluntary compliance. Compliance does not merely involve government organisations

controlling a population which may or may not want to cooperate. Responsive

regulation gives balance in the relationship – trust ensures voluntary cooperation, and

enforcement is only necessary when cooperation is not forthcoming, but trust is

needed again to rebuild a damaged relationship, to reassure the non compliant that

they are still part of the community, and to encourage the return of the recalcitrant. In

keeping with Einstein's suggestion, responsive regulation highlights that there are

limits to the ability of law to create cooperation with regulation and that there is a

need for a moral foundation for compliance with the law (Moran 2000).

In a nutshell, the Compliance Model asks for ongoing, quick environmental scanning,

supported by departmental analysis of its own data, to gain a picture of both the

collective and the individual. Information is to be gathered internally and also in

partnership with relevant community, government and industry groups. This

knowledge is then used to develop gradated packages of compliance strategies

specific to either a particular problem, for example, cash economy practices or tax

schemes, or a particular group, such as older people or taxi drivers, again with strategies being developed in partnership with external groups. Strategies take account of both the group and the individual and their particular needs and problems. The important shift for the regulator is from a one-size-fits-all approach to one of responsiveness to motivation and circumstance, meaning there might be many solutions for the same problem, depending on which group you are working with. Solutions to problems are found through strategic conversation and story telling rather than dictation and rule following. It is important that there are multiple strategies to accommodate individual or group difference, from the most compliant right through to the most recalcitrant. The philosophy is responsive regulation rather than command-and-control regulation; the objective is compliance built through relationships of trust and cooperation rather than relationships of distrust and control.

After developing the model, I began introducing responsive regulation to the Tax Office in early 1998 to those staff working on the cash economy in the building and construction industry. Part of this was the idea of developing relationships with the community through partnerships with relevant industry associations. Very early in the training, I had a senior auditor come to tell me that the whole idea of relationships with the community made him feel very uncomfortable. I was surprised and asked him why. I found his response astonishing – for him, a 'relationship' with someone meant a sexual relationship, and while he knew that is not what I was suggesting, relationships with the community didn't fit with his conception of himself as an auditor or his conception of what the ATO was supposed to be doing.

As time went on I became more aware that a response like the auditor's was not uncommon – there was a general discomfort in this organisation with building relationships with external organisations, and the whole idea of responsive regulation was a bit of a mystery to many of them. They were there to protect the revenue and because their view of the world was of the self-interested rational actor, the only way to go was command-and-control regulation. I suppose 1998 was early days in the public service for thinking about implementing the concept now well known in both private enterprise and the public service as 'relationship management'.

Now this might sound a bit like having a go at the tax office. Its not that at all – their reaction is completely understandable. Not only do individuals have a particular view of the world, so do groups - organisations have their own unique culture or view of the world. This reaction to responsive regulation and relationship building made me think not only about organisational change and organisational culture but also made me start thinking about what regulation and compliance really meant and how to achieve it. Reliance only on the law and the sanctions it allowed was insufficient, costly and reactive. Surely compliance, and trust, also had something to do with the way people interact with others, and the community's expectations of the way they should be treated by a government organisation, and their evaluations of that treatment. And there was also something about the perceptions we have of people and how we generalise those perceptions to others.

A changing public service

Bureaucracy and rationality

Perhaps we could go back for a minute and think about why an organisation like the tax office might have such a view of the world. It has something to do with seeing people only as self-interested rational actors and also with the way government organisations have traditionally been structured. Government bureaucracy has prided itself on its efficiency, impartiality and expertise. It is modelled on the Weberian 'ideal type' of bureaucracy which, as Robert Merton told us in 1939, is one of:

> technical efficiency, with a premium placed on precision, speed, expert control, continuity, discretion, and optimal returns on input. The structure is one which approaches the complete elimination of personalized relationships and of nonrational considerations …[it is] administration which almost completely avoids public discussion of its techniques … (Merton, 1939:561)

The structure of bureaucracies demands "reliability", "strict devotion to regulations", "discipline", "methodical performance of routine activities", "conformity", and "literal adherence to rules" (Merton, 1939). However, it is the very devotion to the 'ideals' of bureaucracy which is the root of the issue. What these ideals can engender is a bureaucrat who has been enculturated to depersonalise relationships and categorise, so that the individual circumstances of a particular client are not considered (Merton, 1939). Impartial treatment, which the bureaucrat considers to be 'fair', may be interpreted by the public as "arrogant", "harsh" or "abrupt" (Merton, 1939:566). As Merton (1939:567) said:

… with respect to the relations between officials and clientele, one structural

source of conflict is the pressure for formal and impersonal treatment when

individual, personalized consideration is desired by the client.

Now today this might sound a bit old fashioned, but I am sure you can all still

recognise aspects of Merton's description still operating in our government

departments. Regardless of whether it is an accurate picture or not, it is certainly how

many in the community still think of the public service. And that is what you are

being asked to manage – community perceptions of your agency, as well as staff

perceptions of management. The community is demanding that the relational aspect

come back in to the way the public service deals with them. This does not mean they

don't want the rational side of the relationship– they do – and they want more, they

want the relational side too.

Be more like private enterprise

Much of the change to the public service over the last 25-30 years has been driven by

public demand and also by competition from private enterprise. Government has

demanded that the public service operate much more along the lines of private

enterprise by focussing on "service, customers, quality, and process improvement"

(Job & Honaker, 2003:112; see also Sparrow, 2000:2). It wants a shift from "rigidity"

with its focus on "equity and due process", to "flexibility" with a focus on "results"

(Gregory, 1999; Hughes, 1994; Job & Honaker, 2003). Now this creates something of

a tension because the public service is not only responsible for delivery of services but

also obligations (Job & Honaker, 2003; Sparrow, 2000). So in many ways there are

more, and certainly different, challenges for the public service than there are for private enterprise.

Picking up on Merton's comments about the bureaucratic personality, one of the more recent challenges being handed to the public service has been a shift to relationship management and values based management. As part of this, Public Service Commissioner, Andrew Podger (2002), has suggested that governance needs to be made more 'moral'. What is he wanting? It has to do with trust.

Trust and relationship management

Defining trust

Before I continue, I will clarify what I mean by trust. Trust has a purpose – it helps to create social order, social cohesion and social cooperation (Misztal, 1996). It is said to reduce complexity and to help us deal with risk to enable us to make a decision and take action in the face of insufficient information (Luhmann, 2000).

Where does it come from? The first hint of that can be seen in the work of early philosophers on human nature. They asked, 'how do we come to know?', and suggested three ways. First, empiricism which holds that our experiences throughout life teach us what we know; second, rationalism or reasoning based on the information we have; and finally, innatism, that is, we are born knowing certain things.

In the trust literature today we find multiple conceptions of trust which can broadly be summarised as relational (or empiricist) and rational. Very recently, a renewed interest in evolutionary theory has brought innatism back into the picture. But I will focus on the main conceptions of trust as relational and rational.

First, relationally based trust, which is also called moralistic trust. This is based on belief or faith in the goodness of others, it has ethical roots and can be thought of as a basic value – in other words, 'I trust' or 'I trust you'. It is something we extend to others, either known or unknown to us.

Second, is rationally based trust, also known as calculative or strategic trust – in other words, 'I trust X to do Y'. This involves my thinking about X and what I know of X and calculating whether X will do what I want in the future, and while I might trust X to do Y, I may not trust X to do Z. For example, I trust my doctor to fix my broken leg, but not to manage my financial affairs.

What is important is that these two conceptions of trust are mutually supporting aspects of the concept of trust. The academic literature is full of people who say it is one or the other. I take the view that trust is multidimensional – it is a blend of both.

What's trust got to do with the public service?

Private enterprise has been using the concept of trust and relationships for a long time. Theirs is a market driven approach which on the surface seems to be caring and considerate of the customer's needs, but below the surface is aimed at sales to maximise profits so they remain in business and keep their shareholders happy. This

is what is called rational trust – this is strategic, calculative, even manipulative. It is certainly self-interested. But is it moral?

Here's a market-based approach to trust - an ad for Panadol.

Look at this gorgeous baby, it's so cute – it tugs at your heart strings. Nothing is more precious than our children. Panadol knows that, they know we are responsible parents, they know we love our child, they know we would do anything for our child especially if it was in pain, they know we want only the best for our child. Trust the pain reliever, they say – in other words, trust us. They are using trust cleverly here because they are getting to both the rational side and the relational side of trust – rational because they are giving you information about the product (it contains paracetamol, acts fast, it's one of the few suitable for very young babies) and information about their reputation (Children's Panadol, Australia's most trusted fever and pain reliever), all to help you make a decision. They bring in the relational trust with those tugs on your heart strings – you care about your child and we do too, we're in this together, that's why we make this product. But what's the bottom line? Profit.

The public service doesn't often use the relational side of trust. Rather it tends to focus on the rational side of trust. Departments and agencies seem to think that if our systems work well and if we answer letters within seven days and 'phones in two minutes, and we give accurate advice then the public will trust them. Maybe. Sometimes that is all people need from you, a quick fuss-free interaction. But sometimes they want and need more than that.

Now don't think for a minute I am suggesting that the public service should be getting into manipulation. As I said earlier, the public service is different from private enterprise. You're not looking for people to buy something - well visas, maybe, or passports. But the bottom line is not profit. The bottom line is to serve the public's interests. Andrew Podger made this point in a speech he gave in October 2002 – "for

public servants there is a difference between explaining government policy and 'selling' it." Client and stakeholder participation, like I was describing earlier with the cash economy, can build a relationship of trust or it can be token, aimed at 'selling' something to the public which the department has manufactured and shepherded through a so-called consultative process. Is that moral? Will token behaviour build a long-term trust relationship? I don't think so.

Values based management

When Public Service Commissioners say that the aim is to move to 'values based management', what happens? In each department, staff ponder 'what should our values as an organisation be?', and work on organisational Values Statements. I have heard managers insulting staff by telling them their values are wrong and they have to change them. I consider that an insult because it cuts right to the inner core of what a person is – their ethical identity. When we're talking about values, we're talking about who and what you are as a person – your orientation to the world.

Social bonds/a sense of connection

Personal values may and can vary, but "[w]hat matters is a sense of connection with others because you see them as members of your community whose interests must be taken seriously" (Uslaner, 2002:18). Generally, "trust arises when a community shares a set of moral values in such a way as to create expectations of regular and honest behavior. To some extent, the particular character of those values is less important than the fact that they are shared." (Fukuyama, 1995:153).

"Trust relations can be understood in terms of the formation of social *bonds*, [or] emotively charged ties of dependence with other persons, beginning with the ties developed with caretakers" (Giddens, 1991:64). We develop that moral orientation or the ability to give trust to others early in our lives – through what we learn as infants in our family. Trust in others begins in the context of individual confidence in the caretaking figures. It goes on in life through our experiences with others. You might think that it is strengthened by positive experiences with others and destroyed by negative experiences but this is not necessarily so. Bad experiences might weaken one's trust in others, but the basic orientation remains. If you have learned to feel a sense of connection with people while growing up, including strangers, your view of the world is to trust others and to expect that others will trust you – at least in the first instance.

Rational and relational

In describing expected public service values, Andrew Podger (2003) has used words like "impartial, professional, ethical, accountable, fair, effective, diligence, courteous, honest, integrity, and compliance with the law". Well, there's lots to think about there, especially when you and your staff have probably had to come up with descriptors for each one of those words, and probably others as well. But when you look at that list you can pretty much divide it into those two supporting aspects of trust: rational and relational. People will evaluate the rational aspect or your technical competence (whether you are impartial, accountable, effective, diligent, legally correct and so on) and they will evaluate the relational aspect or whether you have met your moral obligations (are you honest, fair, ethical, courteous?).

Managing morally

What did Andrew Podger mean when he said governance had to be made more 'moral'? Looking back, you can see the idea of trust as relational and a moral orientation in Aristotle's ethics work where he spoke of 'good will'. Aristotle linked the idea of good will to justice. "When a person has been the recipient of a good deed, he gives his good will in return for what he has received, and in doing so he does what is just. But if someone wishes to do good to another in the hope of gaining advancement through him, he does not seem to have good will for that person, but rather for himself …" (Aristotle, 1962:256). Aristotle's idea of good will is not one of calculation or self-interest but of a positive feeling towards the other which reinforces a moral orientation. To behave in such a way, without the expectation of material gain, is ethical or just. This applies not only to your dealings with clients but also in your dealings with staff. Similarly, Kant believed that the "[t]he morality of an action is not determined by its consequences, only by the intentions behind it" (Warburton, 1998:115). "A good will is good in itself, not because of anything else that it gives rise to" (Warburton, 1998:16).

You can see here, I hope, what is meant by moral or ethical. We're talking about the different intentions behind a future action – thinking about what you can do for the other, in contrast with thinking about what you'll get out of it.

Evidence of the value of trust

Now you might be thinking – yeah right, this is just philosophy, its out of the ark, it's no longer relevant in the 21st century, it's naive. I can appreciate that. What we do know is that academics have very strong empirical evidence that if you have the relational aspect right, then people will accept an outcome, even if it is not in their interests. And because of this sound evidence, I think Andrew Podger is very much on the right track with his values based management.

I'd like to give you three examples of this empirical evidence. The first is the work of a sociologist called Bernard Barber (1983). He wrote on the growing professionalisation of the business world and what people expect of professionals. He maintained that people's expectations are "part cognitive, part emotional, and part moral" (in other words both rational and relational), and that people's expectations of strangers carry over to their expectations of government and its organisations. Barber determined that trust in organisations comprises three expectations: the continuation of the natural and moral order, technically competent performance, and fiduciary or moral obligation. In other words, life as I know it, including our system of government, will go on, and the organisational representative should be both accurate in the information given to me, and caring of me and my interests. He based his findings on data collected from philanthropic organisations, the political system, businesses and the professions.

The second example is the work of Tom Tyler (1997), a professor of psychology. People form judgments about the trustworthiness of others based on their evaluation

of the other's performance. Tyler has examined people's evaluations of the performance of authorities, including parental performance, performance of the US Congress, of the law courts, of police. Similarly to Barber, Tyler argues that there are two important aspects to people's interactions or relationship with authorities: - the outcome of the interaction, that is, what people get, which Tyler calls distributive justice; and second, how they get it, in other words, the way they were treated, which he calls procedural justice. Procedural justice is like Barber's fiduciary or moral obligation. Tyler's findings are that people will accept what they get, including something not in their interest, like a fine, if they think they have been listened to and that the official has their best interests at heart.

The third example is the work of Valerie Braithwaite (1998), an ANU psychologist, on harmony and security trust norms as two aspects of people's belief systems and values. Val found that people make judgements about the trustworthiness of government organisations by considering both knowledge and social connectedness, that is, both rational and relational aspects. Val analysed data she collected of people's perceptions of the High Court, Reserve Bank, the Family Court and charities.

My own work here at the ANU shows similar results. Trust is multidimensional – that is, it has both rational and relational aspects. Importantly, the basis of trust in government and its organisations is relational, that is, people feel a social connection or bond. Certainly as people interact with those they know less well, they rely on evaluation of rational factors. However, the relational or moral aspect of trust remains strong, so strong that even when people feel powerless, in the sense that they feel they have no say in what's going on and that nobody listens to them, and they perceive

there is corruption in politics, the relational aspect of trust in government and its institutions is only weakened, not destroyed, and remains intact. Now that's a good thing for government and those of you in its service, but it goes without saying that it should not be abused.

Relational trust is built in the workplace

Why is trust so fundamental to you? Because as managers you are key to the development of relational trust – not only in the relationships the department has with the community, but in developing and maintaining relational trust in your staff. Trust is built through our relationships with those close to us. It begins in the family then is reinforced by other close associations which my data show as bosses and co-workers. So the workplace is a very important generator of trust in those we don't know. Young children's reliance on their parents to care for them builds their trust in others, including those they don't know. Young children also observe their parents' interaction with other people and from this learn whether to trust strangers or not. The same situation occurs in the workplace. If there is not a caring, supportive relationship in the workplace, people will learn not to trust and the dynamic in the workplace will be one of suspicion and distrust. Similarly, if a newcomer observes that the department or the team does not trust other organisations or the community generally, then the newcomer is likely to take on the culture of the workplace and behave similarly.

Conclusion

What happened to that auditor? Well, I continued to work with him to demonstrate the value of what I was suggesting. He became a strong advocate of building working relationships with outside organisations where trusting relationships helped in the exchange of information and the development of new strategies. I conclude that his early socialisation experiences were to trust others but that the culture of the workplace had made him fearful or cautious about working with trust.

And how did we go with the development of those industry partnerships? I can only say it was a revelation to those ATO staff who worked on this project – they could not believe the positive response from these groups and the offers to help they received from them. The initial reservations on both sides took a few months to overcome, but after that the relationships were established and some groups like the Master Builders even went public to say they were working with the tax office on the cash economy. The other wonderful thing to see was the enthusiasm and bonding of the staff working on these projects. These bonds remain to this day. I have since taken this approach to the New Zealand tax office and they are having similar success with their industry partnership project.

To come back to that situation I was talking about in the Child Support Agency. What was happening was that officers were trying to satisfy only one side of the relationship – give the client the information they want. But, it was the relational side, or the procedural justice, which was not happening. This meant the client perceived that the officer did not care about their situation, would not listen to them and their

story, and just wanted to get rid of them as fast as possible. The result? Confrontation and low trust between staff and client. There was an ongoing spiral of distrust.

Is relational trust naïve? If we were to rely on knowledge and reason alone, we would never act because we can never know all there is to know. But what if we don't know anything or very little? Do we do nothing? Well that's hardly practical, especially in the workplace. We can act because in the first instance we can assume that the person is a good citizen - as members of the same organisation or Australians we share a social bond. So we employ what has been called authentic trust which is "open to evidence and the possibilities of betrayal" (Solomon & Flores, 2001:65). Authentic trust is not 'naïve' or does not deny evidence as some forms of trust do - it is "prudent, measured, reflective, and conditional" (Solomon & Flores, 2001:65-66). Conditional on the results of the trust you give. How is that not naïve you might ask? Well, consider the alternative. If you begin a relationship on the basis of distrust, without the evidence to suggest that this is a reasonable position to take, the dynamic of the relationship is changed and trust is difficult, if not impossible, to rebuild. The message is: trust builds trust, but distrust builds distrust.

So to sum up, I've told you about my experiences in the Child Support Agency and how ignorance of the relational side of trust produced confrontation and stress, and how in dealing with difficult non compliance, the Tax Office introduced a compliance model which incorporated both the rational and relational aspects of trust. Because the organisational culture was so focussed on the rational, people had trouble understanding the value, and incorporating the relational side of trust into their work. They thought building relationships of trust with others wouldn't work and were

surprised when it did. I've tried to clarify how Andrew Podger's request to be more

moral means bringing in the relational aspect of trust so that relationships can be

better managed. I've outlined that trust is multidimensional – a blend of the rational

and the relational, and that the key to relationship management is both rational and

relational. And I've given you some empirical evidence from academic work which I

hope demonstrates further the importance of using both aspects of trust. I hope this

has been helpful for you in understanding the importance of developing both aspects

of trust in your workplace.

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