



**A Better Way to Measure &  
Value Business Relationships:**

*The Enterprise Relational  
Quotient™ Assessment*



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## Executive Summary

### We All Know Relationships Impact Results

A recent national survey of VP level and above executives showed nearly universal agreement that relationships have a highly significant impact on business results each year. And it wasn't just customer relationships delivering the impact, but rather a wide range of internal and external relationship types. If business relationships are having such a significant impact, how can they be better measured, managed and strengthened to drive improved performance?

### The Performance Management Paradox

Effective internal and external relationships are critical to the daily performance of nearly every organizational function. Basic business performance levers such as customer loyalty, operational productivity, cross-functional collaboration, employee retention and leadership development all depend on healthy, productive relationships between people. So here's the paradox: **why don't organizations have more insight, expertise and visibility on the key business relationships that are so clearly critical to their success?** Perhaps because they've lacked a clear, compelling and reliable method for measuring and valuing them.

### What Do We Mean by “Business Relationship” Anyway?

Some may have the perception that the words “business relationship” refer to the superfluous interpersonal aspects of conducting business. Not so according to a national survey of VP level and above executives. Rather **a business relationship is defined by all the knowledge, expertise, value and reliability a person demonstrates to others, as well as their integrity, trustworthiness and likeability.** Cognitive psychologists have developed and validated a universal model of how humans perceive and judge each other socially. It's known as The Warmth & Competence Model.

### The Enterprise RQ™ Assessment

The Enterprise Relational Quotient™ Assessment was created to address the relationship void that currently exists in widely used competency models and performance management systems. The Enterprise RQ™ Assessment was developed by adapting and extending the widely accepted Warmth & Competence Model to a business relationship context. Validity testing of the Enterprise RQ™ Assessment with a worldwide sample of business professionals showed a high degree of reliability and predictive accuracy in measuring business relationship strength. In addition, it **revealed compelling new insights about how different types of business relationships each require unique approach.**

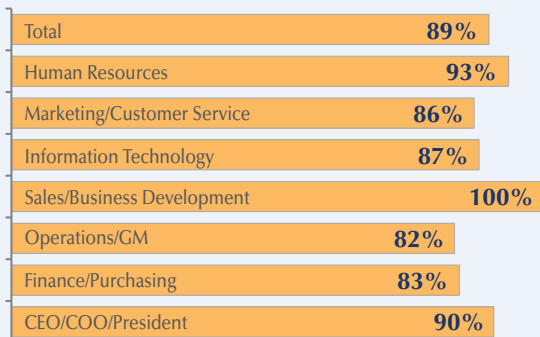
### Implications for Action & Results

The Enterprise RQ™ Assessment provides a business relationship competency framework and diagnostic metrics that can be applied to a wide variety of relationship types and performance opportunities. This innovative assessment can be deployed on a stand alone basis, or as an additional module within existing customer loyalty or performance assessment systems. For instance the Enterprise Client RQ™ Assessment provides deep, actionable insights that lead to **improved account retention, penetration and acquisition.** Similarly, the Enterprise Talent RQ™ Assessment provides remarkable visibility on the dynamics of internal relationships that lead to **increased cross-functional collaboration, productivity and leadership development.**

## We All Know Relationships Impact Results

Business executives overwhelmingly agree: strong and effective relationships are essential to business success. In fact, our national survey of VP-level and above executives at companies with revenues of more than \$100 million annually<sup>1</sup> showed just how universal this belief is. Overall, 89% indicated that the strength of their personal and professional relationships had a highly significant impact on their ability to deliver business results every year. Perhaps most notably, 90% of CEO/COO/Presidents and even 82% of Finance/Purchasing VPs surveyed attributed their business results each year to the strength of their relationships.

**On a scale from 1 to 10, how significant an impact has the strength of your personal and professional relationships had on your ability to deliver business results each year? % Rating 8, 9 or 10**

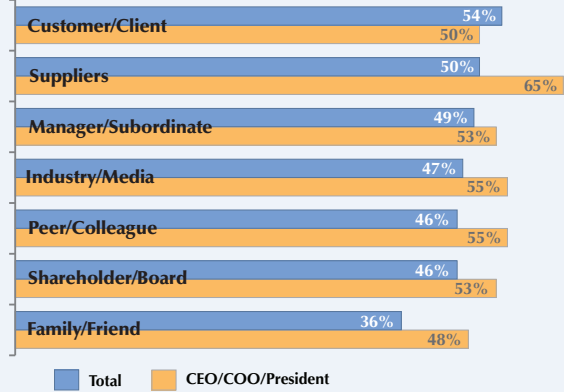


Source: RCG National Survey of Executives, February 2010

But which relationships impact business results most? After all, a variety of internal (supervisors, peers and subordinates) and external (customers, suppliers and other stakeholders) business relationships are in play at all times. This same survey of VP level executives revealed that while client/customer relationships were most broadly viewed to have significant impact on company success, nearly all other relationship types are also having significant impact on results.

*Why isn't there more insight and visibility on the key business relationships that are so critical to success?*

**Please indicate how significant an impact each relationship type has had on your company success in the past? % Saying Very Significant**



Source: RCG National Survey of Executives, February 2010

In particular, CEO/COO/Presidents expressed the strongest beliefs that a broad range of relationships are impacting their business performance, especially those with suppliers. Moreover, it seems clear that building and maintaining strong and effective relationships, both internally and externally, is widely viewed to be a critical driver of sustained performance.

## The Performance Management Paradox

Effective relationships are essential to the daily performance of nearly every organizational function. Basic business performance levers such as customer loyalty, operational productivity, cross-functional collaboration, employee retention and leadership development all depend on healthy, productive relationships between people. So how do companies and their leaders know where they stand on their most important business relationships? Can they be reliably measured, managed, developed or valued to drive improved performance?

Well, as it turns out, that seems to be a bit of a problem right now, as 58% of CEO/COO/Presidents strongly agreed that "there isn't any widely accepted method for building lasting business relationships", much less a reliable way to measure, manage or value them. To address this void, the Enterprise Relational Quotient™ Assessment was developed, building on decades of academic research by cognitive psychologists and the universal measures of social perception and behavior they identified: **warmth and competence**.

## The Warmth and Competence Model

The psychology of human and social perception has been the subject of academic study for decades. And the thought process humans use to perceive and judge the behavior of others has been well documented along the way. The “Warmth and Competence Model” is among the most widely accepted and published of these. As early as 1946, Solomon Asch, a professor at Swarthmore College, published a [paradigm shifting study](#)<sup>2</sup> about how students formed impressions and judgments of others not only based on their apparent capabilities, but also on whether they seemed “warm or cold” in their attitudes toward them.

Since then a myriad of academic studies across 19 countries have refined and validated this model. For example, in 1998 Bogdan Wojciszke, a professor at the Polish Academy of Sciences published a study<sup>3</sup> showing that the warmth and competence dimensions account for 82% of the differences in how people perceive each other in everyday social interactions. However, “only in the past five years have cutting edge studies of social cognition firmly established that people everywhere differentiate each other by liking (warmth, trustworthiness) and by respecting (competence, efficiency).”<sup>4</sup>

The extensive history and validity of this model is perhaps best summarized in [Universal Dimensions of Social Cognition: Warmth and Competence](#) by authors and university professors Susan T. Fiske, Amy J.C. Cuddy and Peter Glick, published in *TRENDS in Cognitive Sciences* in 2007. Therein, the authors explain how warmth dimensions cover traits around perceived intent: friendliness, helpfulness, sincerity, trustworthiness and morality, while competence dimensions cover traits related to perceived ability: intelligence, skill, creativity and efficacy. “Although both dimensions are fundamental to social perception, warmth judgments seem to be primary, which reflects the importance of assessing other people’s intentions before determining their ability to carry out those intentions,” according to Fiske, Cuddy and Glick.

## What Do We Mean by “Business Relationship” Anyway?

Some may have the perception that the words “business relationship” refer to the superfluous “touchy feely” aspects of conducting business. Not so according to our national survey of VP level and above executives. When asked which qualities are most important as the basis for a lasting business relationship, integrity, expertise, reliability and goal achievement were at the top of their list. By most accounts, these are foundational elements to the success of any business enterprise and not “touchy feely” at all. So it turns out that business relationships are

about more than just “relating”. Rather they encompass all the value, reliability and performance we come to associate with an individual, group or organization.

In fact, this aligns quite well with the foundational premise of The Warmth & Competence Model. Specifically, that our judgments and beliefs about others are derived from both the “warmth” aspects of their personality, as well as the “competence” of the behavior they exhibit. As a result, dimensions of The Warmth & Competence Model can also be extended and applied to the study, measurement and understanding of business relationships. Doing so not only builds on a solid foundation of social psychology research, but also extends it to the business environment, where a reliable relationship assessment model is clearly needed but not widely available.

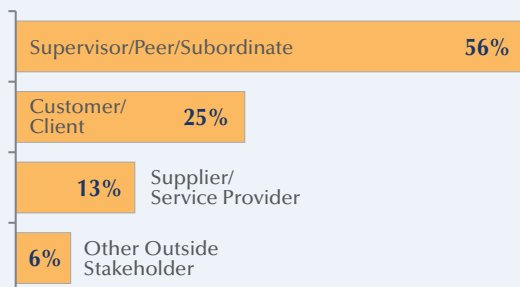


## The Enterprise RQ™ Assessment

Accordingly, the Enterprise Relational Quotient™ (RQ) Assessment utilizes 12 relationship dimensions that are equally balanced between warmth and competence factors. These dimensions have been adapted and customized to fit a business relationship context and validated through extensive quantitative testing with business professionals. The balance of this paper highlights some of the unique insights and findings typically revealed by this assessment.

In early 2010, The Relational Capital group validated the Enterprise RQ™ Assessment with a worldwide sample of business professionals<sup>5</sup> that represented a wide range of job levels and functional expertise areas. Participants were asked to identify and evaluate a specific business relationship that has the potential to positively impact their work performance. The majority chose to evaluate a colleague relationship, which could include a supervisor, peer or subordinate. The remaining respondents evaluated a customer, supplier or other outside stakeholder relationship, as shown below. We found it interesting that so many participants chose to evaluate internal relationships that impact their performance. In addition, the majority of internal relationships assessed were with supervisors, suggesting that participants may be more concerned about their “upward” relationships.

### Please mentally select the business relationship you will evaluate and indicate which of the following categories it best fits into



Source: RCG Enterprise RQ Validity Testing, March 2010

This apparent upward orientation was further evidenced when participants rated the degree to which their chosen relationship could impact their performance. Supervisor relationships were rated to have the greatest potential impact on performance, while Subordinate relationships were rated to have the least. This finding does not reflect particularly well on the leadership priorities of those

managing Subordinates. However, it is likely an accurate reflection of where business professionals are most concerned about the strength of their relationships.

### On a scale from 1 to 10, please indicate how much potential this business relationship has to positively impact your performance at work, in your opinion? Mean response

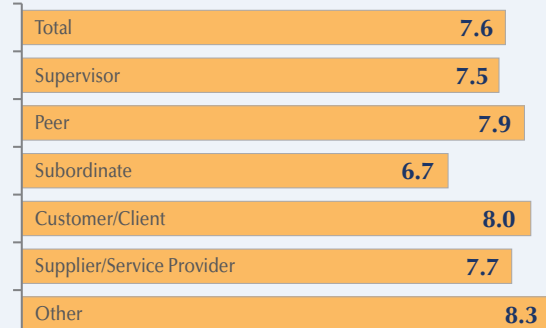


Source: RCG Enterprise RQ Validity Testing, March 2010

## Relationship Assessment Findings

When asked to rate the strength and effectiveness of their chosen relationship, Customer and Other relationships were rated highest, while again Subordinate relationships were rated to be weakest by a notable degree. This further highlights the gap that seems to exist between relationship need areas and relationship efforts among business professionals.

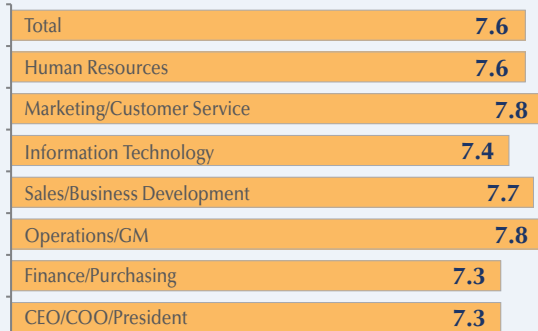
### On a scale from 1 to 10, please rate how strong and effective you feel your business relationship is with this individual? Mean rating



Source: RCG Enterprise RQ Validity Testing, March 2010

From a functional expertise perspective, Marketing, Sales and Operations professionals rated their relationship effectiveness slightly higher than their counterparts, perhaps highlighting the degree to which they work with customers or suppliers on a daily basis. On the other hand, CEO/COO/Presidents, Finance and IT professionals rated their relationships strength somewhat lower, possibly reflecting their more strategic or quantitative orientation.

**On a scale from 1 to 10, please rate how strong and effective you feel your business relationship is with this individual?** Mean rating



Source: RCG Enterprise RQ Validity Testing, March 2010

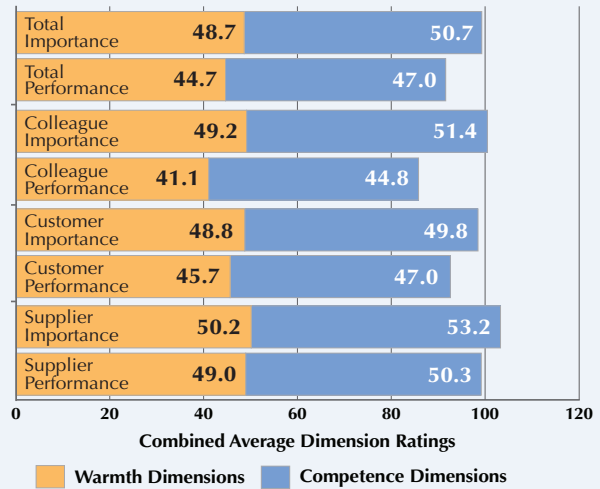
Further assessing their selected relationship, participants noted the degree to which various dimensions described the individual in question. The most prominent relationship dimensions included “honesty”; “knowledgeable”; and “worth my time.” Consistent with their previous ratings of overall relationship effectiveness, Colleague relationships received lower scores across all relationship dimensions, while Supplier relationships received consistently higher dimension scores.

*All relationship types are currently under-performing relative to expectations and potential*

From a warmth and competence perspective, the Enterprise RQ™ assessment further confirmed that business relationships are formed by equal amounts of the warmth and competence dimensions—both from an importance and performance perspective. More specifically, colleague

relationships underperform other relationship types, particularly in regard to warmth dimensions. Conversely, Supplier relationships outperform on both the warmth and competence dimensions. Perhaps most notably, all relationship types are underperforming expectations and their potential on both warmth and competence dimensions.

**Warmth & Competence Model Analysis**



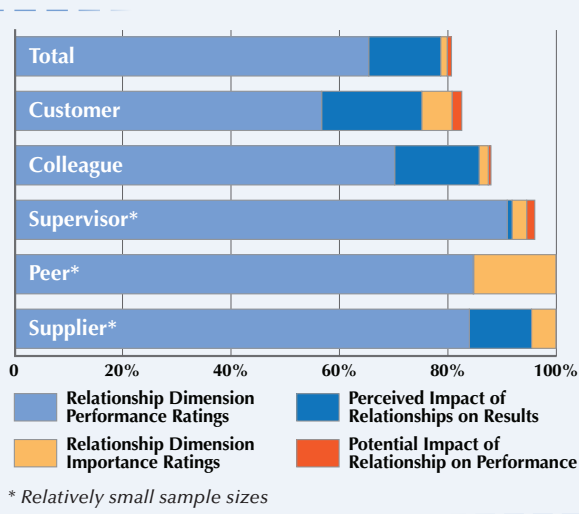
Source: RCG Enterprise RQ Validity Testing, March 2010

**Predictive Validity of the Enterprise RQ™ Assessment Model**

Statistical analysis of Enterprise RQ™ data across all relationship types confirms that this assessment methodology successfully explains over 80% of the variability in relationship strength and effectiveness ratings. While this level of overall validity is impressive, the predictive strength of Enterprise RQ™ assessment is even higher when differing relationship types are considered separately.

In addition, this analysis revealed that each business relationship type has unique characteristics and dynamics that must be considered distinctly. For instance, while the dominant predictor of relationship strength across all types is how well each individual is perceived to perform on the RQ™ relationship dimensions, other assessment variables seem to play a greater or lesser role depending on the relationship type.

**Cumulative Variance in Relationship Strength Explained by RQ™ Assessment Variables**



Source: RCG Enterprise RQ Validity Testing, March 2010

Overall, these findings make a strong case for the validity and reliability of the Enterprise RQ™ Assessment Model as means for measuring, diagnosing and predicting the strength and effectiveness of business relationships of all kinds. However, differing business relationship types possess a unique combination of expectations, dynamics and drivers among these dimensions. As a result, there are no silver bullets or one size fits all prescriptions that can be applied indiscriminately across all relationship types. Rather, these 12 RQ™ dimensions must be applied in a manner that is tailored to each relationship type.

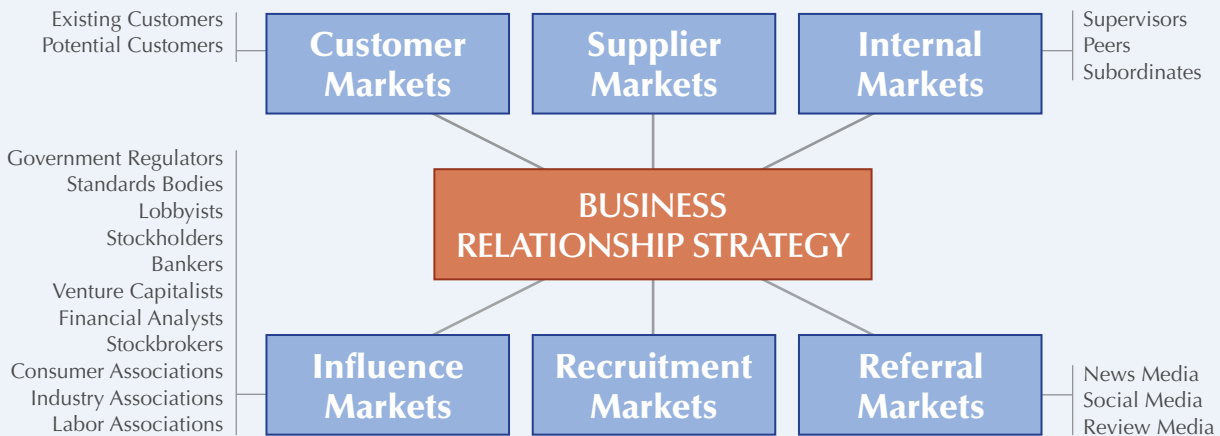
*Potential applications of this business relationship competency model are quite broad and significant.*

**Implications for Action and Results**

Business executives have clearly articulated their belief in the impact of relationships on results, and the need for reliable methods to assess and build stronger ones is apparent. The Enterprise RQ™ Assessment Model clearly provides a meaningful tool for addressing that need. In addition, the potential applications of this business relationship competency and assessment model are quite broad and significant.

In their groundbreaking book on relationship management and marketing<sup>6</sup>, Martin Christopher, Adrian Payne and David Ballantyne identified The Six Markets Model of business relationship strategy. As illustrated below, the breadth of relationships that can impact business results is quite significant. The Enterprise RQ™ Assessment provides a sound business relationship competency framework, along with detailed diagnostic metrics, that can be used to gain insight and enhance relationship impact on performance in all of these areas.

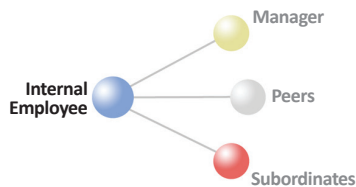
**The Six Markets Model of Business Relationship Strategy**



This innovative assessment can be deployed on a stand alone basis, or as an additional module within existing customer loyalty, market research or performance assessment systems. For instance the Enterprise Client RQ™ Assessment provides deep, actionable insights that lead to improved customer retention, penetration and acquisition. Similarly, the Enterprise Talent RQ™ Assessment provides remarkable visibility on the dynamics of internal relationships that lead to increased cross-functional collaboration, productivity and leadership development. When tracked on a periodic basis, RQ™ Assessment measures provide a progress report on action plan impact and a roadmap to further plan refinements.

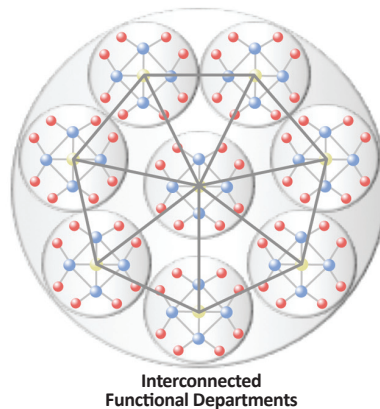
### Individual Talent RQ™

Assesses Manager, Peer and Subordinate Relationships



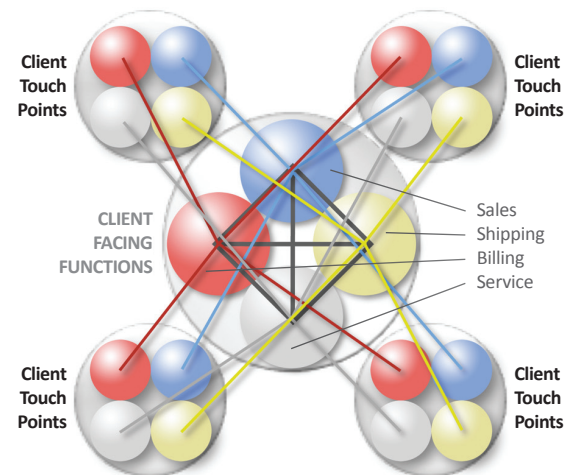
### Enterprise Talent RQ™

Assesses Employee Relationships Across the Enterprise



### Enterprise Client RQ™

Assesses Client Relationships Across All Touch Points



In particular, Enterprise RQ™ Assessment data and insights can be applied to enhance organization performance in the following areas:

#### Human Resources

- Cross-functional Collaboration
- Leadership Development
- Performance Assessment
- Employee Engagement
- Succession Planning
- Acquisition Culture Integration
- Candidate Evaluations

#### Sales/Business Development

- Customer Retention
- Sales Planning & Forecasting
- Account Penetration & Mgmt
- New Account Acquisition
- CRM System Effectiveness
- Client Needs Assessment
- Sales Support Effectiveness

#### Finance/Operations/IT

- Productivity Improvement
- Efficiency Cost Reductions
- Organization Effectiveness
- Change Management
- Major Initiative Implementation
- New Leader Onboarding
- Acquisition Due Diligence

For more information on Enterprise RQ™ Assessments or other Advisory Services of The Relational Capital Group, please contact, Chris Malone, Chief Advisory Officer at [chris@relcapgroup.com](mailto:chris@relcapgroup.com) or visit our website at <http://www.relationalcapitalgroup.com>



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5. RCG Enterprise RQ™ Validity Testing with 430 business professionals, conducted by Candice Bennett & Associates, Inc., March 2010
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### About The Relational Capital Group

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The Relational Capital Group is a research-based, professional development and advisory services firm that helps organizations measure, manage and strengthen the business relationships that drive their performance.

Our breakthrough business relationship principles and processes are delivered in a variety of forms that lead to sustained performance improvement. These include performance enhancement engagements, Enterprise RQ™ Assessments, talent development workshops, keynote speeches, executive coaching and critically acclaimed books.

