



## Trust: The Essential Ingredient

### A model for success

A few years ago I developed a model that looked at the relationship between various skill sets and the related success that a financial adviser who had mastered each skill would experience.

The model looked like this:

<b>Generic Financial Planning Skills</b>	<b>Product Knowledge</b>	<b>Business Skills</b>	<b>Specialist Financial Planning Skills</b>	<b>Enabling Skills</b>
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According to the model, an adviser with basic planning skills and little else to offer the market would struggle to create a successful business. Advisers with generic planning skills plus some product knowledge can, and in many cases do, get by. Those advisers with business savvy to add to generic planning skills and some product knowledge have a greater chance of creating a successful practice. They are able to develop a suitable infrastructure to leverage their activity. Specialist skills are rare and therefore create their own demand. A radiologist has a much greater chance of commercial success than a general practitioner. The same applies to financial advisers.

The first four skill sets are *technical* skills. Advisers who possess these skills have got something to offer the market. In other words, these skill sets create potential. To realise this potential and create business value, an adviser needs the skills necessary to access his or her chosen market. I called this all-important skill set *enabling* skills. They enable an adviser to commercialise their technical skills.

When I presented this model I gave examples of enabling skills. The specific skills I identified were selling and influencing skills, leadership skills, enhanced communication skills and developed empathic skills.

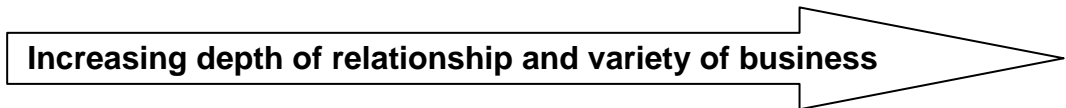
It is now clear to me that my model and message were incomplete. The degree of success that each adviser is able to achieve doesn't stop with the mastering of enabling skills. No, *there is one further quality required by every adviser who seeks to maximise their potential and that is to develop the mindset and business model of a "trusted adviser"*.



## The value of trust-based relationships

In their excellent book *The Trusted Advisor* authors Maister, Green and Galford describe four types of relationships. Each relationship is different in its depth and variety of business issues conducted. Using a similar format to my earlier model, we can show this as follows:

Service offering-based	Needs-based	Relationship-based	Trust-based
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Let's take a closer look at each relationship type:

### Service Offering-based

This is the relationship that results from a hunt-to-eat mindset and business model. It's the classic transaction type business. The aim here is to sell as many risk policies or build as much FUM as possible. The focus of the business is to generate maximum commission. The products selected would be related to the quantum of commission payable and the presence of volume bonuses and other quantity-of-business rewards.

The Statement of Advice is prepared to meet compliance obligations. The mindset of the adviser is not to meet client needs, but to sell products. There will be limited after-sales interaction with each client other than perhaps a quarterly newsletter.

The relationship is shallow. Most "clients" are actually policyholders.

**Impact on business success:** Clients grow uneasy at being contacted only when the adviser wants to discuss a new product offering. Only the unsophisticated, naive and complacent remain. No referrals will be made.

### Needs-based

This is the relationship that results from a business model that aims to meet one or more distinct needs of each client. The aim here is to conduct a fact find to identify client needs and to provide a solution for each and every need (holistic focus), or simply selected needs.

The mindset of the adviser is caught between maximising commission and finding a solution for the client.



There will be more after-sales service than the “product flogger”. The main difference being an annual review. However, the review will be conducted in an unemotional manner and will usually focus on the historical SOA, performance of the client’s investment portfolio and a discussion around some new ideas or products that could provide a better return; and perhaps some risk products that would be preferable to the existing solution.

The relationship is not emotional, simply professional.

**Impact on business success:** Clients will be more sticky and the solution is more personalised. Clients will also tend to do repeat business around the specific needs identified. Limited referrals will be made.

### **Relationship-based**

Here there is genuine personal affection within the adviser-client relationship. The relationship is bigger than simply giving and receiving professional advice. There is warmth and an emotional link too.

The professional relationship will not be limited to responding to the client’s needs and but the adviser will usually provide ideas on related areas that could benefit the client. The client will consider these ideas and may or may not do further business.

In addition to after-sales service, the relationship will be characterised by social activity.

**Impact on business success:** Clients will be committed to the practice. The client will do repeat business and will consider doing business around new needs and issues introduced by the adviser. The client can be expected to make referrals when asked.

### **Trust-based**

This is the deepest and most valuable client relationship. It goes much further than a simple emotional connect. Here a client relies on the adviser for their counsel on both professional and other matters. They deeply trust and respect this counsel. The client may consider and reflect on it, but they will never question whether the advice was given for any reason other than an absolute desire of the adviser to do what is right.

The key difference in this relationship is the underlying motivation. In a trust-based relationship, the trusted adviser is absolutely client-centric in both their mindset and their business model. In all instances, the adviser would prefer to do no business than to do any business that they consider not to be totally appropriate under the circumstances.

Advice will be sought and given whenever it is required. This relationship does not ebb and flow with the cycle of scheduled reviews.



The relationship is much more than enjoying the other's company. The client is willing to become absolutely vulnerable by making complete disclosure knowing that this vulnerability and intimacy will be deeply respected and protected. The adviser will reciprocate with absolute integrity and fierce commitment.

That is a trust-based relationship.

**Impact on business success:** Clients will not query the advice given or the price asked. The client will do whatever the adviser requests of them. Paperwork will be briefly scanned. Most often the adviser will be simply asked "where do I sign?"

The concept of cross-selling and share of wallet (a horrible term that the banks like to use) are irrelevant. The adviser will provide and the client will accept the recommendations made. The client will gladly provide referrals. The referrals will be of a very high quality as the client is clearly aware of not only the value of the relationship but understands who of their family, friends and colleagues would benefit from such a relationship.

### **Creating trust-based relationships**

The ability to create a trust-based relationship depends on an adviser's ability to be trustworthy and to project trustworthiness. The skills, mindset and business model required are neatly captured by Maister, Green and Galford in their book *The Trusted Advisor* to which I referred earlier.

Their model looks like this:

$$T = \frac{C + R + I}{S}$$

**T** is the adviser's overall trustworthiness. This can be improved by developing the skills, mindset and business model that affect the other four variables.

**C is the adviser's credibility.** Prior to becoming a fan of Maister & Co.'s model, I believed that credibility was that all-important ingredient that enabled an adviser to maximise the value of the relationship held with each client. I'm fond of quoting Professor Jay Conger who wrote in the Harvard Business Review "Credibility is the cornerstone of effective persuasion. Without it the persuader won't be given the time of day". But I now clearly realise that being credible is not the same as being trusted.

In Maister & Co.'s model, credibility is specifically focussed on what we say and how we speak. Credibility will be earned or lost on an adviser's ability to communicate their expertise and their experience.

Credibility will also be influenced by any bias, disrespect, prejudice or any suggestion of non-compliance in an adviser's words. Examples of this would be chauvinism (I'll get my girl to make us



some copies), a lack of respect for one's staff (he's not the sharpest pencil in the box), or suggesting that a client provide unreliable or incomplete answers to a questionnaire (don't worry about all your visits to the doctor, just record the last couple).

Credibility is also influenced by body language, eye contact and the amount of preparation done before the meeting.

**R is an adviser's reliability.** This goes further than a commitment to deliver on promises. Reliability is influenced by the quality of the processes in a business so that errors are minimised. Reliability depends on the correct mindset too – for example appreciating that one can delegate the task, but not the responsibility. Reliability also requires organisation and time management skills.

**I stands for intimacy.** This is the adviser's ability to build rapport. To make clients feel at ease in his or her presence. It's the ability to detect emotional changes through an elevated Emotional Quotient. Intimacy also requires candour instead of being overly diplomatic or politically correct.

**S is for self-orientation.** I feel that this variable presents the greatest challenge for many advisers. Self-orientation is simply about priorities. In most business exchanges the objective is to "get the best deal" for oneself. In the financial advisory industry institutions are fixated with sales targets, dealer groups with rebates, profitability and the number of associated advisers; and advisers themselves with FUM and upfront and renewable commission. All these targets are our targets, our metrics, our goals. Not our clients. Trust requires that we put the client first. That we become less self-orientated and more client-centric. That's why "S" is the denominator in the model. The smaller the S, the more trustworthy the adviser.

Improving self-orientation usually requires work on many areas starting with adviser and staff mindsets. Business priorities and metrics need to be revisited as does the business model – particularly the pricing part.

### **Last word...**

I'm not suggesting that each and every relationship that an adviser has with each of their clients should be a "trusted relationship". In many circumstances the other relationship types will be the most appropriate. However, by attending to their business model, and developing their mindsets, advisers can form trusted relationships. And when they do both the adviser and their client will experience the greatest mutual value.

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