Commercial Insights

Sales and Marketing

The Bar is Low, the Opportunity is High: Myths and Realities about a Trusted Advisor Strategy
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This is the first in a series of articles exploring the concept and implementation of "trusted advisor" relationship strategy in bank business-to-business sales. This article focuses on definition of "trusted advisor" and client perceptions of trusted advisor elements.

"Why would you want to do that?" he asked. "Why would you want to take on that much debt and be working for the bank for the next five years?"

I was stunned. I had just finished sharing our business' growth plans with a commercial banker. We were considering his bank as a possible financing source for our business.

He went on, "First of all, you probably won't have to pay that much. The seller's expectations about price are too high... Second, you'd be much better off structuring the deal with far less money up front..."

THIS was my idea of a bank "trusted advisor," someone with perspective and experience, someone who would challenge and question, someone who had an eye on the market.

When we ask bank sales leaders how they want their branch, small business, business banking, commercial, treasury management, corporate, investment, retail investment and private bankers to position themselves with their clients, the answer is almost always the same: We want their clients to see them as trusted advisors.

When we ask bank sales leaders, "What does trusted advisor mean to you, and what does that look like?" they speak with one voice about the benefits — loyalty, revenue, referrals — with no consistent point of view about what it means or how to get there.

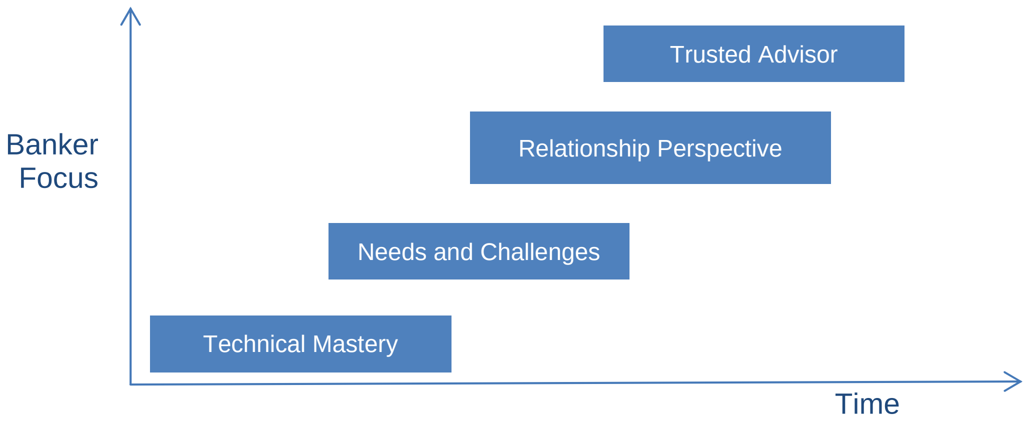
The core question is: "What does trusted advisor mean?" in each of these sales forces. Advisor to whom, precisely? Advisor on what? Advise how? Advise when? Advisor within what limits? How does this "advising" fit with bank's sales management, coaching, training, planning and compensation systems, virtually all of which focus on product sales? And how, exactly, does someone earn the right to be a client's trusted advisor?

How Do Bank Clients See It?

In his book "The Trusted Advisor," David Maister wrote that a trusted advisor "…is the person the client turns to when an issue first arises, often in times of great urgency: a crisis, a change, a triumph, or a defeat. Issues at this level are no longer seen merely as organizational problems, but also involve a personal dimension. Becoming a trusted advisor at the pinnacle level requires an integration of content expertise with organizational and interpersonal skills."

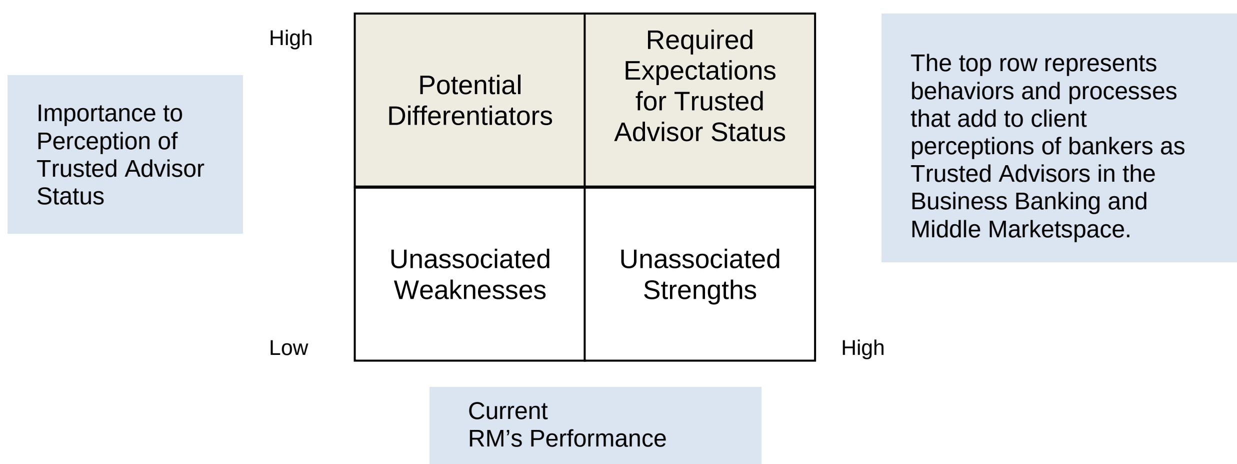
In our experience, people who become trusted advisors rise through a sequence of steps that begins first with a technical mastery of products or methodologies, such as credit or payment cycle management or investments. From there, they begin to engage clients on the basis of their needs and challenges. Next, they become quarterbacks for a variety of services and disciplines offered to the client and take responsibility for the mix of services and delivery. Finally, on the basis of their performance and time working with their clients, their clients begin to see them as trusted advisors, opening up even more intimate conversations with them. They develop trust-based relationships.

The key differentiating skills at this level are communication skills, not technical skills.



To define trusted advisor more specifically for business-to-business banking, Clarity Advantage joined forces with TNS Global to ask a TNS Bank Advisory Board panel, representing businesses of $3 million–$2 billion in sales, to grade their current relationship managers. The panel of 215 business leaders rated 25 behaviors and processes in six categories in terms of **importance** to perceiving a bank relationship manager as a trusted advisor. Then they rated their current relationship manager's **performance** on the behaviors and processes, low to high. "High importance" scores indicate that the behaviors boost client perceptions of the banker as trusted advisor. "High performance" scores indicate that current bankers are performing these behaviors well.

Below, we defined the upper right box ("high" on both axes) as "Required Expectations for Trusted Advisor Status" and the upper left box ("high importance, low current performance") as "Potential Differentiators," behaviors that could help relationship managers increase the chances that clients would perceive them as trusted advisors.



The TNS Bank Advisory Board Panel's responses were astonishing.

Conclusion 1: If relationship managers perform well on core banking and relationship management attributes, clients are very likely to see them as trusted advisors.

Qualities for being considered a trusted advisor are high performance on "traditional relationship manager role" behaviors — the quarterback role — helping clients navigate the client through the banks resources, using a wide range of product and service knowledge to benefit the client, and getting credit approved.

High	Potential Differentiators	**Required Expectations for Trusted Advisor Status**
Low	Unassociated Weaknesses	Unassociated Strengths

High

Required Expectations for Trusted Advisor Status
(Highly Associated, High Current Performance)

RMs are delivering on the expected role of navigating their bank's resources and being a product/service expert. A trusted advisor is also expected to get a client's request for credit through the system successfully.

- **Bank Products/Services** — Connects us to other experts inside the bank who can help us.
- **Bank Products/Services** — Knows about a wide range of banking services beyond loans.
- **Credit** — Gets our loans approved or renewed or expanded with reasonable interest rates and terms
- **Credit** — Explains his/her bank's view of credit — what the bank likes, doesn't like.

Conclusion 2: The best next behaviors for relationship managers who seek to earn trusted advisor status are the "Potential Differentiators" which we characterize as "outside → in" behaviors — behaviors related by the theme of bringing knowledge from the outside to give clients new perspective, for example, the banker "describes how other firms like ours use various bank products and services to their advantage."

Bankers who seek to be differentiated trusted advisors and who have mastered the required expectations (upper right box) should next focus on injecting these differentiating behaviors into the relationship.

High	**Potential Differentiators**	Required Expectations for Trusted Advisor Status
Low	Unassociated Weaknesses	Unassociated Strengths

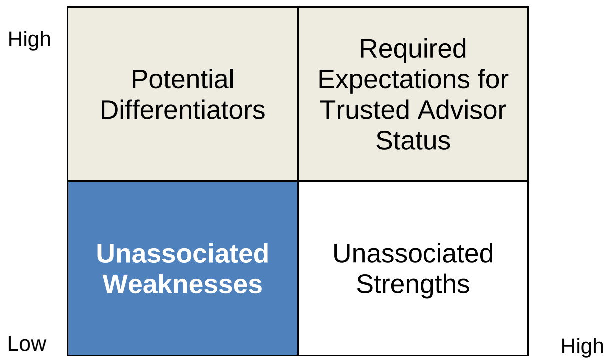
High

Potential Differentiators
(Highly Associated, Low Current Performance)

Many of the potential differentiators center on providing an outside perspective for clients around credit markets, economic trends, local business conditions and competitive context.

- **Bank Products/Services** — Describes how other firms like ours use various bank products and services to their advantage.
- **Credit** — Explains and interprets current conditions in credit markets and how they affect us.
- **Market Perspectives** — Anticipates economic trends and helps us interpret them.
- **Business Operations** — Suggests other things I could consider doing. Shares information I'll find useful in running my business.
- **Business Operations** — Connects us to other people outside the bank who are valuable connections for us.
- **Financial Performance** — Evaluates and discusses our financial performance with me.

Conclusion 3: In sharp contrast to Maister's conclusions, clients do not expect their bankers to demonstrate any of the thought leadership attributes Maister's model suggests, and their bankers are not very good at them — their importance scores were among the lowest of all the 25 attributes that we tested.



Unassociated Weaknesses
(Low Importance, Low Current Performance)

Bankers do not perform thought leader behaviors well or frequently; clients don't frequently associate these behaviors with their idea of the banker as a Trusted Advisor.

- **Thought Leader** — Asks questions that help me clarify my business goals
- **Thought Leader** — Asks questions/shares ideas that help me guide my business to my goals
- **Thought Leader** — Invests time to help me think and develop strategies.
- **Thought Leader** — Challenge my assumptions
- **Other attributes relating to credit, business operations, financial performance and market perspective.**

In addition to the points listed above, several other attributes related to credit, business operations, financial performance and market perspective fell into this bottom left hand quadrant (unassociated weakness) — bankers are not performing them well and clients do not associate them with the trusted advisor definition. These included:

Credit

- Tells us how much debt we can handle or should have.
- Guides our use of bank loans. Shares the bank's perspective of how we are using borrowed funds.
- Recommends other sources of financing we should consider.

Business Operations

- Asks questions to identify important issues I should address near-term.
- Ask questions beyond my near-term issues to uncover my longer range business concerns.
- Helps us see and address risks or potential challenging issues in our business.
- Offers insights into how other businesses like ours run, challenges they face, how they address them.
- Asks questions that make me think about how we manage the day to day activities of the business.
- Gives me options, increases my understanding of those options and makes recommendations.

Market Perspective

- Knows and shares "inside" information about local economic developments and opportunities

Financial Performance

- Compares our financial performance to that of similar firms. Asks questions about differences.
- Offers ideas to help us improve the financial performance and strength of the company (e.g. managing growth, maintaining profit margins).
- Discusses methods we can use to improve our collections and payments processes.
- Makes us aware of tax savings opportunities or other economic benefits or incentives.

Conclusion 4: Trust is a critical element in “trusted advisor.”

When we asked clients directly, “Why do you consider your current RM a trusted advisor?” their comments converged around themes of “trust,” “familiarity” and “knowledge of our business.”

- “They have years of experience and have taken the time to learn our business and help us grow.”
- “He cares about our business, our well-being, our growth and our best interests.”
- “I trust that they will deal in an honest and forthright manner with any issue that comes up.”
- “He has the trust of both myself and the owner and handles confidential matters very professionally.”
- “Our relationship manager takes a personal approach with his advice and ideas. We trust him completely.”
- “I feel that he is looking out for us.”

Implications for Bank Management

Relative to literature and what we have experienced about trusted advisor relationships, bank clients have set a low bar for bankers to achieve trusted advisor status largely because they do not know what else they could be getting from their banks and because in general, banks execute the basics of banking and relationship management so inconsistently.

In summary, bank clients expect bankers to execute their basic roles well — help them get credit approved, tell them how the bank’s other products/services can help them achieve their goals, and be their advocates at the bank.

Individual bankers who aspire to become their clients’ trusted advisors or to differentiate themselves from existing relationship managers can follow the path we’ve outlined:

- Technical competence in bank products, particularly credit.
- Traditional banking and relationship management behaviors, done well.
- Bring the “outside → in” perspective — the differentiating behaviors identified above.

The level beyond that — the “Thought Leader” and related attributes embodied in the commercial banker’s question, “Why would you want to do that?” — represents an important incremental value both to the clients, for whom such attention is appropriate, and their banks. For clients, the advantages of a Thought Leader strategy are: sounder financial management of their business, increased odds of business success and greater value-added discussions with their bankers. For banks, the advantages of this strategy are: lower risk, more loyal and profitable clients, who buy more products, maintain higher balances and refer more business to the bank.

Moving from the current state to the Thought Leader level requires both an individual effort and an institutional response that begins with establishing an appropriate bank strategy that covers among other things the selection and hiring, training of relationship mangers who are able to execute the strategy, and sales managers who can provide these RM’s the appropriate type of coaching and internal support.

In the next article, we will address these issues and suggest a framework for moving toward a strategically chosen trusted advisor strategy.