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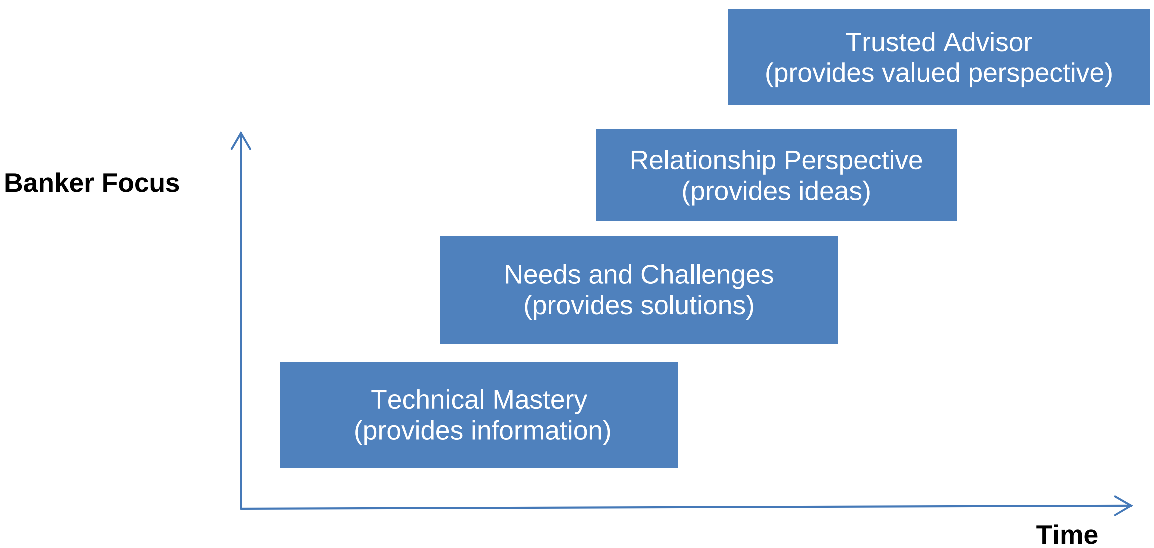
The (Crooked) Path to Trusted Advisor
Nicholas T. Miller, President, Clarity Advantage Corporation

"Technical" trusted advisor does not equal "trusted advisor." All of us have advisors we trust on a series of technical issues ranging from purchasing computers to repairing cars. We turn to our technical trusted advisors when we have a question that their expertise can address.

Trusted advisor denotes a much higher level of personal engagement and…trust. Our previous two articles focused on what does trusted advisor mean and what are the issues bank executives should consider if the concept sounds appealing. Briefly put, we indicated that there is a path…



…from technical mastery of a particular discipline (e.g., credit, payment services, corporate finance) to a problem solving or "needs-based selling" approach that evolves into being a valuable resource to one's client across a broader range of issues, to finally becoming the "go-to" person in times of crisis or change. There is both a technical aspect to this progression and also a deepening personal relationship.

Second, we indicated that bank senior managers should think through a number of issues before committing institutionally to a trusted advisor strategy, among them:

- What role do trusted advisor relationships play in our competitive strategy and value proposition?
- How should our recruiting, evaluating and selecting processes change in order to boost the percentage of entry level or mid-career new hires that have the right "DNA" to become trusted advisors in our environment?
- How can we afford to do more extensive, more thorough training of sales team members?
- How can we equip our relationship managers with the outside perspective that research indicates clients associate with trusted advisors and on which most relationship managers are not performing well?
- How can we afford to retain effective relationship managers in their positions longer?

In this article, we will suggest strategies that individual bankers can use to prepare themselves (or to increase their capabilities) to perform in a more trusted advisor role.

Step 1 – From Technical Expertise to Needs and Challenges

Over time, we have asked business owners and senior managers what their banks would have to do in order to create more trusting, deeper, valuable relationships with them. One, the owner of a $15 million distribution company, replied, "If you do not have expertise, I do not have time for you."

Clarity's experience suggests there are three major elements of "expertise" that provide the foundation for developing as a trusted advisor:

1. Technical competence in banking products and services, particularly credit.
2. Mastery of bank people, systems and processes — how to get things done for a client.
3. "Deeper than average" understanding of one or more industries.

The first two support relationship managers in performing well on core banking and relationship management attributes that build respect, trust and engagement:

- Connect us to other experts inside the bank who can help us.
- Know about a wide range of banking services beyond loans.
- Get our loans approved or renewed or expanded with reasonable interest rates and terms
- Explain his/her bank's view of credit — what the bank likes or does not like.

For bankers who are too new to the job or too narrowly focused (e.g., credit, treasury management), the following steps may help:

1. Focus: Pick (as a starting point) one industry in which to become more deeply expert.

From our research and practical experience, we have noticed that high-performing relationship managers (from a sales perspective) who also rise at least to the "Relationship Perspective" level develop deep expertise in a small number of industries or a small number of products.

From a sales perspective, there are many reasons why this is a good strategy:

- Business owners need and respect experts. They want people who can bring them knowledge and fresh ideas that will solve their business challenges.
- Business owners will refer experts to other business owners who are facing similar challenges.
- Potential referral sources, like Centers of Influence, will be more comfortable and more likely to refer experts to their clients because they know the experts will do good work when they get there. Experts do not waste their clients' time.

2. Acquire deep understanding of the business challenges that occur in that type of business.

"Deep expertise" means "among the very best in their banks or in their assigned territories" (across all banks) in that industry or that product set (and the problems the product set solves). It has been our experience that relationship managers develop expertise in the product set (and related customer challenges) first, and then develop their expertise in one industry. From that foundation, they broaden into related customer challenges and one or two additional industries.

Use resources like Vertical IQ, IBIS World, First Research or other industry intelligence tools. If your company does not subscribe to such resources, broader online research using search engines can produce wonderful results.

For example, if you search on the string, "dental practice challenges," you will see a dozen or more Web sites that contain information about dental practice management challenges. You will learn, for example, that leveraging dental hygienists should be a critical component of any dental practice revenue enhancement strategy. Good to know!

Second, conduct a few “friendly” interviews with owners or senior leaders of firms in your target industry or business type. (If you cannot get to them, a good substitute might be accountants or attorneys who work with such companies or some of your bank team members who are deeply experienced in your target industry.)

As you read information about your target industry or business challenges and conduct your friendly interviews, synthesize your research on three points:

- **Business concept.** What is the basic idea of the business? What products or services do they offer? What value do these products and services create for their customers? What types of customers are attracted to the business? For example, in the architectural field, particularly with regard to schools and office buildings, there is a very strong trend toward “green” design and construction. Companies who have developed strong expertise in this area have a clear advantage over those who have not.
- **Business drivers.** How do they make money? Every business has “business drivers,” elements of the business that have the greatest impact on the company’s profitability and cash flow. Identify the drivers and determine how your target companies measure their performance on the drivers. For example, in a consulting business, the most important business driver is staff utilization, meaning the percentage of staff members’ time that is billable to clients. Another critical business driver is average billing rate. A 10 percent change in either of those business drivers can have enormous positive or negative effects on firm profitability and cash flow.
- **Trends.** What is changing in the industry that is causing money-making challenges or offering better opportunities? For example, in the dental industry, one of the big changes is the increasing prevalence of dental insurance, which drives down practice revenue and profitability while increasing practice costs. Dentists are looking for ways to operate their practices more efficiently and to add services not covered by insurance so they can increase their revenues.

It is this knowledge, understanding similarities and differences between businesses of a particular type that gives you the basis for “extended” value conversations.

For example, after completing five to seven friendly dentist interviews, you might be able to say, “One of the issues that I am hearing from the dentists I speak with involves cosmetic dentistry and its impact on practice dynamics and revenues. What are your thoughts about that?” And, if the dentist asks, “What are you hearing?” You will be able to say something like, “I see two or three different approaches to this. In the first… In the second… In the third…” This perspective is “currency,” valuable perspective or information you can trade or share in return for more information from the person with whom you are speaking. It is valuable and it is unlimited, meaning, that you can continue to expand this “currency” as you call on more of the businesses in your target segment.

3. Learn your business (and personal) products.

The term, “products,” as used here means significantly more than product name and a few associated features and benefits. To provide the perspective that will help bankers move from the “Needs and Challenges” stage to the “Relationship Perspective” stage include:

1. **Purpose.** What does it do? What is the purpose or the idea of the product? How have other companies used this product to address their challenges?
2. **Operations.** How would this integrate into client operations? What would clients have to change?
3. **Impact**. What difference will it make? What are the economic or psychological benefits that come with this? What are the “best practices” in other firms? What kinds of results are other firms achieving?
4. **Investment.** How much does it cost? Does it make sense for me to use it?

Relationship managers who can answer these questions, at least conceptually, before referring to internal partners increase their credibility with their clients.

Step 2 – Relationship Perspective

The move from "Needs and Challenges" to "Relationship Perspective" involves broadening. Rather than asking questions and providing information or recommendations to address specific needs or challenges, bankers shifting to the relationship perspective begin to bring ideas and perspective for broader issues. The most fruitful are "outside → in" behaviors — behaviors related by the theme of bringing knowledge from the outside to give clients new perspective, for example:

- Describes how other firms like the client's firm use various bank products to their advantage.
- Explains and interprets current conditions in credit markets and how they affect the client.
- Anticipates economic trends and helps the client interpret them. Suggests other things the client could consider doing.
- Shares information the client will find useful in running his or her business.
- Introduces the client to other people outside the bank who are valuable connections.
- Evaluates and discusses the client's financial performance with the client. Compares the client's financial performance to that of similar firms. Asks questions about differences.

Further, bankers should continue to leverage their technical expertise, for example focusing on:

- **Establishing Goals and Business Strategy**
    - Ask questions to identify important issues the client should address near-term.
    - Ask questions beyond the client's near-term issues to uncover longer-range business concerns.
    - Help the client see and address risks or potential "challenging issues" in their business.
    - Offer insights into how other businesses like the client's business run, challenges they face and how they address them.

- **Financing the Business**
    - Comment on how much debt the client can handle or should have.
    - Guide the client's use of bank loans.
    - Share the bank's perspective of how the client is using borrowed funds.

- **Improving Business Operations**
    - Ask questions that make the client think about how the client manages the day-to-day activities of the business.
    - Give the client options, increase their understanding of available options, and make recommendations.
    - Offer ideas to help the client improve the financial performance and strength of the company (e.g., managing growth, maintaining profit margins).
    - Discuss methods the client can use to improve collections and payments processes.
    - Make the client aware of tax savings opportunities or other economic benefits or incentives.

Bringing ideas is an important element of this relationship perspective. Our research indicates that bankers who call on their clients at least six times per year and bring their clients at least two unsolicited ideas per year are highly likely to be perceived by their clients as trusted advisors.

Step 3 – From Relationship Perspective to Trusted Advisor

Here, we are speaking about "capital" trusted advisor rather than "lower case" technical trusted advisor — what other writers have called "trust-based relationships." The shift from Relationship Perspective to Trusted Advisor is gradual and involves a two-way relationship that integrates technical expertise, relationship skills and organizational and interpersonal skills. For clients, it is important to have people they totally trust, who understand and share their visions, and who act as sounding boards or checks and balances on them — they will listen to ideas and ask, "have you considered this?" or "think about that."

For many bankers, achieving this level of trust and communication is challenging for several reasons, among them:

- Their banks shift them to new customers or new assignments before their clients' confidence and the trust relationships have developed.
- There is an inherent conflict between being a company's credit provider and being an owner's or senior leader's trusted advisor.

While some bankers have learned to overcome or manage this conflict, most struggle; company uncertainty about their credit relationships lead them to withhold information from or not seek the counsel of their bankers if they think that the information or request for counsel might detrimentally affect bank views of their credit worthiness.

Many good books focus on development of trusted advisor relationships, among them.

- *The Trusted Advisor*, by David Maister, Charles Green and Robert Galford
- *Clients for Life,* by Jagdish Sheth and Andrew Sobel
- *Trust-Based Selling,* by Charles Green
- *Goodnight Moon,* by Margaret Wise Brown

Maister, Green, and Galford describe a Trust Equation as:

$$\textbf{Trustworthiness} = \frac{\textbf{Credibility + Reliability + Intimacy}}{\textbf{Self-Orientation}}$$

Our experience with bankers, in general (you may be different), is that their trustworthiness is far below what they'd like it to be because:

- **Credibility** — In many cases, banker credibility falls short of client expectations or hopes. This is largely based on the bankers' technical expertise (discussed above).
- **Reliability** — Banker reliability frequently falls short of client expectations or hopes. This is largely based on bankers' inabilities to deliver credit or maintain credit.
- **Intimacy** — The deeper we go into the commercial lending world, the lower the intimacy scores. Credit wizards are well known for technical competence and for highly developed skills in analysis and logic, less well known for their abilities to empathize.
- **Self-Orientation** — Low self-orientation raises trustworthiness scores. We are at a bad spot in the industry cycle. Both banker activity and press coverage of banker activities has convinced a large portion of the business population that bankers are "in it for themselves" (high self-orientation) rather than "in it <u>with</u> their clients" (low self-orientation).

It will take a lot of work to overcome these client perceptions. From our perspective, as consultants and trainers in the banking industry, here are three important principles to follow in addition to those outlined above:

1. **Show a little more interest.**

- Understand clearly your clients' goals, challenges and strategies.
- Contribute!
    - o Engage them in conversations about their motivations, aspirations, momentum and challenges.
    - o Share ideas, articles, people or questions that can help them boost their energy, clarify their aspirations, build momentum or address their challenges.
    - o Make an impact on their businesses — something more than the two face-to-face calls a year and "I will send you a couple of articles."
    - o Raise and discuss other things your clients should be doing. Lead their thinking.
    - o Bring ideas or opportunities.
    - o Bring perspective or industry or competitor circumstances.

2. **Manage expectations, particularly around credit issues.**

- Know what your bank can and cannot deliver from a credit and risk perspective.
- Make it transparent to the client — educate the client about the bank's risk appetite, preferences and policies.
- Deliver what you promise.
- If the bank changes gears, as can happen, be completely straight with the client about what happened, why and what next steps might be appropriate…even if…that means you lose some or all of the banking relationship for now. (None of us wants that outcome, and we have to check our self-orientation here.)
- In all other sales, service or relationship matters, set boundaries or deadlines and meet them!

3. **Listen with big, broad ears.**

- Ask questions beyond those needed to do your day job (identify needs and recommend solutions). Ask about goals, strategies, preferences, feelings, joys, disappointments and relationships in addition to the technical matters.
- Ask questions, paraphrase and/or synthesize what you have heard to ensure you understand it and that your client knows you understand it.
- Show some empathy. When clients are telling you about a great success or a disappointment, respond, even if your response is little more than a facial expression change that shows you heard the feeling behind the facts. On a good day, you might say "Oh, that sounds GREAT!" or "Oh, that must have been VERY disappointing" at the appropriate moments.

Conclusion

Claims to being "your trusted advisor" are everywhere. A broad range of companies, including many banks, want to train their people to earn clients' trust in order to lower selling costs, increase revenues, retain the most profitable clients, and avoid fee pressure.

While these benefits are more likely in the context of a trusted advisor relationship, it is useful to remember that these relationships are largely personal, based on personal trust, and thus not easily subject to bank programmatic efforts to convert entire sales forces into trusted advisors. Further, a bank that seeks to differentiate itself from competitors by increasing significantly the percentage of its relationship managers who develop trusted advisor relationships must be prepared for a long (three-year to five-year), expensive (in terms of salaries, compensation, training, information systems and account loading), and unpredictable (these are, after all, personal relationships) path to achieve their objective.

It is easier and, probably, more profitable by far, to move bank relationship managers through the first two stages into the third stage, ensuring that individual bank relationship managers and teams of relationship managers execute the basic banking relationship management, credit, and sales skills and activities well and become strong technical trusted advisors. Evidence from our research suggests that bankers who do the core banking activities well, who call on their clients six times per year, and bring two useful ideas per year are VERY likely to be perceived at least as technical trusted advisors in banking matters, if not (upper case) Trusted Advisors.

For individual bankers who aspire to "summit," to reach the trusted advisor level with some or many of their clients, the path shifts, just as the techniques and skills required to summit Mount Everest differ from those that are required to reach lower and intermediate base camps on the mountain.

The shift from the Relationship Perspective stage to Trusted Advisor is largely personal. While shift requires technical competence and business savvy, perhaps in a broad range of issues, the heart of the trusted advisor relationship is trustworthiness. As Maister et al define it:

$$\textbf{Trustworthiness} = \frac{\textbf{Credibility + Reliability + Intimacy}}{\textbf{Self-Orientation}}$$

Of these, intimacy is the most challenging in the banking environment because of the people banks prefer to hire (far more analytics than empathizers), the regulatory and compliance pressures and threats that shape bankers, and the conflict between intimacy and posturing that accompanies credit approval processes, as well as bank business models (particularly, shifting changing relationship managers on accounts) and production pressures ("I would love to listen and I do not have time").

The path to trusted advisor is crooked, and it takes time to develop. Rare is the bird, indeed, who can master all these nuances. While it is unlikely that relationship managers can be trusted advisors to all of their clients, or even many of their clients, the business and emotional payoff is worth the effort with those with whom these relationships develop.

*Final article in the series is **Delivering Value and Advising**, where we will continue with recommendations about executing trusted advisor strategies and customer experiences on a day-to-day basis.*