The Trusted Advisor in Small Business and Middle-Market Banking

By Nicholas T. Miller and Glenn Staada

Survey research finds that, for relationship managers, the bar for becoming a trusted advisor is set surprisingly low.

"Stop sending me children." A superregional bank's Business Banking Group customer, responding to the question, "What could your bank do to boost your perception of their representative as a Trusted Advisor?"

He raises a good point. While bank sales and marketing leaders have long touted both their desire to become and the importance of becoming their clients' trusted advisors, their clients have looked askance at the age, experience, expertise and revolving-door turnover of many bank relationship managers (RMs) and concluded that bankers rank well behind CPAs, attorneys and, in some studies, insurance brokers in both the "trust" and "advisory" elements of the term.

"If you have to tell me you are or want to be my trusted advisor, you aren't," said another customer, commenting on the same question. "Bankers waste my time when they go on about their desire to be my trusted advisor and how much they want to meet my needs. My attorney doesn't say that. My CPA doesn't say that. Even my insurance guy and my yoga instructor don't say that."

"Trusted advisor" status is important, even tantalizing, to bankers for a number of reasons, including client loyalty, deeper share of wallet and more and better quality referrals to new clients.

Significant changes in the banking industry and public perceptions of bankers and banks led us to explore current myths and realities of "trusted advisorship" from the perspectives of small business, business banking and middle-market customers' leaders, focusing on the following:

- Definitions of "trusted advisor"
- Banker performance on trusted advisor characteristics
- Implications for bank management

What Is a "Trusted Advisor"?

When we ask business banking and middle-market sales and marketing leaders, "What does trusted advisor mean to you, and what does that look like?" their definitions are very broad. 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.

David Maister, in his book, The Trusted Advisor, 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."

Maister describes a four-stage development process for trusted advisors: They begin first with technical mastery of products or methodologies. From there, they begin to engage clients on the basis of their needs and challenges. Next, they develop

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Exhibit 1. Behaviors That Could Lead to Trusted Advisor Status for Bankers

Thought leadership	Asks questions that help me clarify my business goals.
	Asks questions and shares ideas that help me guide my business toward my goals.
	Challenges my assumptions.
	Invests time to help me think and develop strategies.
Market perspective	Knows and shares "inside" information about local economic developments and opportunities.
	Anticipates economic trends and helps us interpret them.
Business operations	Asks questions to identify important issues I should address near term.
	Asks 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.
	Suggests other things I could consider doing. Shares information I'll find useful in running my business.
	Gives me options, increases my understanding of those options and makes recommendations.
	Connects us to other people outside the bank who are valuable connections for us.
Financial performance	Evaluates and discusses our financial performance with me.
	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 (for example, 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.
Credit	Explains and interprets current conditions in credit markets and how they affect us.
	Explains his/her bank's view of credit—what the bank likes, doesn't like.
	Tells us how much debt we can handle or should have.
	Gets our loans approved or renewed or expanded with reasonable interest rates and terms.
	Guides our use of bank loans. Shares the bank's perspective of how we're using borrowed funds.
	Recommends other sources of financing we should consider.
Products & services	Connects us to other experts *inside* the bank who can help us.
	Knows about a wide range of banking services beyond loans.
	Describes how other firms like ours use various bank products and services to their advantage.

broader "relationship" perspectives that are characteristic of top bank relationship managers—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.

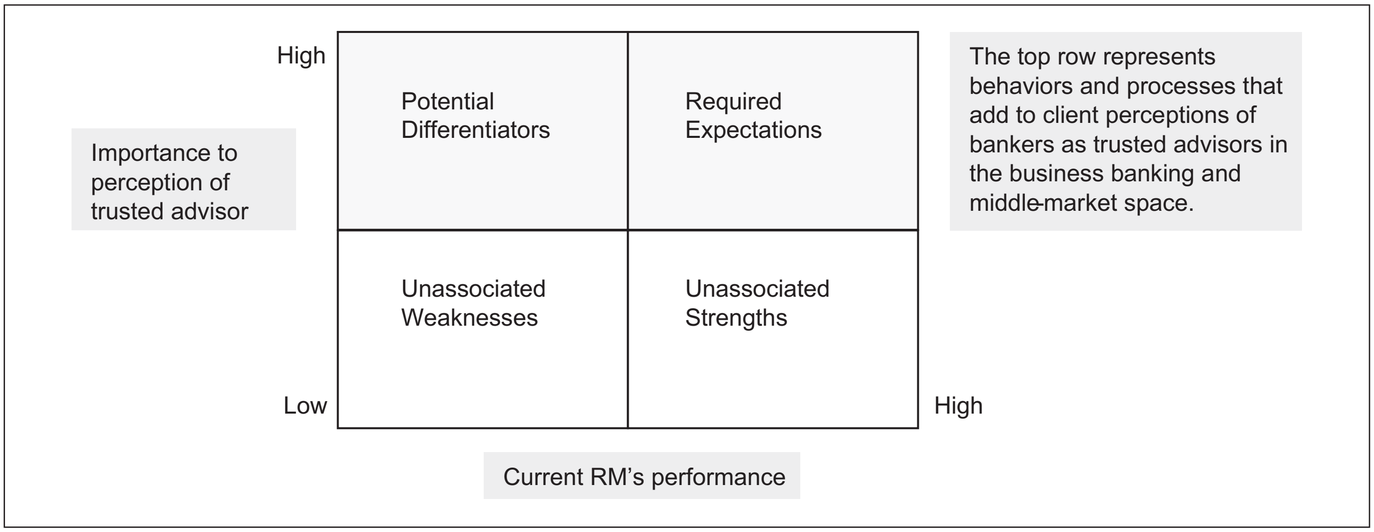
To look at this from the banks' clients' perspectives, Clarity Advantage and TNS developed a set of 25 banking-specific behaviors and processes and grouped the behaviors and processes into six categories (Exhibit 1).

Following the lead of Maister and others, we hypothesized the following:

- Technical competencies such as mastery of bank products and services and their banks' credit processes and approvals would be undifferentiating "table stakes" that clients would assume their bankers would have.
- Thought leadership behaviors such as "asks questions that help me clarify my business goals" and "challenges my assumptions" would the critical differentiating characteristics of "banker as trusted advisor."

We asked a TNS Bank Advisory Board panel of 215 business leaders representing businesses ranging in size from $3 million in sales to $2 billion in sales—business banking through middle market—to rate the

Exhibit 2. Satisfaction with Attributes Highly Associated with Trusted Advisors



25 behaviors and processes in terms of "importance" to perceiving a bank RM as a trusted advisor and then to rate their current RMs' "performance" on the behaviors and processes, low to high. We grouped their responses into four quadrants (Exhibit 2).

Attributes rated "high importance, high performance" are "required expectations" that contribute strongly to perceptions of trusted advisor and current RMs as performing those functions well; to compete with these RMs, others would need to perform at the same level. RMs cannot be perceived as trusted advisors unless they are performing these well.

RMs who call on clients at least six times a year and provide three new good ideas annually will be well positioned to achieve trusted advisor status.

Behaviors rated "high importance, low performance," on the other hand, are "potential differentiators" that clients would welcome and that their current RMs are not performing well. Thus, there is an opportunity for other RMs to differentiate and compete effectively if they are able to perform well on these.

Our findings were, to us, astonishing (Exhibit 3).

The behaviors in the upper-right-hand corner represent behaviors that clients consider "high importance" to their perceptions of their bankers as trusted advisors and also indicate that bankers are performing well on these. The behaviors are "traditional RM role" behaviors—the quarterback role—helping clients navigate through the banks' resources, using a wide range of product and service knowledge to benefit the client. In addition, there are important elements of credit here, including helping to get loans through the system and get loans approved and also consulting on their banks' views of credit, what the banks like and dislike in terms of evaluating credit.

In other words, if RMs perform well on core banking and relationship management attributes, clients are very likely to see them as trusted advisors.

At the other end of the spectrum are the "unassociated weaknesses." These are behaviors and processes that clients rate as "low" in their influence on perceptions of RMs as trusted advisors and also "low" in current RMs' performance.

To our amazement, all four of the thought leadership attributes we expected would be trusted advisor differentiators not only fell into the bottom-left-hand quadrant of unassociated weaknesses, but the importance scores were among the lowest of all the 25 attributes that we tested. Clients don't expect these of their bankers and their bankers aren't good at them.

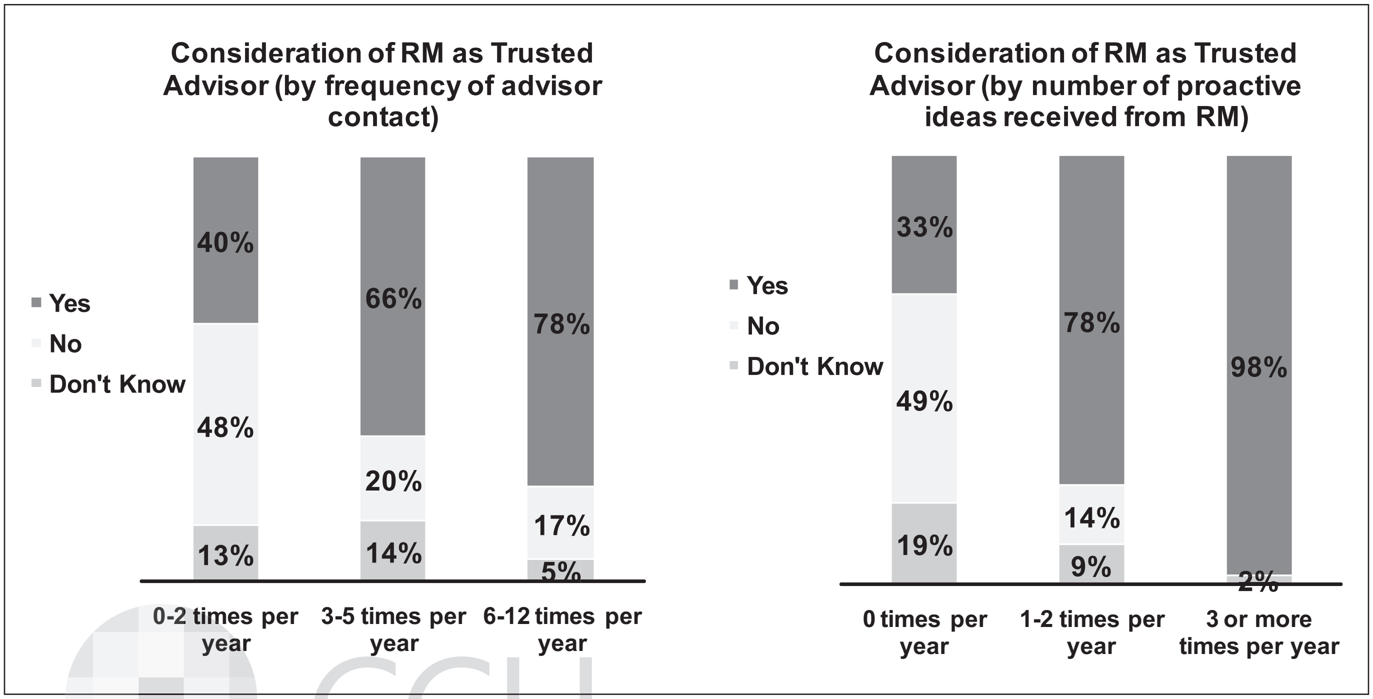
Several other attributes related to credit, business operations, market perspective and financial performance fell into this bottom-left-hand quadrant, unassociated weakness, so bankers aren't perform-

Exhibit 3. To Become a Trusted Advisor, Perform Well on Core Banking and Relationship Management Attributes

Potential Differentiators	Required Expectations
Many of the potential differentiators center on providing an outside perspective for clients around credit markets, economic trends, local business conditions and competitive context.	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—**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.	■ **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.

Unassociated Weakness	Unassociated Strength
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.	Bankers perform well on these characteristics and clients do not consider them very important in terms of perceptions of 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—**Challenges my assumptions. ■ **Other attributes relating to credit, business operations, financial performance and market perspective.**	*No behaviors and processes ranked here.*

Exhibit 4. Frequent Contact and Frequent Proactive Ideas Reinforce the Trusted Advisor Relationship



Source: TNS, Clarity Advantage Corporation.

ing well and then collectively, these things don't associate with the trusted advisor definition. These included the following:

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're using borrowed funds
- Recommends other sources of financing we should consider

Business operations

- Asks questions to identify important issues I should address near term
- Asks 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 (not generally available) information about local economic developments and opportunities

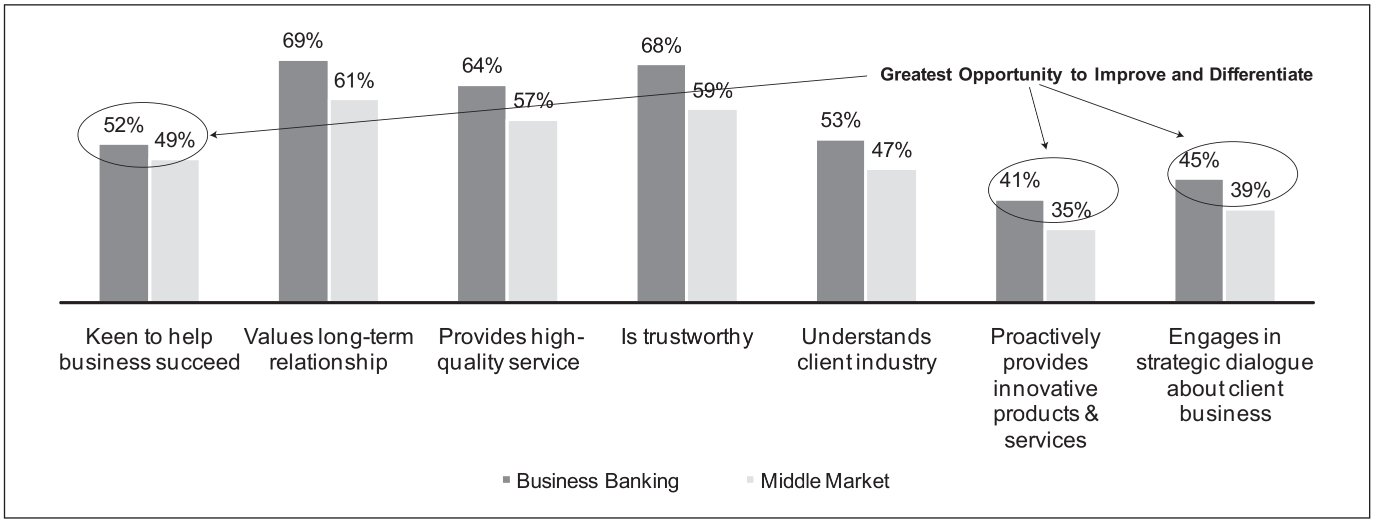
Financial performance

- 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 (for example, 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

The upper-left box, "potential differentiators," are those behaviors and processes that are *highly associated* with client perceptions of a trusted advisor, but collectively *RM performance is weak.* Interestingly, these behaviors are related by the theme of bringing knowledge from the outside to give clients new perspective. Specifically, these follow:

- Describes how other firms like ours use various bank products and services to their advantage

Exhibit 5. RMs Struggle with Strategic Aspects of Trusted Advisor Role
Satisfaction with Attributes Highly Associated with Trusted Advisors



Source: TNS, Clarity Advantage Corporation.

- Explains current conditions in credit markets and how they affect us
- Anticipates economic trends and helps us interpret them
- Suggests other things I could consider doing; shares information I'll find useful in running my business
- Connects us to other people outside the bank who are valuable resources for us
- Evaluates and discusses our financial performance with me

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 (upper-left box) into the relationship.

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."

Credit—ability to get loans approved, in particular—was also a strong theme through the responses.

We also asked clients to comment on two other aspects of advisorship—contact frequency and frequency of proactive ideas.

Our conclusion from their responses: RMs who call on clients at least six times a year and provide three new good ideas annually will be well positioned to achieve trusted advisor status so long as the "required behaviors" (upper-right box) are in place. The three ideas don't have to be highly strategic; clients indicated satisfaction with RMs' ideas as mundane as merchant services.

In sum, the client responses repudiated our hypothesis that thought leadership attributes would be the most important differentiators of RMs who are perceived as trusted advisors. Rather, clients expect bankers to be bankers, to execute their basic roles well.

Current Performance

The evidence, sadly, indicates that RMs in general are not executing their basic roles well. Drawing from related TNS research, client satisfaction with

Exhibit 6. The Path to Trusted Advisor

- Master the foundational skill sets your clients expect:
  - Explaining the bank's view of credit and getting credits approved
  - Being an expert on the bank's products and service offerings beyond credit
  - Navigating the client through all the bank's resources
- Take the time to understand your clients' goals and business models
- Call at least six times a year and bring at least three ideas a year
- Boost performance on the "potential differentiator" issues:
  - Interprets conditions in credit markets
  - Describes how firms like ours use the products
  - Anticipates economic trends
  - Shares insights about local market conditions and opportunities
  - Suggests other things I could consider doing
  - Connects us to people outside the bank
  - Discusses our financial performance with me
- Stick around—longevity and consistency are *really* important
- Build trust through action and conversation

their RMs as trusted advisors has been modest, especially in the middle market, where only 50 percent of middle-market respondents said that they were very satisfied with their lead bankers acting as trusted advisors.

In this related research, when business banking and middle-market clients say they view their banker as a trusted advisor, they are also most likely to say their banker:

- is keen to help my business succeed.
- values long-term relationships.
- provides high-quality customer service.
- is trustworthy.
- practically provides innovative ideas and solutions.
- engages me in strategic dialogue about my enterprise.

Middle-market clients add one additional characteristic: industry knowledge.

Client ratings of bankers on these attributes indicate that bankers are, collectively, struggling with the more proactive, strategic elements of the trusted advisor role. And, across the board, middle-market RMs' performance lags business banking RMs' performance.

Bankers in both segments do not perform well in the following areas:

- Keen to help businesses succeed
- Proactively providing innovative products and services
- Engaging in strategic dialogue about a client's business

For example, in March 2009, in the middle of the recession, TNS surveys showed the following:

- Fifty-eight percent of business banking clients and 59 percent of middle-market banking clients said that their banks were not helping them to manage liquidity and cash flow issues.
- Seventy-one percent of business banking clients and 62 percent of middle-market banking clients said that their banks were not proactively suggesting strategies for cash management as a result of the changed economy.

While 90 percent of clients indicated they had assigned RMs and 65 percent of clients in the middle market said having an assigned RM is extremely important to their overall relationship, over one-third in the business banking segment and one-fourth in the middle-market segment receive contact from their RM two times a year or less.

And the interactions aren't very strategic. Most often, when RMs are contacting their clients, clients reported that their bankers were contacting them for the following reasons:

- Just to check in—76 percent
- Make us aware of a new product or service—47 percent
- Invite us to a function or event—45 percent

The least frequently discussed topics were the more strategic:

- Discuss issues relating to owners' (my) personal financial situation—nine percent
- Offer ways we could improve our cash flow—18 percent
- Offer ideas: better ways to finance growth, reduce risk, reduce costs—18 percent

These findings are particularly startling because the industry has been working for years on these issues with lower-middle-market and business banking clients and because 60 percent of responding clients indicated they considered their bankers trusted advisors even though they are not discussing the more strategic issues.

Implications for Bank Management

Our conclusions from this study and our related experience follow:

1. Clients have set a low bar for bankers to achieve "trusted advisor" status largely because they don't know what else they could be getting from their banks and because banks, in general, execute the basics of banking and relationship management so inconsistently.
2. Bankers who aspire to become their clients' trusted advisors or to differentiate themselves from existing RMs 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

There are many important implications for business banking and middle-market sales leaders.

Strategy and Expectations

What role do trusted advisor relationships play in competitive strategy and value proposition?

At this point, trusted advisor relationships develop almost by accident; they are not the result of intentional institutional effort.

Since developing trusted advisor relationships involves continuity and time working with clients (four to six years or more), high levels of trust, excellent execution of relationship management and quarterbacking activities and strong technical knowledge (particularly with regard to credit), determine whether and to what extent trusted advisor relationships are, in fact, important in the bank's sales and delivery strategy. Decide whether "everybody" should be on a path to become trusted advisors, as clients have defined them, or whether only a relatively smaller group will be groomed to perform at that level and assigned to particular accounts or types of accounts. Can the bank's business model afford that number of RMs with the experience and longevity in the industry to play trusted advisor roles with clients?

If trusted advisor relationships are important, define "trusted advisor" operationally for the bank and bankers; specify the performance expectations, activities, quality standards, internal support mechanisms, account loads and staffing levels that will guide and enable bank RMs to develop clients' trust and meet clients' expectations. In other words, make a business model rather than using the term "trusted advisor" aspirationally or wishfully.

Execution Management

How can banks change their leadership and their sales management practices to increase the frequency and quality of execution of relationship management and sales activities?

While there are many individuals and teams of bankers across the industry who execute relationship management and sales well, few small business or middle-market banking sales forces, as a whole at particular banks, execute well. Our research and others' findings suggest that better execution of standard, time-tested banking and relationship management activities will generate significantly better client satisfaction, retention, revenue, balances, outstandings and referrals.

A bank that is serious about trusted advisor relationship development or boosting client satisfaction and penetration at any level must get serious about managing sales execution. That boils down to choices that bank boards and senior executives make about sales leadership positions—do they choose sales leaders who lead and manage people in consistent, effective relationship sales models?

Selection and Hiring

How could bank recruiting, evaluating and selecting processes change in order to boost the percentage of entry-level or midcareer new hires who have the right DNA to become trusted advisors in the hiring bank's environment?

Experience suggests that 20 percent of bank RMs have the right potential and will learn through experience to develop trust-based trusted advisor relationships with clients. To the extent that a bank seeks more than its fair share of that potential from the available pool of entry-level or experienced candidates, the bank may need to change the sources from which it draws such candidates and the selection process by including, for example, assessment methodologies (for example, H.R. Chally, Predictive Index) that can help screen for the personality, motivations and competencies that are the best fit for trusted advisor roles. Standard interviewing processes are notoriously poor screens in the hiring process without the support of such tools.

Initial Training

How could banks afford to do more extensive, more thorough training of newly hired sales team members when they are hired?

Bank training for entry-level sales positions is largely technical, as it should be. Our research underscores the importance of building strong technical foundations in credit products, cash management products and other bank products and services. Our experience suggests that banks skimp on this training in an effort to put new salespeople into the field as quickly as possible to begin generating revenue. Thus, "Don't send me children."

Continuing Education

How could we engage midcareer RMs in training and development activities that move them along the development curve toward trusted advisor?

Our research and others' findings suggest that trusted advisors develop through a series of stages from "technical" to "relationship" to "trusted advisor." Very few banks in the United States provide more than sporadic continuing education to their midcareer RMs; when they do, the training is typically focused on technical subjects (compliance issues, new products, new policies) or selling skills—not relationship development skills, or building trust, or the differentiating characteristics we've identified.

Information and Perspective

How can we equip our RMs with the outside perspective that our research indicates clients associate with trusted advisors and on which most RMs are not performing well?

Information about credit markets, how other firms use bank products and economic trends is very powerful, and RMs need assistance from their banks to synthesize it into perspective and talking points they can digest and share with their clients. The best RM trusted advisors will do this on their own; the question is, how can bank systems and management processes help the next 50 percent of RMs to achieve similar performance levels?

First-Level Sales Coaching

How can we increase the amount of time dedicated to and the quality of sales coaching?

Sales coaching, particularly to increase RMs' effectiveness with clients and time management, is a critical requirement for sales success and development of trusted advisor relationships. For example: Call planning.

Call planning is, at one level, mechanical—fill out a form. Our experience suggests that bank RMs largely resist or ignore formal call-planning disciplines and that their managers routinely ignore precall coaching disciplines. At one level, this is understandable—time is short, workloads are heavy, RMs are paid based largely on sales production—a recipe for snatching low-hanging fruit and speeding away.

At another level, call-planning and precall coaching conversations are essential to developing RMs as trusted advisors and critical to sales impact, particularly in larger accounts. Through these conversations, RMs learn to think, learn to prepare and prepare to lead conversations with their clients that are more robust and valuable to clients than "calling to check in and tell you about a new product we're offering." They also learn to check themselves to ensure they are addressing the full range of their roles.

Call Frequency, Allocation of Sales Call Time and Ideas

If clients feel very satisfied and are more inclined to view their bankers as trusted advisors if their bankers engage in substantive conversation six calls a year and bring three ideas a year, what guidance do we give our RMs about allocating their call time?

Sales call time and call capacity is a scarce, strategic asset. Middle-market bankers with 75 clients or business bankers with 200 clients are not likely to have the call capacity to make six face-to-face sales calls on all of their clients six times per year. Where should they focus?

Consistency and Longevity

How can we retain effective RMs in their positions longer?

Consistency and longevity with relationships strongly influence client perceptions of bankers as trusted advisors. Further, we know from other research that business bankers hit peak productivity in a market after they have been in the market somewhere between four and six years. Finally, we know that experience—having lived and worked through several economic cycles, for example—enables more seasoned bankers to provide better perspective and counsel to their clients than early-in-career bankers.

Since the early 1970s, some U.S. banks have tested "career lender" or "career banker" strategies that use compensation, recognition and other benefits to encourage highly capable bankers to continue as bankers rather than to accept management positions. The question for management is: Does this strategy make sense for our bank? If so, in what currencies do we pay to retain the best in client-facing positions? How do we change our performance review process, compensation plans and other benefits to sustain, motivate and retain these team members? Can we rebalance our compensation plans from (primarily) production to include elements of relationship quality such as consistency of year-to-year revenue, referrals shared and profitability?

The Path to Trusted Advisor

In sum, our research indicates that clients are likely to consider bankers as trusted advisors if the bankers execute their relationship management and banker roles well. "Trusted advisor" to bank clients first means that clients trust their bankers to be honest and transparent and to look out for them. Second, clients expect bankers as trusted advisors to represent their banks' products and services expertly, to obtain credit for them (if needed) and to share perspective from outside their companies (the differentiating "upper-left box" characteristics). Our research suggests that bank clients do *not* expect bankers to demonstrate the same trusted advisor characteristics that clients would expect of their CPAs, attorneys and (for larger companies) investment bankers.

Our research suggests a path—specific elements of information, knowledge, expertise and conversation—that bank leaders can follow to fulfill this expectation. If trusted advisor relationships are critical-to-success elements of a bank's strategy, bank sales and human resources leaders can change their banks' performance environments—strategy, execution management, selection and hiring, initial training, continuing training, information and perspective, call planning and coaching, call capacity management and turnover—to increase the odds that their clients will perceive their RMs as "adults" with value rather than "children"; turn to them (at least first look and last look) for counsel, recommendations and products; and refer them frequently and effectively to others in their networks.