Building Relationships to Last

by Ann W. Hartmann, MBA, CLU, ChFC, AEP

Abstract: *In the financial services industry, the highest compensation is paid to those who are "rainmakers," that is, those who can attract and keep clients. Relationship building is a complex process crucial to developing a solid practice and requires a broad range of related abilities. This article includes such topics as increasing customer share, managing producer and client emotions, conflict resolution, and communication skills.*

This issue of the Journal went to press in December 2009.

In all practitioner parts of the financial services industry, the highest compensation is paid to those who are "rainmakers," that is, those who can attract and keep clients. While technical skills are necessary to all good professionals, the ability to develop a client base is required to build a solid business. There are several reasons why this is true. One issue is that it is expensive and time consuming to find new clients. A financial planning firm speaks of 250 dials for appointments producing ultimately one client who purchases goods or services. A typical scenario might be that a producer spends seven hours dialing the phone 250 times. That results in 15 initial appointments which take 40 hours of driving and meeting. Four of these people will agree to work with the producer and two will actually do planning. The data gathering, development, presentation, and follow-up may take 40 hours per client. This means that beginning a relationship to get one significant client may cost 5% or more of production for a year.

Given the cost of obtaining new clients, it is crucial to nurture relationships so that they deepen and continue. There is an old saying that "people don't care how much you know until they know how much you care." Relationship building must take place from the first client meeting. It is important with clients to have trust, mutual respect, comfort with advisor recommendations, and agreement on client goals and the means to reach them. This produces good long-term business and prevents the problem of needing to start a practice from scratch every year. Additionally, it is from strong client relationships that an advisor is most likely to get referrals of new clients. Thus, relationship building is crucial to

getting and keeping clients effectively. Luckily this process uses a set of skills that can be learned and refined. However, the challenge of examining these is that they come from a number of different fields and they are not grouped in one place.

The pertinent literature related to relationship building is extensive and is found under such topics as communication, emotional intelligence, practice management, marketing, and listening skills.

Marketing

One difficulty mentioned often in financial services is that products have become commodities. When this happens with the sale of life insurance policies or drafting of simple wills, it is difficult for the consumer to differentiate based on product. Something else is needed to make the difference. Don Peppers and Martha Rogers discuss the importance of marketing based on relationships where product has become a commodity. They posit that the more that is sold to any single customer, the easier it is to have additional sales to that customer. This requires share of customer, not shares of market.[1] "Trying to increase your market share means selling as much of your product as you can to as many customers as you can. Driving for share of customer...means ensuring that each individual customer who buys your product buys more product, buys only your brand of product, and is happy using your product instead of some other type of product as the solution to his problem."[2] Developing a long-term, productive relationship with a client is necessary to increase customer share. Approaching this as a way to develop a practice suggests a way to work smarter instead of harder.

Emotional Intelligence

One framework for looking at relationship building is that of emotional intelligence (emotional IQ). While "social intelligence" was first defined by E.L. Thorndike in 1920 as the ability to understand and manage people, the genesis of current materials was the work of Peter Salovey and John D. Mayer.[3] They saw emotional intelligence as a subset of social intelligence. They defined emotional intelligence as skills that allow the accurate appraisal and expression of emotion in oneself and others, the effective regulation in self and others, and the use of feelings to motivate, plan, and achieve in one's life. It suggested that how people identify and frame problems is much more related to their emotional experience than it is to the problem being presented. Therefore, self-awareness, managing emotions, empathy, and the ability to manage relationships in others are the province of emotional IQ.

Jeanne Segal, PhD, has refined this into five key skills that help build strong relationships and communicate clearly:

1. Ability to manage stress
2. Ability to recognize and manage emotions
3. Ability to communicate nonverbally
4. Ability to use humor and play in relationships
5. Ability to resolve conflicts[4]

Placed in this form, the application to building relationships for financial service professionals becomes clearer. From the beginning of the first client interaction through years of having someone as a client, emotional intelligence plays an important part in building and maintaining relationships and attaining the role of trusted advisor.[5]

Part of recognizing an advisor's emotions is understanding emotional triggers that exist. One strong emotion is fear. This may cause an advisor to be tentative or to be arrogant in overcompensation when having the initial client contact. If the professional recognizes the emotion, it is possible to take a deep breath and substitute a professional façade. It is possible to feel great frustration and disgust when an advisor has worked hard to give a client good advice and it is ignored or rejected. Most professionals have learned to simply work through this and let it go. Those are obvious emotions. Unfortunately they are not those most necessary in building strong, trusting relationships.

What emotional IQ refers to as emotions are the more deeply buried values and life experiences that can color communication. For example, in an advisor's family women didn't manage money well, a sibling is a spendthrift, or the advisor has been through a painful divorce. If the advisor does not recognize and manage personal biases, assumptions may be made that women, as a group, don't manage money well; children

are likely to be spendthrifts; or divorce is a probable issue in most marriages. Unrecognized biases color what a professional hears clients say about their needs, relationships, and goals.

There are two problems that arise from this issue. First, the professional may give advice that fits his or her biases rather than fits the client. For example, the bias that women don't manage money well may result in a trust document that gives a surviving spouse no discretion when the relationship between the spouses may have indicated otherwise. The same bias may result in an insurance agent or financial planner concentrating solely on the survivor needs of the wife in a two-earner couple and ignoring the potential needs of a survivor husband.

The second issue caused by unrecognized bias is that it may prevent advisor/client bonding and trust building because the clients feel that they have not been heard nor their values accepted.

Dealing with Difficult Client Issues

Not only does the advisor need to be acutely aware of his/her emotions, professional services require working with clients who have their own values and experiences. It is a great challenge for the professional to determine the emotional biases of the client and make certain that they are discussed openly. It is common for spouses or partners to have conflicting biases. They may know there is unresolved conflict or they may discover it during a data session. Some common conflicts are

- money management (saving, spending, debt)
- conflicting goals (not enough money to meet education and retirement goals as initially stated)
- how much children should be given in material assets
- what an "equitable" inheritance is in a family of several children when one child works in a family business

In addition, it is normal for clients to show some resistance toward discussing values and concerns in such areas as death and dying, separation/divorce, parent-child disputes, midlife crises, layoff/terminations, and not attaining expected career success. It is important that the advisors listen carefully since clients must express their feelings if they are to address their issues. Resistance must be dealt with before the issues can be resolved.[6] This will not happen unless clients trust and work well with advisors.

Dealing with difficult issues and forthright, two-way communication is a necessity for having a long-term, productive relationship with a client. The risk of *not* being forthright is far greater than the risk of helping clients to face their own situations. In a recent article,[7] Bill Bachrach refers to a study by David Maxfield of VitalSmarts Research concerning why advisors lose clients, particularly in times of stress. He identified three situations that could cause clients the greatest harm and that advisors find difficult to discuss:

1. When a client loses substantial savings or suffers a job loss and must change his/her financial plan.
2. When a client is not saving enough and spending too much.
3. When a client is racking up too much debt and must change spending habits.

Maxfield cross-tabulated attrition rates of advisors against how well they handled these situations. He found that 41% of advisors had high attrition rates if they didn't speak to clients about those issues or try to solve them, but only 29% of advisors had high attrition rates when they proactively spoke to clients about those issues. Among advisors who did not have many clients facing those three problems but proactively spoke to clients about difficult issues, only 14% had high attrition.

This emphasizes the need for strong communication in a trusting relationship. It also underscores the emotional IQ issue of being able to manage stress. It is difficult to deal with clients when they feel stressed because it interferes with good communication. When advisors are also stressed—and 2008-2009 was "the perfect storm" for such stress—good communication may be happening on neither side.

Practice Management

While keeping in front of clients is simply good practice management, and tools such as updates of plans/documents, notes, newsletters, mailers, and educational seminars help with contact, they are not enough in times of stress. During a period of mutual stress, advisors should consider telephone or in-person visits with high-relationship clients. They should make sure that 1) their senses of humor are operating to lighten the stress when possible, 2) they are communicating in a nonthreatening

way, and 3) they are suggesting positive alternatives to problems. Clients need to be listened to and reassured, particularly when they are under stress. As discussed in David Maxfield's study, conflict resolution is a major builder of a trusting relationship that encourages client retention. For advisors who prefer to avoid conflict in any form, it can be difficult to begin to develop this skill. One source of good local education for practitioners is mediation training taken through a bar association or law school. Conflict resolution is a major builder of a trusting relationship.

What are the tools that a professional needs to ensure that good communication is taking place? For purposes of this paper, it is assumed that the advisor is technically competent and can give appropriate advice. The tools of arriving at and delivering the message are the tools of communication that include listening and nonverbal and verbal communication.

Focused Listening

Perhaps the most important of these tools is listening. Speakers talk more slowly than listeners can listen. There is, therefore, a tendency for listeners to prepare their answers or reflect on something entirely different while the speaker talks. Often this means that they have missed thoughts or nuances of thoughts in the process.

The father of active listening techniques is psychologist Carl Rogers. He suggests three core conditions that are required for an effective advisor-client relationship:[8]

1. Unconditional positive regard (appreciating the client as a unique and worthwhile person).
2. Accurate empathy (accurate perception of what the client experiences).
3. Genuineness (the ability to be open and honest, consistent, a real person).

Within this framework, there is a technique referred to as active listening.

In "rogerian listening," the listener must rephrase what the speaker said before responding. If an advisor were doing this exercise with a colleague it might sound like this:

Person 1: "I think annuities are a possible financial tool, particularly to use with retirees. However, I think they are often overused."

Person 2: "You said you don't like annuities."

Person 1: "No, I said I think they are a good tool but they are often overused."

Person 2: "You feel that annuities are a good product but that they are overused."

Person 1: "Yes."

Person 2:"Well, I think that...."

The second person cannot give a point of view until it is clear that the first speaker has been heard. While the exercise might be tried with a colleague, when it is used with a client it is done as paraphrasing and might be prefaced with, "You seem to feel...Is that correct?" or "You seem concerned about...Do I understand your point of view?" Focused listening is a crucial step in building relationships. While data gathering sessions are often seen as primarily a gathering of factual information, their most important function is usually uncovering values, priorities, and motives as well as building the bond between the advisor and client necessary for a long-term relationship.

Nonverbal Communication

Another element of communications is nonverbal communication. Since nonverbal communication takes place at a much faster rate than speech, it sets the stage for and reinforces verbal communication. This communication includes such items as eye contact, facial expression, tone of voice, posture, gestures, touch, and sounds that convey understanding.

Gerald Egan, a counselor-educator, discusses physical and psychological attending to clients to reinforce listening and communications.[9] His acronym for physical attending is SOLER:

S—face other person *squarely*
O—adopt an *open* posture
L—*lean* toward the other person
E—maintain good *eye* contact
R—be *relaxed* while attending

He also defines psychological attending skills that encourage active listening:

- Smile or make sounds to encourage the speaker to continue.
- Restate what has been heard in the advisor's own words to encourage the client to go deeper.

- Let the client know his/her feelings are understood.
- Clarify client response when either the client or advisor is unclear.
- Summarize complex conversations to be sure both client and advisor have the same understanding.

Verbal Communication

The final communication skill, verbal communication is probably where financial professionals have the most experience and feel the most skillful. Questioning techniques are a powerful way of learning information, relationship building, managing and coaching, avoiding misunderstanding, diffusing a heated situation, and persuading people.[10] It is a basic verbal skill to use closed-ended questions to get short, factual answers and open-ended questions (beginning with who, what, when, why, or how) to broaden conversation and encourage opinions and feelings to be shared along with knowledge. Two other types of questions that may be helpful in building relationships are probing and funnel questions.[11]

Probing questions extend answers that have already been given by the client. Sometimes they require asking for an example of what has been said. Other times advisors may use the word "exactly" ("*Exactly* what do you mean by your children inheriting equally?"). The advisor may ask a client to explain the expected outcome of a proposed action.

Funnel questions help to narrow down information to a decision. They start with closed-ended questions and then expand to more open-ended questions. For example, beginning to explore a business succession plan might be as follows:

Q: "How many relatives work in your business?"

A: "Three."

Q:"Who are they?"

A: "Wife and two sons."

Q: "What do they do in the business?"

A: "Gary is sales manager, Tom does service; Mary helps out in the office sometimes."

Q: "If you were to leave the business tomorrow, how would they operate without you?"

A: "Well, Gary would probably take over but Tom would support him."

Summary

In summary, building strong, trusting relationships with clients is a complex process based on a number of related fields of knowledge and practice. Those relationships are necessary to acquiring clients and to retaining them, even in periods of high stress. The skills of relationship building can be learned and constantly refined by successful practitioners. ■

Ann W. Hartmann, MBA, CLU, ChFC, AEP (distinguished). is a financial planner affiliated with Lincoln Financial Advisors, a practice specializing in comprehensive planning for the affluent. She speaks nationally on practice management and asset allocation. She was the 2001-2002 national board president for the Society of FSP, and she received the Kenneth Black, Jr. Leadership Award in 2007. Ann is listed in *Who's Who in Finance and Industry, Who's Who in America,* and *Who's Who in the World.* She can be reached at Ann.Hartmann@LFG.com.

(1) Don Peppers and Martha Rogers, *The One to One Future: Building Relationships One Customer at a Time* (Doubleday, 1993): 441.

(2) *Ibid.*, p. 18.

(3) Peter Salovey and John D. Mayer, *Emotional Intelligence* (Baywood Publishing, 1990): 27.

(4) Jeanne Segal, "Emotional Intelligence," www.Helpguide.org.

(5) There is an interesting emotional IQ test on the Internet at www.queendom.com/tests. There is a separate test for nonverbal IQ at the same site.

(6) Don Taylor and C. Bruce Worsham, eds., "Chapter 2, Communicating Effectively with Clients," in *Financial Planning Process & Environment* (Bryn Mawr, PA: The American College, 2007): 42.

(7) Bill Bachrach, "High Trust Relationships," *Financial Advisor Magazine* (July 2009): 27–28, 38.

(8) *Ibid.*, p 2.16.

(9) *Ibid.*, pp 2.28 – 2.31.

(10) Mindtools, "Asking Questions Effectively," www.mindtools.com.

(11) *Ibid.*

Fonte: Journal of Financial Service Professionals, v. 64, n. 1, p. 42-46, 2010. [Base de Dados]. Disponível em: <http://web.ebscohost.com>. Acesso em: 25 nov. 2010.