

SENIOR CONSULTANT

The Voice of the Investment Management Consultant

Part I: Your Actual Vs. Perceived Value

Steven R. Drozdeck

Recently, the U.S. markets have been affected by a series of "reality checks" that have rocked the investment communities of the world. Merely looking at the U.S. scene, we are forced to ask ourselves such questions as: "Is the U.S. economy really weak or strong? Is the market really bottoming out, or do we have a lot further to go? Do we really have corporate profits, or are there additional surprises in store? Did Martha Stewart really try to cover certain things up? Did WorldCom really 'misplace' almost \$7 billion?" You'll certainly agree, from economic and market forecasts to corporate "miscalculations" (or errors in judgment caused by wishful thinking) that there is a tremendous amount of "hype" out there in the marketplace.

How does this apply to you as a financial advisor? Actually, in quite a number of ways. Investors, of course, are leery about the market, and rightfully so. They question the intentions and capabilities of their financial advisors. How do you know this is true? Well, the old stockbroker jokes are starting to make the rounds again. Trust is eroding for both the market and the advisor.

There is a credibility issue that has been partly caused by marketing hype of financial services companies and unbridled enthusiasm, coupled with unrealistic expectations of many financial advisors. Most advisors have never experienced a bear market and had assured their clients that the things we're currently experiencing could never happen because we're in a new economy (or some other nonsense). The advisor's actual value to the client was substantially less than their stated value. In most cases, it is simply a matter of unconscious incompetence, i.e., not knowing what they don't know. However, in a remarkable number of cases they believed their own press when they described to prospects just how wonderful they were and how much they brought to the table.

The whole point behind the above is that there is a need for a tremendous amount of professional development within our industry. Too often people attend seminars that focus on how to describe added value without proving the key competencies that actually create added value.

You Must Differentiate Yourself

There is no doubt that it is vital to differentiate yourself from your competition and to offer "added value." It is important to write and rewrite mission statements and then create value propositions using clear, concise language about what you bring to the table. These are extremely valuable exercises, and every financial advisor should make the effort to develop those specific marketing tools. But, once you've done the exercise or taken one of the many value-development seminars, where do you go from there?

The problem is that too many financial advisors stop the process after creating a beautifully sounding statement, which is designed to wow the average prospect and client. However, in reality, to offer *real* added value, you must be competent. There are too many incompetent advisors in the business. You know who they are. You've seen them. I've seen them. Unfortunately, they are abundant and give the industry a bad name. But, many of them can glibly verbalize just how wonderful they are. They convince themselves and their clients that they are competent and then give "financial advice" as if they actually knew what

they were doing. Unfortunately, both the client and the industry suffers. You, the competent, concerned advisor, are also hurt.

What can we do about it? A lot or a little, depending upon your perspective. As a group of well-respected, senior financial services people within our individual firms, we can politic that strict educational standards be created and adherence to those standards be demanded, that continuing education requirements go far beyond the seminars offered by many firms, that program/ seminar vendors not be allowed to let participants squeak by and that each office take responsibility for upgrading and adding educational requirements.

How would you feel if you discovered your doctor squeaked-by in whatever continuing education/professional development seminars he/she attended? How would you feel about a surgeon who read the *Cliff Notes* on the latest surgical technique and claimed him/herself to be an expert surgeon in that technique?

... THERE IS A NEED
FOR A TREMENDOUS
AMOUNT OF
PROFESSIONAL
DEVELOPMENT
WITHIN OUR
INDUSTRY



How about the attorney or the accountant who didn't bother to upgrade their knowledge and skills? If you knew of any doctor, accountant or attorney who were negligent in this regard, would you recommend them to your friends and family? Of course not! You'd probably carefully warn a few people not to use their services, right? That's what happens to your firm and, by association, you when some incompetent advisor is discovered. Not only is the individual advisor shunned by the client, but the client and all of his friends and associates also shun the firm ... and everyone associated with the firm. You become guilty by association. Therefore, it is in your vested interest to promote higher industry standards.

As an individual, you can embrace a higher standard of professionalism. Many readers of this publication already exemplify the highest standards, but, wherever you lie on the "excellence totem," you can always get better. In karate, the higher level black belts often concentrate on the very basic techniques but with a new level of appreciation and understanding. In professional and collegiate football, we often hear stories about how a coach starts a new season by saying, "Gentlemen, this is a football," and then works the team hard on the rudiments.

An Initial Self-Assessment

Ask yourself some of the most difficult questions you can ask: "What do I *really* bring to the table? Am I *really* as good as I say I am or as people think I am? How do I rate in comparison to other high-level advisors? What specifically should I be doing and learning to ensure that I among the 'best' of the best?"

Perhaps the simplest question to ask in each of the categories listed below is: "What is the level of my knowledge? Is it on an expert, average, little or no level?" Conduct the self-assessment by considering the expanded descriptions in each of the following essential areas of success.

1. Sales Strategies and Consultation Skills
2. Business Development/Practice Management
3. Professional Knowledge
4. Personal and Team Motivation

Take the test. Too many people assume they are doing good jobs, just because they've been doing the job for a long time or that they

have attained a certain level of proficiency/success, when perhaps they hadn't. You can see the fallacy of such assumptions, yet they are basic assumptions under which a tremendous number of financial advisors labor. Among the most difficult things to discover about ourselves are the areas in which we are unconsciously incompetent.

Essential Skill Sets for Success

The most successful advisors in our business didn't get there by accident. In studies with top and mega producers, we have consistently found that top/mega producers leave very few things to chance. They don't rest on their

AMONG THE MOST DIFFICULT THINGS TO DISCOVER ABOUT OURSELVES ARE THE AREAS IN WHICH WE ARE "UNCONSCIOUSLY INCOMPETENT"

laurels, and they are consistently upgrading skills and knowledge. At [The Progress Center](#), we generate productive growth in firms and individual practitioners in critical success areas.

Sales Strategies and Consultation Skills

This category deals with communication skills. Anyone can ask a series of questions from a prepared form and sell using a prepared script. If a rookie does this often enough, he/she will achieve, almost by definition of it being a probability-and-statistics game, a certain level of success. However, that does not make him or her a competent professional. A professional knows how to ask astute questions to uncover hidden financial and emotional needs, to go far beyond the minimal information required by the firm. A professional knows how to effectively convince the client to adopt a particular strategy. An 80+% closing rate is normal for a professional.

There are, of course, different levels of skill and professionalism in this and every category. What would be considered exemplary sales and consultative skills for a rookie may only be average or below-average for a senior producer. Neither is it realistic to assume that anyone can be equally adept in all areas of a skill set. For example, a person who excels at asking financial profiling questions may be a relative neophyte with respect to how people process information to make a decision. (It's important not to assume that everyone does it the same way you do, or to assume that they even use the same criteria as you do to make decisions.)

Do you know someone that is better than you in some aspect of communication? If so, would acquiring that skill be useful? You may wish to make a list of the communications/sales/consultative skills that you would like to obtain or improve.

Business Development/ Practice Management

Your added value must include a business development and business management system that is "world class." It must work flawlessly each and every time, like a precision machine. It must also meet or exceed your client's expectations each and every time. Additionally, you must know the current and future value of each client relationship, as well as truly understand how to most effectively manage your own time and efforts. This often means delegating certain tasks to others and having specific policies and procedures in place.

There are specific, effective ways to do this. The most obvious is the use of systems and technology. Love it or hate it, you have to be able to effectively use the tools of the trade. You can't have a viable business, never mind a world-class business, without the appropriate technological tools. It goes far beyond creating spreadsheets and examining investment alternatives and far beyond merely getting reports (e.g., portfolio performance, attribution analysis, manager selection, etc.) from your firm. It goes into being able to determine whether their analyses are correct. This is known as professional due-diligence. Remember, it is *you* who must deal with the consequences if a mistake is made or a hard-to-understand report is generated.

Of course, you cannot do it all by yourself. This is where becoming an effective manager is crucial to your building your business. The more assets you have under management, the more important it is to have qualified, trained personnel to support your back-office functions. Are you have the skills necessary to select appropriate personnel for building that strong back-office team?

Professional Knowledge

Having a high level of knowledge in your areas of specialization is imperative. But, what specifically is meant by "high level?" Ask yourself the following questions:

- Do I have a "working knowledge" or an "expert's knowledge" on this topic?
- Would discerning high net worth prospects or my peers consider me an expert?
- What does the firm have to offer to enable me to further my expertise?
- What am I doing to help myself to further professional development?

We must all note at this point that professional knowledge is more than product knowledge, although your firm can play a crucial role in this area. Professional knowledge is also knowing and practicing high standards within our industry and encouraging others to do so as well.

Personal and Team Motivation

If you weren't self-motivated, you probably would have dropped out of the business within the first two years – as do many people. Consciously or unconsciously, you have personal motivation strategies that work for you. Do you also have "peak performance" strategies that allow you to consistently perform at your highest potential? The ability to consistently give it your very best is key to becoming successful, regardless of industry and culture. Do you also have the managerial skills needed to lead and manage an effective team? The skills and attributes required to be a top performer are significantly different than those needed to be an effective team leader.

Back To Being The "Value Added"

What specifically do you bring to the table? Does your personal value proposition include any hype (implying that you are better in any capacity)?

Regardless of how you rate yourself in each of the five areas, you can get even better and must get better in order to advance to the next professional level. Ask yourself if there any areas of weakness that you should address so that you can "walk the talk"? Are you committed to personal excellence?

You should also allow those whose opinions you value to take the test and assess you. This part of the exercise provides a "360° peer review." Ask different people (peers, friends, clients, sales associates, managers, etc.) how they would rate you. Do they see you the same way you see yourself? It takes a lot of nerve and determination to do this particular exercise. Often we find that other people perceive us differently than we perceive ourselves – whether better or worse is immaterial. It results in useful information. If those you ask perceive you differently, so will others. Does that work for or against you?

In Conclusion

Within our industry, as in life, the best always seem to get better, and the mediocre seem to remain mediocre. There are a number of things you can do to increase your professionalism and provide your clients with *measurable* added value. In Part II, we'll explore this concept further and offer you an even more specific way to assess yourself. ■

About the Author

Steven Drozdeck is president of [The Progress Center](#), a training company created to specifically further the professional development of financial professionals. Steven has been involved in the financial services industry since 1974, has trained over 60,000 financial professionals in all aspects of their professional growth and is author of nine books and numerous training courses. Steven may be contacted via phone (435-753-8848) or e-mail (SDrozdeck@TheProgressCenter.com).

Notes

SENIOR CONSULTANT

THE VOICE OF THE INVESTMENT MANAGEMENT CONSULTANT

- James P. Owen
Co-Founder
- Stephen C. Winks
Co-Founder, Publisher & Editor-in-Chief
- Sydney LeBlanc
Consulting Editor
- Mamie Woo McNeal
Production Editor
- Eddie Bryant
Marketing Consultant



Advisory Board

- Jerry Bott
- Merrill Lynch
- John Brock
- Brock-Hazzard/First Union Securities
- Dick Charlton
- New England Pension Consultants
- Bob Cluck
- Canterbury Capital
- Harold Evensky
- Evensky Brown & Katz
- Jeff Frum
- Wells Fargo
- Rich Gleason
- Salomon Smith Barney
- Kathleen E. Hegenbart
- Salomon Smith Barney
- Brian Hunter
- Prudential Securities
- Greg Hunter
- Alex Brown
- Bill Johnson
- CapTrust
- John Kelsey
- Salomon Smith Barney
- Keith Phillips
- Morgan Stanley Dean Witter
- Bob Rowe
- Morgan Stanley Dean Witter
- Dick Smith
- Capstone Investment Group
- Jim Yanni
- Yanni Partners

SENIOR CONSULTANT

1457 Crystal Springs Lane
 Richmond, Virginia 23231
 Ph 804-795-1642 ■ Fax 804-795-7703
WWW.SRCONSULTANT.COM