

Maister, David; Green, Charles & Galford, Robert – The Trusted Advisor

Simon & Shuster, 2002, [Business] Grade ★★★★★

The scene is a hotel bar in Hong Kong. The cast is a group of relatively seasoned portfolio managers from various Scandinavian countries - amongst them myself. The PM:s don't really know each other but after a nice dinner the general feeling is that the other ones are quite nice guys. In this setting I get the question "Out of all the Scandi sales you have met, which is the best one?" For those not familiar with the concept Scandi sales, it's roughly an equity broker serving Scandinavian clients. Without hesitation I answered with a name of a person who had left his job as sales a few years ago and I instantly got the reaction "Exactly!" Many can vouch for the fact that the character of Finns, Swedes, Norwegians and Danes are quite different. How come we all thought of the same person? It boils down to trust.

In general PM:s don't trust investment banks. They can trust certain persons at banks and they value the information provided but they know that, if you're not a giant like Fidelity, BlackRock or Capital, an investment bank will choose the shortest way to the money - if they can get away with it. As you never know if you'll be around in one year's time the number one motivation for a sales is the bonus that is just two months away, not the long term relationship. Then there was this one sales that seemed genuinely interested in his individual clients, who listened to what they had to say on the important stuff like investment philosophy and processes - not just whether they thought (guessed) the market would go up or down the next few months - and who in his daily morning mail thought like a PM (albeit one with a short time horizon) not just as someone who was passing on research from his own firm. As a matter of fact this guy distributed material from other sources if he felt it more relevant for the clients and, famously amongst the clients, even took it on himself to (in writing!) discuss which ones of his firm's IPOs might turn out to be good investments and which might be a really bad deal. If you know anything about the fee structures in investment

banking you realize that this last client service is totally unheard of. A sales is supposed to toot the horn of all IPOs no matter what. And yes, he got into trouble with his employers more than once but was, at least for a while, protected by the fact that the clients loved what he did and by the business he brought in. He wasn't selling. He was working together with the clients - even at the risk of his own bonus and job - to solve their problems and naturally by doing that got more business than his competitors.

The Trusted Advisor is the book that this guy didn't have to read, but for most persons who are in the business of giving advice it could do wonders. Building trust is less about technical expertise as this is something that most competitors deliver - it's more about things like listening more and talking less, about loving your area and actually liking the client, to help the client to reach a solution instead of showing off your own brilliance, to never lie in order to gain a quick buck and much, much more. The authors are management consultants and so is the target audience, but it's obviously equally useful for investment bankers, research analysts or equity sales representatives. The authors have written a book on the interpersonal aspects of delivering an advisory service, on how to build trust. Buying a service is more of an emotional decision than an objective one. The authors present an obviously unscientific but still very useful "Trust Equation" where trustworthiness is the function of high scores regarding credibility (i.e. functional expertise), reliability and intimacy and a low score on self-orientation from the advisors point of view. The bulk of the book then presents a five step process for building trust with a client. There are techniques involved but they aren't manipulative. To build trust you must be genuinely interested in the client and take a "we-not-me approach".

If your profession is about giving advice read this book before too many of your competitors do.

Mats Larsson, August 28, 2013