



Putting relationships back into relationship managers

By John Koh

Hiring good Relationship Managers in the private banking industry is fast becoming an art rather than science. Private banks relying on conventional wisdoms are finding their recruitment strategies yielding less than desired outcomes.

The conventional method starts with a two-pronged approach.

The first approach is to engage with industry contacts to find out which private banker is currently well received and garnering positive feedback from their clients and colleagues. This will be followed by trying to establish contact with that individual either through an internal HR representative or using the services of a headhunter.

The second approach recognizes that outright poaching of a private banker through an internal source may not go down well with a competitor and could pave the way for future legal disputes. Hence, the preference is to find an expert recruiter who is highly specialized in this field of hiring.

Both approaches invariably converge to the next stage of assessing the suitability of the candidate, which typically starts with an initial discussion on client coverage, AUM and revenues, as well as plans for the next 1 – 3 years. The Business Plan is highly relied upon to document exactly the types of client profiles, estimated net worth, targeted AUM and revenues that could be achieved over the next 1 – 3 years.

Some banks go a step further to make sure their hiring decision is a right one by asking the candidate to participate in role plays with their senior management, and utilizing psychometric tools to suss out the 'character' make-up of the banker.

“An overly aggressive banker may not work too well in our culture and current business focus. Someone who is found to be a better farmer than hunter is not suitable either, as that would mean net new money is not going to grow very much.”

Supposing the candidate passed the rounds of interviews and tests, both parties will then sit down and discuss on the terms of their engagement. The bank will reiterate the targets and seniority level of the hire, and the candidate will reassure his/ her ability to meet those targets.

Once both parties reach an agreement, a job offer is made and the candidate will make sure he/ she finishes all duties and obligations with the current employer before starting work with the new bank.

Sounds too easy?

The reality is much further from this as private banks are seeing several pitfalls and risks involved in the above approaches.

Firstly, the above conventional method of hiring totally misses on the aspect of client relationships. There are some aspects of client relationships being discussed in the interview rounds and during review of the Business Plan, but very little effort is spent ascertaining the **strength** of those client relationships.

Numbers in the Business Plan are estimations and projections, and much of it is difficult to verify. An experienced *interviewee* knows the right buttons to push during job interviews and role plays, and can easily breeze through psychometric tests to finally land himself a job offer.

Instead of making the right strategic hires, private banks are questioning the quality of those hires when their cost income ratios quickly crept upwards, while the promised AUM and revenue numbers seem ever so elusive.

Ascertaining the strength of client relationships involves a different technique altogether.

The most successful private banker is typically someone who possesses very good network and connections with the wealthy families. Possibly by virtue of his/ her own family background, growing-up experiences, professional exposure or personal interests, he/ she is able to strike an intimate chord with high net worth individuals.

It is this intimate chord that draws wealth individuals to 'follow' a particular Relationship Manager. They have establish such a high level of confidence and faith in the Relationship Manager, that they feel unsecured or even afraid to handle their own wealth or finances without the expertise of such a Guardian.

Rather than relying on conventional wisdom, private banks would do better to put *Relationships back into Relationship Managers* and ask themselves several critical questions in their selection process to arrive at the strength of those client relationships purported by the candidate:

- **Is the banker connected to the client or client's circle of influence in any way?**
- **How long has the banker known the client, and under what type of circumstances?**
- **In what capacity has the banker worked with the client, and what are some positive and negative outcomes arising from the experience? Is the banker able to freely articulate the positive experiences and proactively manage the negative ones?**

- **Besides numbers and projections, what is the other single factor that the banker could rely upon to bring his network of clients to the new bank?**
- **Besides hard finance knowledge, what does the banker know about his or her clients' family backgrounds, friends, interests, habits, lifestyle, etc.?**
- **How effective is the banker able to articulate wealth management solutions to his top 3 clients, with emphasis on the unique situation and peculiar needs of each client? Such a case study is any time much more effective than a random/ generic role play.**
- **Is the banker naturally confident and positive about his client relationships? Or do you sense certain level of unease or lack of confidence when he/ she talks about clients?**
- **An important observation from asking the above questions is whether the banker expresses happiness that there is finally a bank that doesn't just focus on AUM and revenues, but on the strength of their client relationships. Truly successful private bankers know they are the real Rain Maker – not someone who is merely good at acing job interviews.**

The above questions can be tough to ask and harder to arrive at the right answers, but rather than risking another wrong hire and wondering how they could manage a non performer, private banks could really do themselves a big favour by taking active steps to manage their selection process rather than relying on conventional wisdom or leaving it in the hands of a less experienced recruiter.

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