The Soft Skills Gap:
Enhancing the Advisor-Client Experience

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Over the past decade, the financial services space has faced constant disruption from inevitable outside forces of evolution: compliance, technology, and product manufacturing, to name a few.

The litigious regulatory environment has caused organizations to invest an enormous amount of their resources into training and systems to ensure advisors are in alignment with today's rules and regulations. The advancement of new technologies to increase scale and efficiencies has created the need to train advisors on Client Resource Management (CRM) systems, Learning Management Systems (LMS), and more. And increased competition and demand from the marketplace for solutions unique to certain consumer segments has increased the need for additional product manufacturing.

We often refer to these areas as "hard skills," as we teach advisors the knowledge needed to ensure they are up to speed. When it comes to designing a training curriculum, hard skills training often takes precedence over other types of training because of the consequences that come with being non-compliant, the inefficiencies of inadequate tech skills, and the risks associated with ineffective product knowledge. In addition, hard skills are typically easier to train, quantify, and test for competency.

The Soft Skills Gap

These disruptive forces have led to a major gap in the development of "soft skills" in advisors, a gap that can have a direct negative impact on productivity and retention. Soft skills such as empathy, communication, critical thinking, decision-making, and benevolence are less tangible and more difficult to quantify than hard skills. Yet, in an era of client-centricity, financial professionals cannot succeed without them.

While technology brings many advantages, the latest recruits — raised as digital natives — do not come naturally equipped with the soft skills of their predecessors. Today's recruits are typically more comfortable interfacing and making connections through devices, yet consumer studies indicate all generations still prefer the face-to-face dynamic when discussing financial matters.

Industry trends also shed light on the source of this soft skills gap. Product departments within most companies are constantly vying for "shelf space" inside an organization's initial training program for new advisors. This means that most organizations' onboarding programs are littered with hard skills training focused on product knowledge, and devoid of paramount soft or selling skills.

Beyond financial services, there is a major soft skills gap in most verticals. Recent LinkedIn research analyzed skill shortages based on data from member profiles and job postings across 100 major U.S. cities. According to LinkedIn CEO Jeff Weiner, "Somewhat surprisingly … interpersonal skills is where we're seeing the biggest imbalance. Communications is the No. 1 skills gap across those major cities in the United States."

According to a recent *Bloomberg Next* report, "If recent graduates are not well-prepared for their new jobs, it is not because their hard skills are deficient. Some 90 percent of corporate respondents and 88 percent of academics surveyed said new recruits have the hard skills, such as computer literacy and written communication, to do their jobs successfully. However, nearly 4 in 10 corporations and almost half of academic institutions said new hires lack the soft skills they need to perform at a high level."

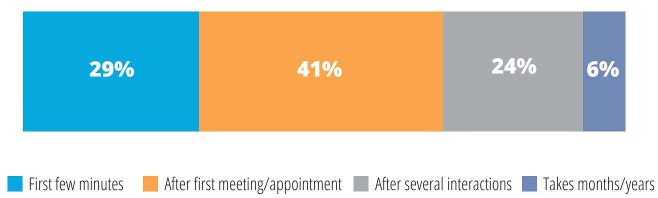
Skills Needed in the Financial Services Sale

What are the soft skills needed in the financial services sales process that equate to success? Looking at this from the consumer mindset is a great place to begin. According to the MDRT study *Generational Confidence*, 85 percent of consumers across all generations agree that, "It is more difficult to trust advisors today versus 5 years ago." There is a major trust gap between today's consumer and the advisor. According to LIMRA, 43 percent of households are afraid of making a mistake in their financial decision making. When people fear making a mistake, they typically end up doing nothing. And 71 percent of consumers report being more confused *after* they meet with an advisor than before! Equipping advisors with the soft skills to bridge the trust gap, and reduce fear and confusion, is essential to engaging today's consumer.

Look at this through the lens of the sales process. According to research, 29 percent of consumers determine if they are going to trust an advisor in the first few minutes of the initial meeting (Figure 1). The ability to reduce relationship tension, establish rapport, and engender trust right out of the gate is essential. It is imperative that an advisor's initial language conveys the core elements of trust: benevolence, integrity, dependability, and competency.

Figure 1

How Soon Does a Consumer Decide to Trust?



Source: Consumer Trust Study, LIMRA.

During the discovery process, advisors need soft skills to engage in a collaborative discussion through effective questioning skills and a genuine curiosity. They need to actively listen and demonstrate empathy, while also challenging prospects and clients when actions do not align with intentions. The soft skills required to navigate the collaborative discovery process are difficult to master but necessary for survival. Next, advisors need critical thinking skills to review the prospect's current situation to identify the right solutions to develop a plan to solve his or her problem. Last, they must communicate this solution in a clear, engaging presentation, tailored to the prospect's unique situation.

The entire sales process requires soft skills for the advisor to move the consumer through the process. LIMRA's Purchase Funnel Study shows that prospects who turn into clients do so because their advisor took an active role in reducing their tension and paved the way for better decision making. These clients say their advisors gave them complete attention, listened without interrupting, had their best interest in mind, and built rapport. In the end, when advisors display these behaviors prospective clients perceive them more often as "someone I could trust" (Figure 2).

Behavioral Economics

Why is today's soft skill gap such a problem? We can turn to Behavioral Economics research for insight. Behavioral Economics helps us understand the seemingly irrational decisions consumers make about insurance and investments. While traditional economics asserts we are rational beings who make all decisions in our own best interest, Behavioral Economics recognizes that much of our behavior is subject to cognitive shortcuts and biases. In other words, there is a great deal at work under the surface when it comes to financial decision making.

In order to influence consumer behavior, sales professionals need to talk with prospects and clients in terms of how they really make decisions. It's not the information provided that matters, but rather the psychological factors that affect consumers' abilities to make good decisions. To unearth what's really going on below the surface, sales professionals need important soft skills like rapport building, adaptability, and complex problem solving. They

Figure 2

Behaviors Associated With Purchase

Source: Purchase Funnel Series, LIMRA, 2018.

also need to adopt an approach that establishes the trust required to engage in the kind of courageous conversations that bring to light what's really preventing the client from making a decision.

Research identifies a number of specific principles of Behavioral Economics that help explain the buyer's thought process when deciding to purchase financial products. Three of those principles relate specifically to financial services sales (see Sidebar).

Herding — This principle means that people tend to make decisions that align with what others have done. This behavior is based on the social pressure of conformity, as well as the rationale that a group of people are less likely to be wrong. Most people are very sociable and have a natural desire to be accepted by a group. In addition, people assume that the group must know something they do not. This is especially evident in situations where an individual has very little experience — as with many financial decisions.

Irrational Optimism — This principle means that people generally feel optimistic about the future: They don't think losing a spouse will happen to them or that a health problem will erode their life savings. In general, people are bad at judging odds and assessing their own risk. On a daily basis, this optimism bias is good, because it helps us get out of bed each day without the paralyzing fear that something catastrophic could happen. However, it becomes a problem when people think that bad things will never happen to them. This can cause them to avoid doing things that are ultimately in their best interest, like saving for the future or purchasing disability or life insurance.

Inertia — People also have a hard time making complex decisions and tend to prefer things to stay the same. When faced with ambiguity, fear takes over and people don't act. As humans, we're more comfortable with inertia — not doing anything — than we are with making difficult decisions. Ambiguity breeds mistrust. Prospects worry — Is this intentionally unclear because they're hiding something? What's really going to happen to me? Most people would rather not find out.

Sales professionals who fundamentally understand these natural human tendencies, and adapt their approach

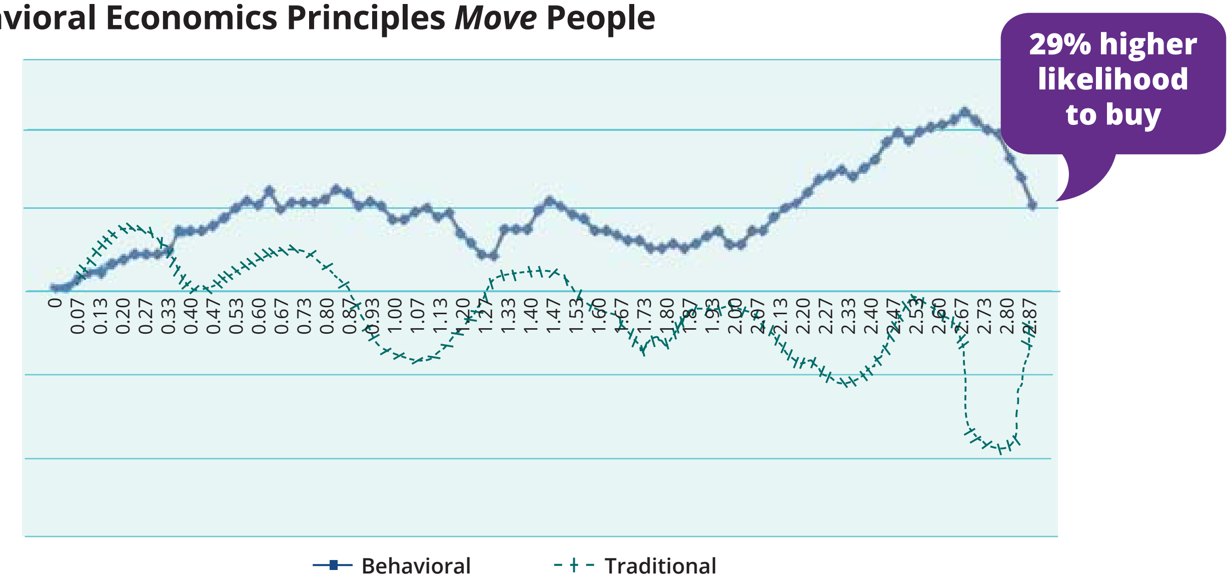
Overcoming Natural Human Tendencies — Applying Behavioral Economics

Principle	Technique(s)
Herding	• Relate ***personal experiences*** and reference what other people whom you've worked with — and are in similar situations — have decided to do. • Use generally accepted ***heuristics*** or "financial rules of thumb" to give people an idea of what others have done when dealing with the same subject.
Irrational Optimism	• Use ***personal experiences*** to help people see how others have benefitted from having financial and/or protection products in place when the need arose.
Inertia	• ***Avoid ambiguity*** and explain concepts and principles in clear, easy-to-understand terms. • Use generally accepted ***heuristics*** or "financial rules of thumb" whenever possible to provide guidelines against which people can make complex decisions. • ***Use visualization*** to help prospects envision or see how your solution will get them to where they want to be.

with techniques that help overcome these hurdles, will create a much better experience for their prospects and clients and achieve greater results. At LIMRA, we put this concept to the test and found that incorporating Behavioral Economics techniques in presentations increased the likelihood to close by 29 percent (Figure 3). In the Trustworthy Selling program, participants who incorporate these and other techniques from the curriculum consistently experience lifts in productivity of 20 to 30 percent. More important, incorporating these techniques invokes stronger feelings in prospects and leaves a better impression. In this era of customer centricity, aligning our presentations closely to

Figure 3

Behavioral Economics Principles *Move* People



Source: Increase Sales Through Behavioral Economics, LIMRA, 2005.

the thought patterns of our prospects and clients will provide an experience tailored to their specific needs.

Incorporating Behavioral Economics techniques and improving soft skills takes time and dedication. It requires a fundamental shift in thinking, to focus on how prospects decide to buy. Successful implementation of the techniques necessarily requires more effective soft skills.

Sales professionals need not only the soft skills listed earlier, but also empathy, or the ability to see and understand the sales process and underlying hurdles from the prospect's or client's point of view. They need communication skills that allow them to ask the right questions and facilitate discussions that unearth real pain points and desires for the future. They need adaptability, and the ability to select and utilize the right techniques to make presentations clear and approachable to a specific prospect or client.

By understanding Behavioral Economics and utilizing the right soft skills, sales professionals can positively influence the financial well-being of their prospects and clients. They can help them overcome hidden obstacles and lead them to action by guiding them through the daunting financial decision-making process.

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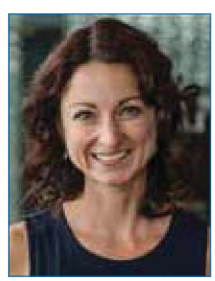

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