Advisor Advancement Institute

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Research Insights

Cultivating the next generation of business development leaders

Evolving beyond reliance on trusted advisors

In professional services firms, such as financial advisory businesses, a starring role is often played by new business development leaders, which, in the past, were called "rainmakers." They are the ones who seem to have the golden touch when it comes to bringing in new affluent clients and keeping them loyal to the firm. They are often highly compensated and driven—and in the case of financial services, are often both the salesperson and the product being sold.

As advisory firms evolve, reinforcing the importance of building succession plans around a whole new leadership population, the need has never been more urgent than now to identify and *grow* the next generation of business developers. Those firms that succeed at this will thrive—while those that don't will stall or worse.[1]

Executive Summary

- This report examines the transformation of business development in financial advisory firms.
- It discusses the shift from the traditional emphasis on the role of the **trusted advisor**, and reliance on referrals, to an increasing focus on the more proactive **activator role**, underlining the necessity for firms to cultivate new business development activities for sustained growth and success.
- Key traits of effective business developers such as entrepreneurial spirit, networking skills, empathy, and dedication to the growth of the business are detailed.
- Our research also emphasizes the significance of training, cultural integration, and teamwork in fostering business development capabilities—and helps to provide strategies for advisory firms to cultivate future leaders in a competitive environment.

New York Life Investments

The role of the "traditional" trusted advisor

Historically, the core goal of financial services firm leadership has been to become a "trusted advisor." Books, articles, and training programs have been devoted to the premise that business goes through several predictable stages as the relationship with a client matures. And, the more a relationship is moving toward trusted advisor status, the stronger that client connection will be. The trusted advisor is the person the client turns to when an issue first arises—often in times of great urgency: a crisis, a change, a triumph, or a defeat. Issues at this level are no longer seen merely as organizational problems, but also involve a personal dimension. Becoming a trusted advisor at the pinnacle level requires an integration of content expertise with organizational and interpersonal skills.[2]

Why has being a trusted advisor been considered so all-important? Because traditionally, firms relied on and expanded business coming from clients who built strong ties with their advisors. These firms believed that strong trust created enormous stickiness for the advisor and for their firms. They assumed clients who had invested heavily—sometimes over many years—were more likely to remain with that advisor, and in fact might even change firms to follow the advisor if they left. Trust also meant that when new issues or problems emerged, the advisor and their firm would be first in line to get the business. Clients would seldom shop around for other firms provided that they continued to receive good service. And client referrals, established through these relationships, made getting new business easier as well.

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Welcome to the new era of business development

Here's the dilemma: While good service and referrals are still a great source of growth, the expectation that clients will continue to default to the one trusted advisor, with whom they have built intense emotional ties, is increasingly no longer the case in many situations. This is especially true in the case of wealth transfers to spouses and the next generations.

Differences in how clients approach the advisor relationship today:

1. Rather than automatically doing all their business with one advisor, clients, particularly those considered to be high net worth and ultra-high net worth, feel more comfortable and confident using an array of providers that specialize in different aspects of planning. Effectively stitching together their own version of the "family office" if the firm doesn't offer a full suite of expertise.
2. These same types of clients are also noticeably leveraging technology, particularly as their age demographic skews younger. They tend to be on top of the latest trends—from theme-based investing to social media inspired investing, to monitoring strategic inflection points—that might mean significant shifts in the business landscape.
3. These clients might also be hyper-networked themselves, having greater access to crucial information than even their advisors.

From a firm-level point of view, the economics of the advisory business has changed as well. The traditional zero-sum perspective of star advisors, who are often reluctant to allow others access to their carefully cultivated relationships, is in many cases giving way to an approach in which multiple experts across larger firms are used to provide the firm with leverage and capture more of the buyer's wallet.

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Introducing the "activator" model

In a quantitative and qualitative analysis published in the *Harvard Business Review*,[3] Matthew Dixon, et al, noted that the traditional trusted advisor role no longer contributes as much to revenue growth as does a new "activator" role, a term coined by the report. Interestingly, their research across professional services firms found that different types of advisor personas are distributed almost randomly across firms—one reason why clarity around the new role of business developer is so badly lacking.

Indeed, investing the time in building deep relationships and cultivating them (and often protecting them from other members of the firm) can actually depress revenue growth.

In addition to the trusted advisor, here are the different types of personas they discovered:

Experts revel in their deep technical knowledge.

They enjoy big reputations as subject matter experts. They love giving talks, publishing papers, and hobnobbing with other technical experts. They do not love new business development activities, which they regard as selling and view as somewhat beneath them. When they do bring in new business, it is often as a function of their external reputations on a technical matter or helping out colleagues who need that particular knowledge. They are not proactive, but they will respond to inquiries.

Do they consistently grow revenue and the bottom line? No.

Confidants are the modern-day descendant of the trusted advisor.

They are extremely client-centric and are possessive of their client relationships, which often span long periods of time. Confidants invest so much in existing relationships that they find it difficult, and even exhausting, to try to build new ones because of the amount of time they believe they need to invest. They may also be at a point in their career where they don't feel the need to grow. Confidants make great *farmers*, meaning they maintain deep relationships with their clients, but with one caveat: They are highly unlikely to be open to sharing their painstakingly built relationships with others in the firm—missing the opportunity to create relationships that benefit the entire firm.

Do they consistently grow revenue and the bottom line? No.

Debaters just love a good argument.

They are useful for pushing clients out of their comfort zones and for pushing peers to reconsider deeply held assumptions. They have a strong sense of their own knowledge and good judgment and expect others to follow their lead. In a surprise for Matthew Dixon, et al, this profile is strongly associated with sales success in software and other kinds of product businesses. Not so in selling advisory services.

Do they consistently grow revenue and the bottom line? No.

Realists are far from inspiring.

They are transparent with clients about what they can and cannot do, don't overstate their experience or expertise, and tell clients exactly what their services will cost and what they can expect. They are risk averse. Rather than risk losing out, they avoid "no win" situations in which their capabilities or those of the firm are likely not to meet the clients' needs. Unfortunately, they are also unwilling to emphasize growth or stretch in their current roles and tend to exhibit a fixed mindset—without the curiosity to grow beyond their current activities.

Do they consistently grow revenue and the bottom line? No.

Meet the Activators.

Activators do several things distinctly differently than the other advisor profiles we've explored. They are intense network builders, which is also a hallmark of the trusted advisor. But rather than simply focusing on building deep relationships with key decision makers in a business relationship (for instance, focusing only on the husband in a wealthy married couple's planning), they take pains to build relationships as broadly as they can with the wider organization or family. They are keenly aware that, in a world full of change, today's big decision-maker may not be the decision-maker of tomorrow.

Unlike experts or realists, activators are proactive in their outreach to clients. Rather than waiting for clients to contact them, they develop and maintain a practice of providing a steady stream of useful information for their clients. For example, they might reach out to current, past, and prospective clients when regulations change, or new laws are passed to offer a perspective and make suggestions. Unlike most of the other profiles, activators look for opportunities to introduce other advisors within their firms to clients that may benefit from their knowledge. They are driven by an obsession with adding new value to clients as a top priority. Additionally, today's activators are leveraging multiple ways to spend their time, and are leveraging various technological channels, such as LinkedIn and other social media platforms.

Do they consistently grow revenue and the bottom line? Yes.

Unlocking the activator within to attract today's clients and tomorrow's inheritors of wealth

There are three specific behaviors that set activators apart from the other personas:

- **Commitment** to business development
- **Connecting** with others
- **Creating** valuable content and thought leadership

HERE'S THE GOOD NEWS:

These competencies, with consistent coaching, can be learned.

Matthew Dixon, et al, found that activators can be trained, and that those whose disposition aligns with that of the other personas can be taught some of the skills of the activator.

> "Activators balance both *hunting* and *farming,* maintaining excellent client relationships, while prioritizing meeting new clients."

Commitment to business development

Activators commit to business development as a crucial, integral part of their job—not something they might get around to if work permits. They balance both *hunting* and *farming*, maintaining excellent client relationships, while prioritizing meeting new clients.

Today's activators are also avid social networkers both in person and on social media. Following key clients and potential clients on networking sites like LinkedIn are critical activities, as is keeping track of job changes and shifts in personal circumstances that might suggest a fruitful time for a conversation. Posting one's own valuable content is also helpful, as is following up with those who read, like, or post themselves. LinkedIn is perfect for introducing the firm and the advisor to new audiences. Indeed, maintaining a vibrant social media and digital marketing presence can be one of the keys to generating engagement around the thought leadership that is now the essential currency of a successful advisory relationship.

Connecting with others

Networking experts will tell you that there are essentially two kinds of networks that individuals can build. Networks comprised of strong ties are extremely helpful for getting things done. These are networks in which everybody knows everybody. You can finish one another's sentences, and work gets done in an atmosphere of mutual engagement and trust. This is often the arena where the trusted advisor thrives. These are great for executing against known goals. The strength of these networks (that everybody knows each other) is also their weakness. Today, in order to bring in new business, another kind of network is needed.

This is what has famously been called networks of “weak” or “loose” ties, and activators are comfortable on this playing field. Such ties have been shown to be relevant in everything from getting a job to successfully starting a business.[4] What is particularly useful, from an advisor’s point of view, is when the advisor can connect networks that are otherwise not known to each other—what sociologist Ron Burt has called “bridging a structural hole.” The advisor who does this can be useful to both sides of such a network by bringing each side information, contacts, or resources that neither could access on their own.[5]

Activators are inveterate and inexhaustible networkers. They’ll talk to anybody. They attend networking events with gusto, visit conferences that are not within their industry, offer introductions and connections, and take the time to be helpful with the perspective that you never know when a connection can be useful. They are also generous with colleagues within their firms, introducing clients and prospects to other partners. They are also careful not to let status influence the way in which they treat people.

Non-activators see things like making new connections on LinkedIn as a waste of valuable time. Instead of casting broad entrepreneurial nets, they focus on a handful of key clients and will often exhibit hoarding behavior with respect to other members of their own firms. The end result is a lot of lost opportunities.

Creating new and valuable content

Activators create value for clients by curating information, sharing perspectives, and giving advice—even if they are not currently engaged in a contract. For example, an activator may get into the habit of sending a Monday morning note about new developments of possible relevance to partners and their respective clients.

They often look forward to anticipating future needs, even if the client isn’t yet aware of them. Activators recognize the benefits to be gained by going outside the scope of their traditional responsibilities, considering such activities a productive use of their time.

By contrast, Matthew Dixon, et al, found that only 36% of non-activators will engage with a client on new opportunities—preferring to wait instead for clients to come to them.

Creating a culture of business development

Do people’s personal preferences influence the advisory persona they adopt? Of course! Does that mean they can’t learn to adopt activator behaviors? Not at all. However, there needs to be a deliberate effort on the part of the firm’s leadership to develop activators—whether that means encouraging consistent training and development or providing incentives. To achieve this, these processes must be built into the business’ core practices, which requires buy-in at the top of the organization.

Embracing the power of permissionless networks

Some firms work within a “permissionless” framework. Permissionless organizations use technology to help people self-manage and provide feedback for learning and improvement. They are deliberately flat and non-hierarchical. They use the equivalent of application programming interfaces to coordinate work between teams. This change in approach creates greater efficiencies and helps teams work outside of their traditional functional silos.

Permissionless principles are the perfect fit for the general inclinations of the activator type. In a permissionless organization, goals and purpose are clear, and the team has all it needs to get specific tasks done. And, unlike most work in organizations that are spread across multiple desks and require extensive coordination via meetings, technology does that work. Traditional management tasks become less necessary, freeing organizational members to focus on adding value rather than running the firm.

Permissionless structures also are fertile ground for combining the expertise of experienced partners with the energy and technological savvy of more junior ones. A way of harnessing this could be to create an informal or formal apprenticeship program in which more junior people can learn by participating in the activities scheduled and structured by more senior people.[6]

Eliminating a lot of the hierarchy and rigidity of the traditional advisory firm format is a big shift, but one that shouldn’t be left for the competition to figure out.

A proactive approach to training and mentoring

Where advisors are unfamiliar with the necessary behaviors required of an activator, training and mentoring is essential. This education ideally begins relatively early in an employee’s career and involves building the habits needed to establish a commitment to business development: a connection to a broad network and the creation of valuable assets for clients that can make an impact.

> “Training ideally begins relatively early in an employee’s career and involves building the habits needed to establish a commitment to business development: a connection to a broad network and the creation of valuable assets for clients that can make an impact.”

In many organizations, the most successful of these training programs incorporate the practical lessons and connections of more senior business development teams. This allows both junior people and senior people to form stronger bonds and creates mentoring relationships that can pay off when more junior associates move up the ranks.

Budgets should also be freed up for training on new technologies and how to use them effectively; marketing concepts such as behavioral segmentation, and more general leadership development training. Training today can also incorporate artificial intelligence (AI), advanced gaming, role playing, and immersion into simulation models—designed to develop skills needed to prospect for new business, while making sure existing business gets sufficient attention. So-called “soft” skills, such as building empathy, conducting a successful negotiation, and networking, should also be part of the curriculum.

Good activators think like business owners, not salespeople. They focus on fostering an entrepreneurial mindset that can anticipate opportunities, align with client needs, and think creatively about solutions.

> “Training and development curriculums should also include that of so-called “soft” skills, such as building empathy, conducting a successful negotiation, and networking.”

Encouraging accountability with peer-to-peer networking

In addition to training, effective organizational-level development should include a peer-to-peer network. While it is not unusual for firms to have internal networks that provide connection and confidentiality, an even more powerful approach is to encourage engagement in external peer-to-peer networks—such as study groups or associations in which people from different firms offer feedback and hold one another accountable. The advantage of this is that participants can express their anger, fear, and vulnerability without being concerned that it will harm their standing in the firm. Such networks, sometimes called “true north groups,” are increasingly common across professions and levels of experience.

> “Activators think like business owners, not salespeople. They focus on fostering an entrepreneurial mindset that can anticipate opportunities, align with client needs, and think creatively about solutions.”

Embracing the transformative power of technology

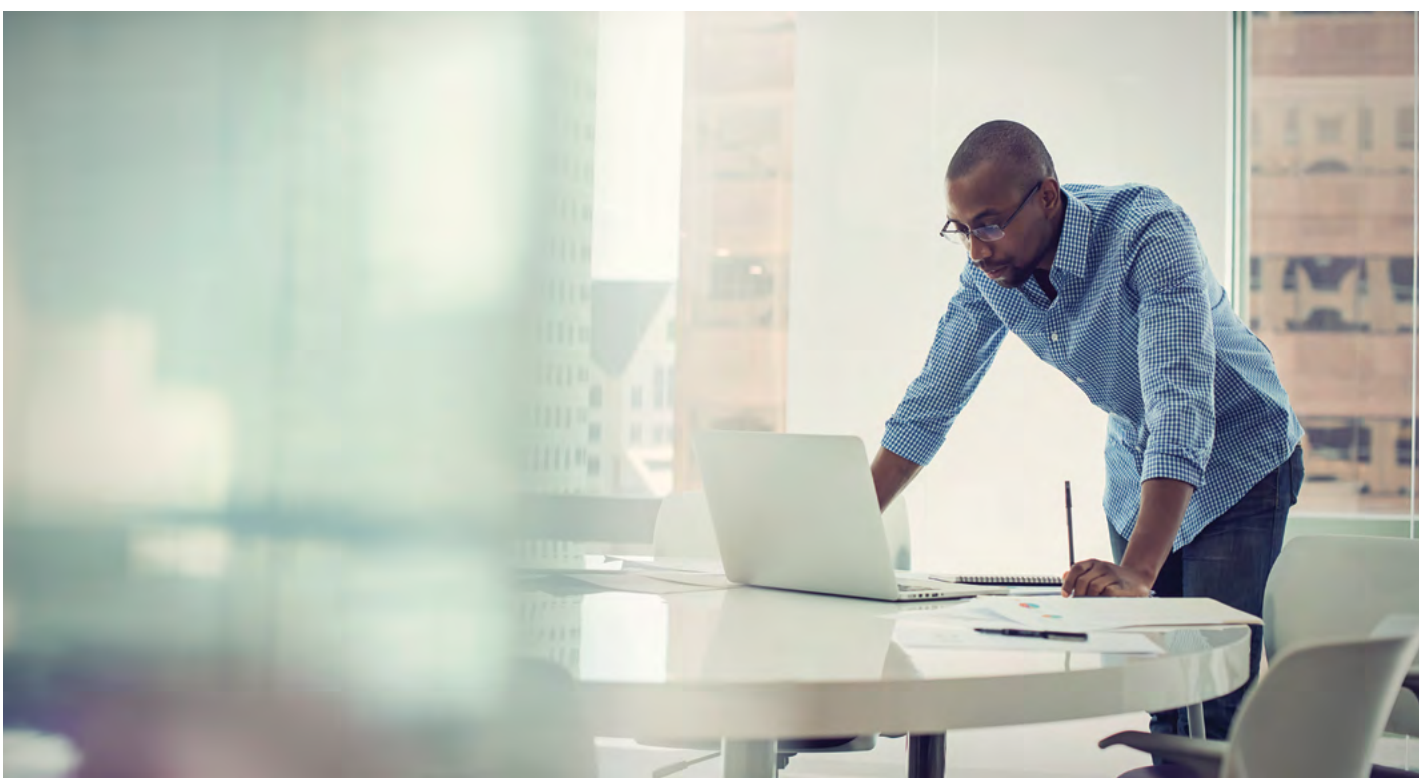
A firm that is not utilizing advanced technologies is a firm that is falling behind. While new marvels seem to be cropping up every day, the basics would certainly include experimentation with Generative AI, advanced knowledge management, and high-level AI-enabled systems, such as Customer Relationship Management systems. AI can help partners with the "creation" part of the activator model—finding client-relevant insights from vast troves of data that could never be analyzed manually. It can also help with the "connection" part of the model by, for example, providing partners with data that can prompt them to reach out to relevant clients.

Additionally, social platforms such as LinkedIn should be part of every partner's toolkit—both for connecting with new prospects and staying connected to other colleagues. Many of these technologies make it relatively easy to learn key details about potential clients, such as past employers, special interests, common charities, or educational background—all valuable insights to help business development partners build connections.

Incentivizing the activator mindset

In financial services firms, what gets measured and rewarded has a huge influence on behavior. Yet often, incentives not only fail to produce desired behavior, but actually encourage undesirable behavior. In 1975, Steve Kerr, who would later become Head of Executive Development at General Electric (GE), leading their famous educational campus, addressed this last point in his classic paper, *"On the Folly of Rewarding A, While Hoping for B."*[7]

To begin encouraging more activator behavior, firms need to review their incentive, promotion, and compensation policies from the ground up. Rewarding more collaborative behavior, instead of the hoarding of client contacts and information, is a good first start. Additionally, by tracking how much time advisors are spending on business development activities—such as attending pitch meetings, key events with clients, engaging in networking with prospects, or creating value-added content for clients—can further encourage more activator behavior.



Hiring business developers: Six rules for success

Understanding the importance of the business activator role in growth, firms need to hire with this in mind in addition to developing these talents from within.

1 Client-Centric Empathy

One of the most underestimated traits of business developers is their empathy. They don't just close deals—they build enduring relationships by genuinely understanding their clients' needs, goals, and pain points. This goes beyond simply being a "people person"—it involves deep emotional intelligence. A business developer knows how to make clients feel heard and understood.

Here is what to ask or look for while hiring:

[a] Does the candidate demonstrate a high level of active listening?

[b] Can they describe how they identify and solve client problems?

[c] Do they have examples of situations where they went above and beyond for a client?

[d] How have they navigated complex client challenges?

A true business developer speaks in terms of outcomes, not transactions.

> "The best business developers are methodical and patient, understanding that today's small deal can lead to tomorrow's massive opportunity."

2 Entrepreneurial Mindset

Business developers are really mini-CEOs. They don't just manage their client list, they actively grow it by pursuing new opportunities and experimenting with unconventional approaches. Their entrepreneurial mindset makes them comfortable with ambiguity and proactive in seeking out new business.

When interviewing for an entrepreneurial mindset explore:

[a] What are their levels of risk tolerance and how do they process setbacks?

[b] Have they launched new projects or taken ownership of initiatives?

[c] Do they have a history of finding creative solutions to complex problems?

[d] Is there evidence of their ability to spot untapped opportunities?

The idea is to look for signs of activator behaviors from potential business developers; individuals who have entered new markets, created new revenue streams, or turned small opportunities into substantial business wins.

3 Mindful Approach to Business Development

As we've seen, activators incorporate business development into their weekly routines and don't leave it for someone else to do "when they get around to it."

When assessing a candidate, look for someone who can articulate both their short- and long-term strategy.

[a] Do they have a structured approach to client development or are they just winging it?

[b] Are they able to discuss how they've cultivated relationships over time?

[c] Can they share examples of how they've grown accounts by steadily building trust?

[d] How do they manage multiple priorities?

[e] How do they balance quick wins with long-term value creation?

The best business developers are methodical and patient—understanding that today's small deal can lead to tomorrow's massive opportunity.

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4 Networks, Networks, Networks

It's important to understand a candidate's approach to networking.

Business developers are often seen as connectors—constantly making introductions and facilitating relationships that extend beyond their own immediate interests.

[a] Do they rely on a few close connections or actively seek out new relationships?

[b] Can they describe how they've leveraged their networks to generate business or create opportunities for their clients?

[c] Ask them for examples of how they maintain relationships.

Successful business developers don't let connections fade; they are proactive about staying in regular contact with clients, sustaining client engagement long after the initial connection is made.

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5 Resilience and Learning Agility

During the hiring process, explore a candidate's ability to adapt to change. Their ability to pivot speaks to a deeper sense of resilience.

[a] Have they successfully navigated market shifts, regulatory changes, or client disruptions?

[b] Do they have examples of times when they hit setbacks but quickly recalibrated and found new ways to deliver value?

[c] Can they give an example of how they have relied on resilience to navigate fast-moving and unpredictable times?

Business developers are known for their learning agility—the ability to pick up new skills and knowledge quickly in order to stay ahead.

6 **Cultural Fit and Collaboration Potential**

Business developers don't operate in isolation—they have to fit within the culture of the firm. In interviews, focus not just on what they can do but how they do it.

[a] Look for alignment in terms of values, work ethic, and collaboration.

[b] Ask about how they've worked with teams in the past.

[c] Is how they align their approach to client relationships consistent with their firm's broader strategy?

[d] Can they articulate why they got into this business—for instance, was there a purpose, cause, or belief?

> "The same questions asked of new hires can be used to evaluate candidates for promotion to partner."

A high-performing business developer whose personal values align with the organization's mission, ethics, and goals will be more effective and motivated.

Selecting the right partners

Developing a process for assigning who gets high-value projects and who is selected for promotion to more senior roles is important both for nurturing an organization's activator population, as well as for indicating the behavior you wish junior colleagues to aspire to. The same questions asked of new hires can be used to evaluate candidates for promotion to partner.

Building business developer teams within your organization

Having business developers in the firm isn't of much use if the firm is not prepared to leverage their talents or foster activator-aligned behavior among other advisor profiles. Therefore, to truly make the best use of activator talent, firms might need to also change how they conduct ordinary business to make these substantial changes.

Building on the work of Michael Beer, an emeritus professor of business administration at the Harvard Business School, a change leader has to create three complementary pressures that take a firm from where it currently is to where it needs to go:

- Creating ***constructive dissatisfaction*** with the current situation.
- Providing a ***compelling vision*** for the organization's future state.
- Thinking through ways to ***overcome obstacles*** between the current and future states.[8, 9]

Constructive dissatisfaction can build better teams

To deliver change in an organization, we need to fully understand the factors that facilitate high-growth firms. Extensive research into high-performing teams carried out by New York Life Investments' Advisor Advancement Institute[10] revealed fascinating insights into the core principles that underpin growth within an organization. Of particular relevance to this topic is the principle of bold action, namely the desire of teams to embrace change and be willing to adapt their strategies accordingly. Similarly, high-performing teams also embrace a growth mindset, which requires the setting of regular and measurable goals that are to be reinforced both in speech and, crucially, in action. These principles are underpinned by a strong desire to create an internal culture that supports individual members in their goals and in which senior personnel frequently give their time to support their peers—reinforcing a proactive approach to delivering impressive outcomes.

By setting goals and creating a culture that ensures such outcome-oriented goal setting is not merely treated as a "check-the-box" exercise, but are an integral function of daily operations, teams can ensure that growth isn't treated merely as an afterthought.

It's also important to emphasize that creating such a growth-minded culture actually makes organizations more appealing to industry talent, helping ensure colleagues see their organizations as a compelling place to grow their careers.

Building a unifying vision

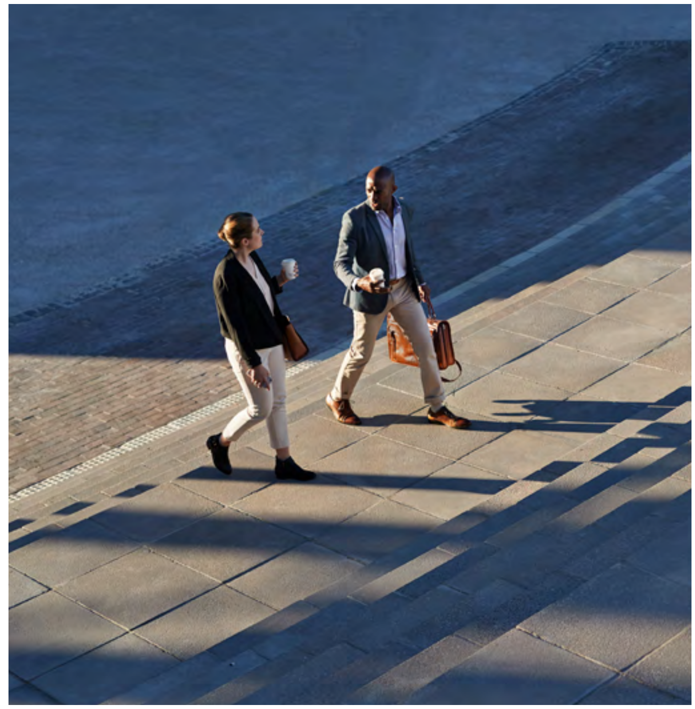
It isn't enough for people to realize instinctively that change is necessary. They must also be able to see and feel what the post-change world is going to look like. Fortunately, there are simple, yet effective exercises teams can engage in to identify a vision that all can share, based on core values that motivate, support, and incentivize your people to unleash their inner activator.

Creating a vision statement for your firm can be a powerful way to foster a shared desire for change. You can start by setting aside some time to write down the regular actions you perform. See if you notice any patterns of behavior that unite all your activities. What does that tell you about the values and beliefs important to you?

For example, you may enjoy taking time to explain complex concepts to others because you value education. Perhaps you enjoy taking time to catch up with your clients face-to-face because maintaining connections with others is important to you. Think about the word that best represents your vision and write it down; for example, "education" or "relationships."

Next you can translate your vision into a short and concise vision statement that encapsulates your firm's motivating principle. Examples from successful organizations include Disney's "to make people happy," Google's "providing access to the world's information in one click," or TED's "spread ideas."

By encouraging other leaders to perform this simple yet powerful exercise, you can begin to find shared visions and beliefs that can help unify your organization.



A process for removing obstacles

Finally, we come to what is probably the most poorly understood and often neglected part of the change process, which is managing the obstacles that stand in the way of change. These could be anything from the dismantling of a technology that nobody realized still performed a vital function, to a failure to adjust incentives, or to recognize that the entire intersection of culture, information flows, resource allocations, and people structures needs to be thought through before launching a change effort. Doing this well is essential if your firm is to successfully create a culture that is supportive of activation-type advisor personas.

The power of cultivating activators

Great business development partners aren't just individual performers—they're catalysts for growth within the organization. They're able to build relationships internally as well as externally, influencing the culture and helping to set the tone for business development across the firm.

With the silver tsunami of boomers retiring, firms don't have the luxury of being haphazard about their approach to finding and developing the talent of their business development leaders. Firms who invest in training, mentoring, and incentivizing proactive networking, expansive relationship building, and generous training content will outpace the growth of those who don't.

Key takeaways for building high-growth organizations

There has been a major shift in the professional services landscape that has seen the role of trusted advisor morph into that of a more proactive, activator mindset—embracing business development principles, an entrepreneurial outlook, multi-channel networking, and an emphasis on teamwork above protecting personal business relationships.

This is in sharp contrast to other advisor profiles, such as the reliable, yet overly conservative ***realists*** or the client-centric, yet relationship-protecting ***confidants***.

As such, ***activators*** are defined by:

- Their proactive approach to reaching out to clients, whether past, present, or prospective; keeping contacts up to date with insights of potential relevance to their present or future needs.
- A positive attitude to introducing fellow advisors in their firm to clients who may benefit from their expertise, in the knowledge that delivering value-added content and thought leadership is the top priority.
- An enthusiastic commitment to business development, rather than mere sales, ensuring connections are made across a wide network of peers and contacts in order to deliver superior service to clients.

What's more, the activator trait can also be developed in those not naturally inclined toward this more active, holistic approach to client service. This can be achieved by:

- Taking a deliberate, methodological approach to fostering the activator population within firms.
- Encouraging consistent training and development as early as possible in the careers of their advisors, instilling the effective habits that define activators.
- Harnessing technology-led management systems and permissionless networks to encourage autonomy, foster skill sharing, and optimize advisor performance through regular feedback.
- Ensuring buy-in at the top of the organization and a commitment to embedding processes into core business practices.
- Structuring incentive and reward programs to encourage behaviors that align with the activator profile: autonomy, energetic networking prowess, and a commitment to bringing value to clients above short-term personal goals.

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IMPORTANT DISCLOSURES

This material has been developed to meet the needs of financial intermediaries.

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