

Cutting Ties

A pair of silver scissors is positioned horizontally, cutting a white string. The string hangs vertically from the top of the frame. Below the scissors, the string is attached to a blue yo-yo. The background is a dark, warm brown color.

When is it time to let a client go? **Evan Thompson** explores the reasons and the delicate ways to say sayonara

Cutting ties with a client can be one of the most difficult business decisions you can make, and one that you may not have even seen coming.

When you begin a client relationship, you and the client are brimming with optimism and resolved to do your best to grow the relationship to your mutual benefit. So, what do you do when a client suddenly becomes difficult to work with and generates so much stress for you and your team that you are distracted from the thoughtful and objective management of your business?

Here are some early indicators that the relationship may be drifting.

- Client-initiated tardiness
- Control issues or insecurity
- Reluctance or refusal to work with junior team members
- Indecisiveness
- Approaching your team members regarding important investment decisions without discussing it with you first
- Disorganization
- One-upmanship or inability to listen
- Not returning emails or phone calls in a timely manner
- Missing deadlines that affect your business and performance on behalf of the client

The first step to solving these issues is by having a candid conversation with the client. A good opener might go something like this: “Larry, I’d like to discuss a few things I’ve noticed recently that indicate we need to talk about how to strengthen our working relationship. I wouldn’t want to see these issues grow as I value our relationship as much as you do.”

Such an approach shows empathy and attentiveness but it’s not so attentive that you heighten the client’s expectations of you from financial advisor to one of sounding board or, worse, therapist.

From there, it’s a good idea to restate your role in the business relationship and why the client hired you in the first place. You may refer to the contract or letter of agreement to illustrate what the client is paying you for. “Some advisors take on the role of financial advisor and concierge in their attempts to please and serve the client,” said one senior advisor with years of private banking experience. By all means, show support and lend an ear, but once you start expanding your role beyond wealth management, the stretching never stops.”

FROM PROFESSIONAL RELATIONSHIP TO TOXIC CLIENT

Unexpected events beyond either party’s control can negatively affect the relationships between both colleagues and clients. Personality conflicts that have been simmering on the back burner can suddenly bubble up, causing stress and ill feeling between you and the client.

“You have a problem when usually happy and competent staff members complain to you repeatedly about a client, or when a toxic client complains to you about the rudeness or poor performance of one of your staff,” observed an advisor who has been working with high-net-worth clients for two decades.

These five situations are good reasons to consider saying goodbye to a client.

1. The client lies and/or distorts the facts.

Call it miscommunication, crossed wires, or forgetfulness. Whatever the excuse, it can shatter trust quickly. If clients lie to you or a team member, they cannot be trusted, and could end up damaging your practice and costing you money — to say little of the emotional toll on you and your team. Once you

are certain your client has lied, document the event and briefly meet with the client confirming trust has been lost and cannot be regained. They may offer many excuses. “Not understanding the implications of undisclosed income is a common one. But running a portfolio or business fuelled by misinformation will get you in trouble, one way or another,” noted one wealth manager.

2. The client is verbally abusive.

The client has become repeatedly rude to you and/or your team. Despite several conversations with your client expressing your concerns, his or her incivility toward you and your team is escalating.

Incivility may be subtle or flagrant, and can involve anything from not returning calls regarding important timelines and decisions; lateness or no-shows at meetings; taking calls in meetings or repeatedly interrupting; lack of preparedness for important meetings; and a generally patronizing approach that diminishes you or your team members.

Remember that this is a management issue and should not be left to employees (established or junior) to deal with. You would be tempting the fates of high and costly turnover.

3. The client has made no progress with resolving issues.

If you document and calmly present your concerns that illustrate poor behaviour on the part of the client and you get no response after a reasonable waiting time, it is best to release the client (with legal guidance if necessary).

4. The client complains about you to friends and colleagues.

If you have proof that your client has been maligning your professional reputation for reasons unknown to you, confront the client and ask why. He or she may be trying to sabotage the relationship by placing you and your business in an untenable position rather than attempting to negotiate a more civil termination of your business relationship.

5. The client makes unrealistic requests to lower fees or ongoing, unwarranted complaints

You need to put your cash flow management needs before anything else as you are running a business. If a client persists in challenging the value for dollar they are receiving and attacking your investment performance, you may never be able to satisfy them until you lower fees and lose money.

Regardless of the duration or your financial dependency on the relationship, the effects of constantly justifying your fees could destroy your business. Hope is not a strategy when it comes to changing an unrealistic client’s expectations. After your attempts to again explain and justify your fee structure have failed, it’s best to terminate the relationship once “fee fixation” dominates the conversation.

While you may think that difficult clients come with the territory, think of the long-term effect on your business. Leaving toxic clients allows you to regain your focus on the rest of your clients who respect your professionalism and advice.

One new advisor I know was wrestling with boundaries with clients and some were taking advantage of his desire to please. “I knew that the stress generated early in my career by difficult

CLIENT MANAGEMENT

client relationships could cause me to doubt my ability and worth,” he said. One experienced advisor suggested to him that if he didn’t stand fast and retain pride in his skills, he may lose his resilience in the face of unwarranted criticism that comes with the job, which could make him more vulnerable to being exploited.

As the experienced advisor told the new advisor during a recent downturn, “If you don’t respect and stand up for the value you create for your clients, who will?”

CUTTING THE CORD

There are several ways to sever client ties — by email, letter, telephone or face-to-face. Your choice will depend on the depth and duration of your relationship with the soon-to-be-former client and your comfort level with confrontation.

An e-mail or letter is easiest and most expedient as it all but eliminates the potential for confrontation. You are in full control of the communication as you state your position clearly and leave no room for misinterpretation. Consider, “Mark, I have further considered our recent conversation and still feel it is best for both of us to terminate our arrangement. I will forward the necessary documents for your signature to formally terminate our relationship and would appreciate their timely return. I wish you the best now and in the future.”

A telephone call is a more personable choice and appropriate if your differences have not escalated to a personal level and no ill feeling has set in. However, keep the call brief and avoid pleasantries. In a tone that is neither harsh nor conciliatory, communicate the information suggested above in termination messages for emails and letters. This can be tricky if the client clearly does not want to be fired and offers apologies and resolves to improve and “play nicely” with you and your team. Remember, you’re not selling him on the idea of being fired. Be firm and suggest you have made your *final* decision. Avoid capitulating or backpeddling by agreeing to another meeting or phone call.

A face-to-face meeting is the courageous and most respectful choice when the client is a long-time client and friend, or worse, a relative. This choice shows respect for the client and your professionalism in dealing with the situation proactively. It also confirms your full commitment to cutting ties and your fearlessness in ending what has become an untenable business situation.

Unless the relationship is rife with acrimony and legal action looms, try to avoid burning bridges. There is always a slim chance that your former client will one day refer you to others for two reasons. First, the client is embarrassed and wants to stay in contact and two, is impressed by your professional skill and integrity and wants to retain the respect you may still hold for them. 🎯

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