Elfi Ettinger

Highly Effective Behavior of Financial Consultants

GABLER EDITION WISSENSCHAFT

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Highly Effective Behavior of Financial Consultants

With Forewords by Profs. Dres. Rolf Van Dick,
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To my parents

With gratitude to my parents, for teaching me life-governing values such as passion for what you do, a good work-ethic, and persistence.

In particular, my mum's words,

“Always in life when you feel you cannot go on,
a light will shine on you,”

enhanced my positive thinking and my determination
to never give up on what I set out to accomplish.

Foreword

The topic of commitment has a long tradition in the organizational behavior literature. For some 40 years now, the concept has been studied and quantitative empirical research has shown that commitment can be differentiated into several forms such as affective, normative, or continuance commitment. That is, some employees are committed to their organization because they want to be (affective), because they need to be because of low alternatives (continuance) or because they feel they ought to be (normative). Evidence clearly supports the assumption that affective commitment is positively related to a range of organizationally relevant variables such as performance, satisfaction, well-being etc. Normative commitment is also associated with these variables, i.e. is "good" for both organization and employee, but to a lesser extent. Continuance commitment, however, has been found to be largely unrelated to these variables; the only reliable association holds for turnover intentions.

Other important research in the last decade or so has looked into the differentiation of foci or targets of commitment. The most prominent foci that have been identified are the organization as a whole, and teams, departments or work groups as smaller entities. (Other foci include work commitment, career commitment, commitment to the supervisor, etc.). Research here has shown that commitment is usually stronger towards smaller categories compared to large inclusive ones (such as the organization as a whole) but that the strengths of relationships to other variables depends on the fit or match between the concepts. So, the concept is well-established and has been shown to be relevant for the explanation of a range of phenomena. Does this mean that Elfi Ettinger is presenting old wine in new bottles here? Quite the opposite! The reader of this book will find a wealth of new and interesting material.

Ms. Ettinger has focused on a completely under-researched area, the commitment of financial consultants, who it seems are sometimes torn between loyalty towards their clients and loyalty towards their organization. This alone makes for an interesting read and contributes to our understanding. More importantly, however, Ms. Ettinger is employing qualitative methods and presents an in-depth analysis of what it really means to "be" committed and presents this through the perspective of financial consultants themselves.

Finally, this book is a rare account of an integrative approach to the understanding of a phenomenon that lies at the interface of several disciplines. Commitment clearly is relevant to and has been looked at from the perspectives of organizational behavior, human resource management, economics, or marketing. Ettinger takes these perspectives and adds strategy and finance and employs a

variety of methods (in-depth interviews, laddering techniques, means-end chain analysis) that produce a much more complete overall picture of what commitment is and how it relates to financial consultants' attitudes and behaviors. I am sure readers will find something in this book that is relevant for their own research or practice – no matter where they work or in which discipline they are based.

Professor Dr. Rolf Van Dick,
University of Frankfurt, Germany

Foreword

Reflecting upon the time when Ettinger indicated she was going to study how highly commitment consultants behave at work, and how their commitment may influence organizational performance in the financial sector, I quietly surmised that interviewees would say that commitment is a good attribute.

Questions that came to my mind then were: (a) how important consultants' commitment may be in a relative sense (i.e. compared to consultants' competence, integrity, self-motivation, professional experience); (b) how consultants' commitment behavior may be measured and linked to PSF performance indicators; (c) and how management can protect the enterprise if consultants are not sufficiently committed. I am delighted to see that Ettinger's thesis brings up some intriguing points for discussion and provides insights into the value of commitment.

Research on commitment has extensively analyzed individuals' commitment based on attitudes or mindsets such as affect, obligation, and perceived cost awareness of discontinuing a course of action. However, research has paid little attention to the commitment-outcome link. There is scant available research on the behavioral meaning or expression of commitment at work. This is especially salient in the domain of professional services. Despite the important role that consultants play in serving customers, the professional services literature has been largely silent on the meaning and importance of consultants' commitment. Dr. Elfi Ettinger's study of consultants' effective day-to-day commitment behavior at work and linkages with organizational performance reveals important insights. Her research represents, to the best of my knowledge, the first such large qualitative study on the meaning of behavioral aspects of commitment within a rather homogeneous group of financial service consultants. Based on in-depth interviews with 40 financial consultants in 30 financial services firms, Ettinger uncovered a set of 15 behavioral commitment roles and 18 core outcomes associated with commitment behavior. She graphically represented the dominant linkages among these behavioral roles and outcomes in hierarchical value maps.

Ettinger points out that the way commitment has been treated in prior research is not quite reflected by what commitment may mean in professional services firms. Ettinger cites one consultant: "It is hard to measure commitment based on how many hours consultants physically spend in the firm" ... "Much business and meetings with customers happen outside the corporate building. Also, some consultants spend fewer hours at work and still have better sales figures" ... "The organization can estimate its performance based on whether customers stay with the consultants, that is, on the degree of customer retention." She argues that consultants' presence in the organization may not be an adequate measure of consultants' performance. This is in

contrast to most of the commitment literature which aims at analyzing employees' presence and retention as a means to understand an organization's performance. Nevertheless, retention and commitment are important. Organizations that cannot retain talent have high turnover, higher costs, and a fragile internal structure.

I like the way that Ettinger tried to develop a "bigger picture" of what commitment could mean in the consulting sector. Her commitment categories speak for themselves. Out of the 15 non-overlapping behavioral roles and associated sets of high-commitment behaviors, only six of those roles, namely the Engaged Worker, Optimist, Future Planner, Time Giver, Moralist and Servant for the Organization, covered Meyer and Allen's (1997) well-recognized conceptualization of commitment. Nine additional roles of consultants' high commitment that could not be classified into prior concepts of commitment surfaced: Authentic, Empathetic, Finance Striver, Friend, Energy Evaluator, Listener, Organizer, Safeguard, and Talker. Further, the following organizational performance variables have been associated with consultants' commitment: Conflict Avoidance, Consulting Quality, Customer Retention, Customer Satisfaction, Customer Trust, Differentiation, Customer Empathy Data, Employee Headhunting, Employee Satisfaction, Employee Retention, Good Reputation/Image of the Organization, Money, Organizational Goals, Product Innovations, Recommendations, Risk Management, Synergies, and Time Savings.

Ettinger also identified negative consequences of high commitment such as stress. Organizations may also risk their consultants being recruited by other financial service firms if the consultant falls into the category of Finance Striver. "The research reveals that behavioral traits associated with the role Finance Striver are most important to commitment. This challenges PSFs to design incentives that retain rainmakers. Her reasoning: "The more expert knowledge an organization's consultants have, the more interesting those individuals become for competitors." This is well supported by references to the literature and direct quotes from consultants. "In our high-end consulting area, good consultants can take up to 70% of their clients when they switch companies. Successful consultants have deep expertise in all financial concerns" ... "Without knowledge and a willingness to learn new things, you cannot do qualitative consulting: you cannot build up credibility, trust or consequently sustain your customer base" ... "There are several banks which are known for trying to hire our best senior people" ... "Good consultants get offers from time to time. I can claim my prize to a certain extent, and many switch, if they are given better offers."

In addition, Ettinger found that consultants' competence does not necessarily guarantee long-term competitive advantage. Based on Ulrich (1998), she argues that just having more competent consultants who are not committed to doing good work is like trying to win a team sport without an all-star team. As one consultant described it,

"If you only have good knowledge, but cannot maintain a strong bond with your customers, your knowledge will not help you in the long run" ... "If you have both .. knowledge ... and a strong bond with your customer, you can write your own ticket and claim the prize you want." Ulrich defines an organization's intellectual capital as "competence multiplied by commitment." A low score on either competence or commitment significantly reduces an organization's intellectual capital. Hence, the most effective customer service is based on the competence and commitment of individuals.

Another interesting point is that the study found that customers' demand may be triggered by consultants' commitment at work. Some quotes illustrate this: "If a customer already has bought one product, it is easier to sell him another one" ... "and if they have three or four contracts with me, then they will hardly change to another provider. If you have them close to you and they feel some connection with you, they would rather pay an extra price to get your advice and stay with you instead of getting into the hassle of looking for another finance provider." Another consultant explains: "My customers do not look at all the contract details anymore; they understand that my organization and I also need to make money. If there is an increase in fees or if I recommend more expensive products and services, they know that I will do the right thing to protect them" ... "When your cooperation is based on commitment, it's not necessary any more to explain all the details."

Although consultants provided answers with an incomplete knowledge of the wide array of possible behaviors for expressing commitment, as well as a limited knowledge of the possible associated organizational outcome variables, many similar subcategories for describing the same commitment and outcome category surfaced. This indicates that there may be some core nature of commitment behaviors. While Ettinger admits that there may be an almost infinite number of possible behaviors humans could refer to as commitment behavior, she argues thus: "If one looks more closely at typical and valued behaviors in certain professions (such as teachers, nurses, bank tellers or even bartenders) one could get the impression that commitment is more typical and valued in certain professions than in others." She suggests that for advancing the behavioral commitment research stream it may be useful to understand employee commitment based on effective work behaviors typically regarded as desirable and valued in certain professions. Consultants (independently of the specific consulting branch) may make use of a common set of professional behaviors when highly committed at work. Ettinger indicates that there may be certain behavioral sets which are more characteristic and appropriate in certain consulting sectors.

Ettinger's study implies that consultants' high commitment has a positive impact on firm performance. Hence, it will be desirable to validate and possibly extend or

refine the understanding of the manifestation of high- and low-commitment behaviors. With such results in hand, high-commitment behaviors can be encouraged, emulated and rewarded. However, behaviors associated with commitment vary between organizations. Behaviors considered as part of the job in one consultancy might be regarded as commitment behavior in another. As each organization has its own socially-constructed reality, based on its history, chosen paths, and resources, different professional services may develop different norms regarding how commitment at work should be expressed.

Theory is needed about situations in which commitment matters most. For example, the human factor (including personal commitment and expertise) may be very important in the consultancy sector but not elsewhere. A better understanding of consultants' commitment to excel at work may become strategically important because reliance on customer satisfaction is rather backward-looking, while commitment seems to be more forward-looking. Put differently, satisfaction is a function of performance to date, whereas commitment captures the strength of a relationship and the resultant desire to proceed forward. In addition, studying commitment in professional services seems intriguing because commitment appears to be rather crucial for "high relational" (loyal and consistent) customers, such as those receiving financial services, while satisfaction appears rather important for "low relational" (occasional and transactional) customers such as in supermarket interactions.

In conclusion, this book is relevant for consultants in investment and financial management, tax consultancy, insurance, banking, and other kinds of financial services firms. It can help consultants reflect on their work behaviors and associated outcomes. Also, trainers and human resource managers in professional services will gain fresh insights. The reader at minimum will be delighted by the entertaining direct quotes on the meaning of commitment in financial services firms.

Professor David J. Teece, PhD
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Foreword

In the realm of financial consultants – which typically includes investment bankers, insurance agents, tax consultants, sales employees, or contractors who provide financial services – we know little about the factors that affect their commitment at work that affects their performance, turnover, etc. We tend to apply the same work systems and reinforcement systems – such as pay and other compensation systems, scheduling systems, and more – to financial consultants as we do to other sales or consulting employees or contractors.

There are, basically, two things wrong with this approach. First, most of the assumptions behind these work systems are patently wrong. For example, there is more than ample research to show that commission systems do little to stimulate high performance except on a short term temporary basis. For a recent discussion of the problem see Wagner, R. and Harteer, J. K. “The Problem of Pay.” *Gallup Management Journal*, May 2008. Or see Kohn, A. “Why Incentive Plans Cannot Work.” *Harvard Business Review*, September 1993 for an excellent review of the scholarly literature around incentive compensation systems. So, applying the same assumptions to the world of financial consultants will lead to the same results achieved with all other sales employees.

Secondly, we know virtually nothing about financial consultants’ work commitment as a concept or as a practical managing tool. While we may make several assumptions about those motivations based upon our own experiences as consultants or what we believe to be true about “human nature,” we have little science based knowledge about these motivations. What affects a financial consultants’ work commitment? Does a financial consultant feel commitment toward his or her organization, to his or her individual client, or something/someone else? What affect does this commitment have on his or her performance? While there is ample evidence that commitment bears a fundamental relationship to customer relationship management, there is little information related to the behaviors that are created or enhanced by higher levels of commitment and which behaviors actually positively affect customer relations and financial services performance.

There is even little common agreement or understanding of what commitment, itself, is. We can, apparently, measure it. But, we cannot describe it in a way that most would accept as an agreed upon or common definition. Too, we cannot describe the behaviors that follow, or are brought about by, commitment. We do believe some things. For example, we tend to believe that commitment leads to loyalty – as in repeated purchase behavior or in the ongoing retention of a client. Because commitment is related to increased cooperative behavior, we believe it is also related to successful market relationships. We know that relationships that are

cooperative are participative and long-term. Therefore, we make the assumption that financial consultants' commitment is directly related to long-term customer relationships. However, these direct relationships are mostly assumed.

We can see that the concept of commitment is the key to understanding financial consultants' work motivation, organizational success or failure, customer loyalty, and more. With such fundamental importance riding on a single concept of organizational life, one would think more significance would be placed on it in the literature, among corporate executives and trainers, and among scholars. However, the truth is, it is given little attention as evidenced by the dearth of academic or professional articles on the subject and by the level of supply of training and educational materials among corporate development networks.

Thankfully, one scholar has devoted her professional career to this subject. Dr. Ettinger has created within this book a singular resource on the topic of financial consultants' work commitment. It is applicable to academicians, executives, managers, training and development managers, and professionals. It provides profound insight into some of the most basic assumptions that are made everyday in the management of financial service firms.

Professor Tom Kent, PhD
University of Charleston, USA

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