THE WALL STREET JOURNAL.

Advisers Put Their Clients to the Test

Victoria Knight. **Wall Street Journal** (Eastern Edition). New York, N.Y.:Mar 29, 2006. p. 1

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Publication title: Wall Street Journal. (Eastern edition). New York, N.Y.: Mar 29, 2006. pg. 1

ProQuest document ID: 1011346721

Full Text (954 words)

Three years ago, Paula Harris left her job as a human-resources director to help her husband Bill Harris expand WH Cornerstone Investments LLC, a financial-advisory practice he started a decade ago in Duxbury, Mass.

While their home life was harmonious, in the office they clashed. To help overcome their work-style differences, they each took a commonly used test -- a "psychometric profiler" -- that promises to gives a profile of the taker's problem-solving approach.

Inspired by how it helped them to explain what made each of them tick, the Harrises hit on an idea: Get their clients to take the same test.

"We saw it as a way of deepening our relationships with clients," says Paula Harris, who is the practice's "people person" and marketing manager, while Bill, a certified financial planner, is the "number cruncher" and problem solver.

Typically, financial-advisory firms use the test, called the Kolbe A Index, to hire staff, coach employees and create teams. But increasingly, advisers are using the assessment to build relationships with clients and screen out those with whom they clash.

Some advisers are also using advanced versions of the test to help wealthy clients troubleshoot issues in their own businesses.

Unlike IQ tests or personality tests, the Kolbe index, a product of Kolbe Corp., is designed to predict what you will or won't do by measuring natural instincts. The assessment consists of 36 questions, which are available online and can be answered in about 20 minutes. The results, which take the form of a seven-page, computer-generated report, are issued instantly.

Kolbe defines four basic action modes: "Quick Starts" are innovators; "Fact Finders" are detail focused; "Follow Thrus" are natural organizers; "Implementors" are people who typically build things. Its one-to-10 scale describes a person's intensity in each action. The four-digit number it generates is the Kolbe A index.

Some advisers are using the Kolbe test with new clients to build rapport and tailor services. For example, the Harrises used the Kolbe index with a married couple who were clients, and results indicated, among other things, that the wife fixated on minor household expenses. That led to an assessment that she may have been sabotaging herself by failing to execute her plans.

"We set up an automated savings system because we knew they weren't going to be able to save regularly on their own," Paula Harris says.

For advisers who see validity in the assessments that it produces, the Kolbe test can be used to screen potential clients and re-evaluate relationships with existing ones. Lydia Kolbas, a certified financial planner with a practice in Sarasota, Fla., has been in the business for 24 years and has been using Kolbe for the past seven.

Normally she uses the test with potential clients but recently asked some longstanding clients to take the assessment as part of financial reviews. The results confirmed Ms. Kolbas's gut instinct.

"We weren't a good match," says Ms. Kolbas, who says the test helped validate her decision to drop the clients. Typically, for two people to work well together there should be no more than a three-point difference between scores in a Kolbe "action mode." A difference of four, while a red flag, can be bridged if an adviser adjusts his work style. However, such adjustments may take time and energy at the expense of other clients.

Kolbe Corp. estimates it has 3,500 clients in the financial service and insurance industries, primarily in North America. Of the total, about 600 describe themselves as wealth managers or financial advisers, and an additional 250, as brokers. It is unclear whether these advisers are using the tests on their own employees, clients or a combination of both.

A clearer picture emerges among wealth managers, about 75 of whom have completed Kolbe's three-day certification program, a designation that enables them to administer, interpret and model organizational dynamics for clients. (Noncertified advisers have access only to computer generated printouts for individual clients who sign releases.)

Using psychometric tests on clients has the potential to raise legal issues, and Kolbe Corp. cautions advisers against relying solely on the index to gauge clients' risk tolerance when considering the suitability of investments because the index wasn't designed for this purpose.

Of greater concern are the ethical issues surrounding how the test is used. Because Kolbe purports to give a picture of a person's drives, certified Kolbe consultants must agree to maintain the confidentiality of the results for each person taking an index, give the full version and use only approved material to explain results.

"In other words, don't do family therapy if you are financial planner, and don't do business succession planning if you are a therapist," David Kolbe, chief executive of Kolbe Corp., says.

Diann Howard, general manager at Keating & Associates Inc., an independent financial-planning firm with four locations in Kansas, originally trained to use the Kolbe test to help hire staff internally.

When a client told her boss, Patrick Keating, that he was struggling to find a new chief financial officer, Mr. Keating offered to have the client's candidates sit for the tests. Since then, the practice has been offering Kolbe to clients as a value-added service.

"Clients may resent spending time on human resources. They are pleasantly surprised that we can help them with something like that," says Ms. Howard.

Some advisers fear clients may react badly when the idea of taking a Kolbe assessment is brought up, but clients tend to be more skeptical than offended.

In fact, according to advisers using Kolbe, most clients, skeptical or not, are curious to learn what the test says about them. Advisers may also want to share their own results with clients to shed light on their own style of doing business.