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Moving the Needle

At the *Journal of Financial Planning*, we're always keenly interested in contributed articles that "move the needle on the dial"—in other words, advance the profession in some significant way. It's not always easy to determine which contributions will do that. Ultimately, it is up to you to decide which articles excite you and have a positive effect on the way you practice.

This issue of the *Journal* features a contribution we feel has the potential to be very influential. It's called "Finding the Planning in Financial Planning," and it was written by David Yeske, a former FPA chair. Yeske has contributed a great deal of thoughtful work to the body of knowledge of the financial planning profession, some of it in partnership with his wife, Elissa Buie. And having been a big part of that profession for many years, he knows his history.

His paper is seasoned with references to well-known contributions to the profession—works by other thought leaders who have "moved the dial," such as Dick Wagner, Lynn Hopewell, Jon Guyton, George Kinder, Rick Kahler, Roy Diliberto, Deanna Sharpe, Carol Anderson, Bill Anthes, Gobind Daryanani, and others.

One of the works Yeske cites is a popular article written by Guy Cumbie, himself a former FPA chair. In 2002, Cumbie wrote in *Accounting Today* of an "embarrassingly gaping hole in the personal financial planning profession's body of knowledge in the area of planning." I was working for CFP Board in Denver when Cumbie's article came out, and I remember very well what a stir is caused. Cumbie's article was applauded as a wake-up call in some quarters, criticized by others who believed that successful client outcomes provided all the evidence needed that planning was being done and done well.

We all use terms that we take for granted. For example, we talk about "art," but are usually at a loss to describe what a person can do to become artistic. Oh, we can talk about outcomes—painting, sculpting, writing, designing—but it's much harder to describe the steps a person must take to turn his or her work into true art. Often, we throw our hands in the air and quip that we don't know what art is, but we know it when we see it.

Not content to take "financial planning" for granted, Yeske has written a paper that attempts to break down planning into five, specific strategy-making modes. He suggests that these modes can be studied empirically, measured in terms of their effect on client trust and relationship commitment, and used to assess whether planners possess the competencies needed to be successful.

I can't tell you with certainty that this article will change the way you do financial planning. All I can say with confidence is that this is an article worthy of your attention and careful consideration. It's an article that merits discussion when you meet with colleagues at work, at FPA Denver 2010, and on the FPA LinkedIn site.

Lance Ritchlin
Editor

Electronic copy available at: http://ssrn.com/abstract=1612507

Finding the Planning in Financial Planning

by David B. Yeske, D.B.A., CFP®

David B. Yeske, D.B.A., CFP®, holds an appointment as Distinguished Adjunct Professor in Golden Gate University's Ageno School of Business and is a managing director of Yeske Buie, a wealth management firm with offices in Vienna, Virginia, and San Francisco, California. The research reported in this article is based on Yeske's doctoral dissertation, the full text of which can be found at http://ssrn.com/author=646759.

Executive Summary

- After four decades, the financial planning profession still lacks an overarching framework for organizing and testing the strategy-making (that is, "planning") activities of its practitioners.
- An integrating framework is proposed that consists of five modes of strategy-making: planner-driven, data-driven, policy-driven, relationship-driven, and client-driven.
- Each of these five modes represents a different relative role for the planner and client in the planning process. The modes also fall along a parallel dimension of planning versus emergence.
- The proposed model is tested against measures of client trust and relationship commitment, and the policy-driven mode is found to be the most powerful predictor of both.
- Client complexity is also analyzed as a predictor of client trust and commitment, and it is found that trust and commitment are inversely related to the complexity of a client's circumstances.
- Finally, a factor analysis of planner strategy-making activities shows that planners in independent firms tend to favor data- and policy-driven approaches and those practicing at large financial services firms tend to be more dominant in the planner-driven mode.

After four decades of growth and development, the financial planning profession is still without an overarching framework for organizing and testing the strategy-making activities of its practitioners. The profession lacks, in other words, a theory for where planning comes from. This observation is not new and has been shared by a growing number of academics and practitioners over the past decade. In 2002, Guy Cumbie, then chair of the Financial Planning Association (FPA), bemoaned the "embarrassingly gaping hole in the personal financial planning profession's body of knowledge in the area of planning" (*Accounting Today*, 2002). Warschauer, meanwhile, has observed that "we have poor theory to guide the practice of financial planning" (2002), while Black Jr. et al point out that "the PFP field has evolved largely devoid of a theoretical foundation" (2002). This research is meant to begin to address this gap by developing an integrating framework for the strategy-making activities of financial planners and then empirically testing that model against appropriate measures of success.

But how can we measure success?

A long-standing marketing message of the Financial Planning Association declares that "Planning pays off." But how do we know that's true, and how might we measure it? Like many other professional services, after all, financial planning possesses high credence properties (Sharma and Patterson, 1999), which means that the quality of the service is difficult to judge, even after it has been delivered. This is easy to see when you consider that financial planners are routinely asked to develop strategies for attaining goals that are many years or even decades into the future. So, if we cannot wait decades to see whether a particular approach to planning has "paid off," what can we observe in the present that might provide us with a more immediate measure? The answer that has emerged over the last dozen years through a series of research initiatives within the financial planning profession is centered on measures of client trust and relationship commitment.

Client trust and commitment are attractive variables on which to focus, as anything that maximizes a client's trust in the financial planner and commitment to the financial planning relationship can lead directly to positive outcomes. These include high acquiescence, a low propensity to

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leave, a high degree of cooperation, and functional conflict (that is, the ability to maintain a highly functional relationship even when conflicts arise) (Hunt and Morgan, 1994). These qualities tend to lead to long-lasting relationships and are associated with greater client openness in disclosing personal and financial information, greater cooperation in implementing planning recommendations, and a greater propensity to make referrals (Sharpe and Anderson, 2008).

The concept of client trust and commitment as key mediating variables first arose in the relationship marketing literature, notably in the work of Morgan and Hunt (1994), who attempted to identify the antecedents of trust and commitment. Among their proposed predictors were relationship termination costs (that is, switching costs), relationship benefits, shared values, communication, and opportunistic behavior.

Christiansen and DeVaney (1998) subsequently applied this same model to financial planners and found that relationship termination costs, relationship benefits, and shared values were all strong predictors of commitment. Shared values, communication, and opportunistic behavior, meanwhile, were strongly predictive of trust, which itself was a strong predictor of commitment. Communication was the single most powerful antecedent to trust and commitment, acting directly on trust and through trust on commitment.

Sharma and Patterson (1999) also addressed the question of which antecedents most influenced client trust and commitment within the financial planning relationship. As noted, these authors observed that financial planning is a "high credence" service that unfolds over time, leaving clients hard pressed to judge the quality of the advice in the present moment. They go on to explain:

> After all, if clients have trouble evaluating outcomes, then it seems reasonable that interactions ("how" the service is delivered) and all forms of communication will take on added significance as clients seek to minimize dissonance and uncertainty about the adviser they have chosen.

Figure 1: Antecedents to Trust and Commitment—Christiansen & DeVaney

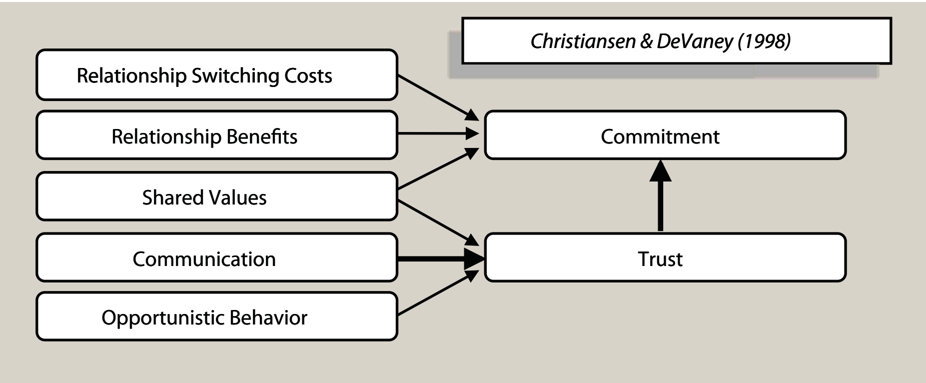
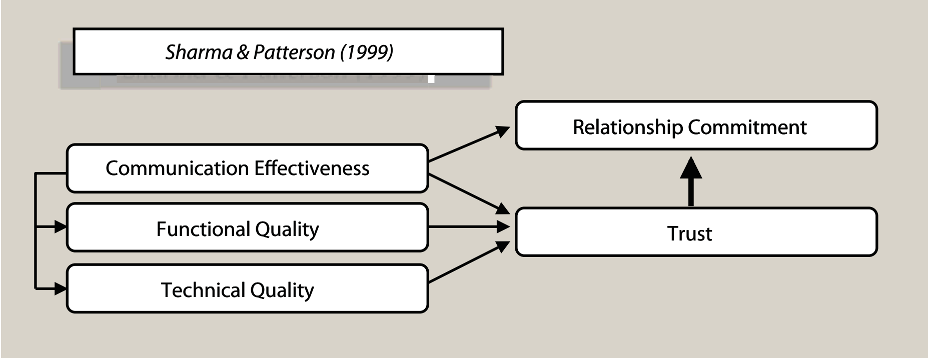


Figure 2: Technical Quality, Functional Quality, and Communication Effectiveness



The authors explored the links between perceptions of technical quality (what was being delivered), functional quality (how it was being delivered), and communication effectiveness on the one hand, and relationship commitment on the other. They found that a client's perception of the technical and functional quality of the planner's advice was positively correlated with the client's level of trust in the planner. Higher levels of trust, in turn, were associated with higher levels of commitment to the relationship. Communication effectiveness, meanwhile, acted directly on trust and commitment and also indirectly through its effect on perceived technical quality and functional quality.

Sharma and Patterson (2000) later returned to the examination of the antecedents of relationship commitment, examining the role of trust and a new variable: satisfaction. They tested the effect of trust and satisfaction on commitment in light of three contingencies: switching costs, the availability of attractive alternatives, and prior experience. They found that trust had the greatest effect on commitment when switching costs were high, perceived alternatives were low, and/or prior experience was low. In situations in which switching costs were low, perceived alternatives were high and/or prior experience was high, satisfaction was the dominant antecedent to commitment. This work proved illuminating when unexpected results turned up in the present research, as will be described later.

Sharpe, Anderson, White, Galvan, and Siesta (2007) extended the work of

Christiansen and DeVaney (1998) and Sharma and Patterson (1999, 2000) by focusing solely on the communication dimension. They derived the communication elements to be examined from the life planning literature and organized it into three dimensions: communication tasks, communication skills, and communication topics. They found that the following were most highly valued by financial planning clients:

Communication tasks

- Systematic process to clarify goals and values
- Explaining how advice reflects goals and values

Communication skills

- Eye contact, body language, verbal pacing
- Facilitating difficult conversations about money

Communication topics

- Client values and quality of life
- Initiating conversations about life changes

In discussing the virtues of the life planning approach to client interactions, the authors state: "Using a life planning perspective, the planner's role shifts from maximizing a client's investment returns to helping the client utilize financial resources to construct a meaningful life."

Developing the Model: Themes from the Financial Planning Literature

As one surveys the financial planning literature of the past 40 years, three major themes or clusters naturally emerge. The oldest and largest of these is the "quantitative tools" cluster. To a significant degree, this cluster represents the adaptation of traditional tools of financial and economic analysis to individuals and families. These offerings include such things as Warschauer's (1981) uniform risk-liquidity balance sheet and Hopewell's (1997) introduction of stochastic modeling, especially Monte Carlo analysis. Following Hopewell, stochastic modeling became a regular topic in the literature, including further forays by Kautt and Hopewell (2000) and Kautt and Wieland (2001). Other examples of this cluster are scenario planning (Ellis, Feinstein, and Stearns, 2000), discrete event simulation (Houle, 2004), and sensitivity simulations (Daryanani, 2002).

A second thread running through the financial planning literature involves process-oriented techniques. These generally take the form of decision rules and are meant to provide a framework for rapid decision-making in the face of changing external circumstances. As elsewhere, this area has seen the direct adoption by financial planners of tools and techniques developed in other fields, including, for example, the use of investment policies (Boone and Lubitz, 1992, 2004). Another example is policy-based financial planning, an idea first proposed by Hallman and Rosenbloom (1987) and later developed by Yeske and Buie (2006). Policy-based financial planning involves the development of statements (policies) that capture *what* clients intend to do and *how* they intend to do it in terms not limited to the present circumstances. Policies are meant to be enduring touchstones that keep clients anchored to an appropriate course of action, especially in turbulent environments. As such, it is important for clients to see their own values, beliefs, and goals reflected in the policies if they are to fully embrace them.

> "It is important for clients to see their own values, beliefs, and goals reflected in the policies if they are to fully embrace them."

Also found within this process-oriented cluster are concepts such as opportunistic rebalancing (Daryanani, 2008) and safe withdrawal rates, especially those approaches that incorporate active decision rules or policies (Guyton, 2004; Guyton and Klinger, 2006). As with policy-based financial planning, and unlike approaches involving static withdrawal rates, the decision rules developed by Guyton and Klinger are most efficacious with the active understanding and participation of clients.

The third major theme within the financial planning literature directly addresses this need for a deeper understanding of clients' beliefs, values, and motivations. This area has been variously called interior finance, financial life planning, and life planning. Examples include the work of Wagner (2002) in the area of interior finance (a term he coined), Kinder's (2000) *Seven Stages of Money Maturity*, Kinder and Galvan's (2005) EVOKE system, and Kahler's (2005) financial integration framework. Carol Anderson and Mitch Anthony, meanwhile, coined the term "financial life planning," and much work has been done under that label (Diliberto and Anthony, 2003; Anthony, 2005; Diliberto, 2006).

One notable aspect of the work being done on the interior dimension is that it is not limited to offering new perspectives but has generated many specific tools and techniques for improving the discovery process. On this point, it's worth recalling that one of the key findings of the Sharpe, Anderson, White, Galvan, and Siesta (2007) research was that clients place a high value on a "systematic process for clarifying goals and values."

When viewed as a whole then, much of the financial planning literature seems to naturally fall into the following categories:

- Quantitative tools
- Process-orientation
- Interior dimension

Developing the Model: Perspectives from Strategic Management

No overarching framework has been proposed for how the three major themes found within the financial planning literature might be meaningfully incorporated into a complete theory of strategy-making by financial planners. A review of the strategic planning literature, however, offered useful perspectives for organizing these three lines of development.

Two themes that emerge explicitly from the strategic management literature and implicitly from the financial planning literature involve the concepts of rationality and involvement. Rationality refers to the degree to which planning can be formalized, quantified, and controlled, while involvement refers to the relative roles played by the participants in the planning process. In the case of strategic management, the two groups that define the degree of involvement or the roles dimension are top managers and all other organizational participants (Hart and Banbury, 1994). In the financial planning context, relative involvement or roles are divided between the financial planner and the client. The rationality dimension can also be thought of as the role of planning versus emergence in the development of strategies. This refers to the dynamic tension between classical, deterministic notions of the planning process and the more iterative, adaptive approaches proposed by those who believe the world is too chaotic for highly structured methodologies (Mintzberg and Waters, 1985).

Hart (1992) proposed an integrative framework for the strategy-making process that offered resonance for thinking about the financial planning process. His model consisted of five broad approaches to strategy-making that were distinguished by the relative roles of top managers and other members of the organization. These modes emerged from three themes that Hart found in the strategic management literature: rationality, vision, and involvement. Hart's five modes fall along the dual dimensions of planning versus emergence and roles/involvement. Our three financial planning clusters cannot only be seen to fall along the planning versus emergence spectrum, they can just as clearly be seen to fall along the related dimension of relative roles or involvement as described by Hart. It's clear that the role of the financial planner is the dominant one whenever there's an emphasis on quantitative tools, just as, at the opposite end of the involvement spectrum, the techniques found in the life planning literature require the active participation and engagement of planner and client. Process-oriented approaches fall midway between these two, requiring greater participation by clients than the quantitative tools techniques, but more formal planning on the part of the financial planner than is found in pure life planning approaches.

Brews and Hall (1999) also explored the issue of formal planning versus incrementalism (emergence) and how both are moderated by environment. What they found is that formal planning is a necessary element of successful firm adaptation in stable and chaotic environments, while policy-based approaches are most effective when conditions are unstable. Their results suggest that it's not a matter of planning versus emergence so much as planning and emergence. Or as Brews and Hall put it, "Instead of being the antithesis of incrementalism, formal specific planning may be a necessary precursor to successful incrementalism ... both are necessary, neither is sufficient." This notion of planning as a function of the complexity of the environment was also explored in the present research.

In the next section, we will describe a framework in which the dominant modes of strategy-making by financial planners are organized in terms of the planning versus emergence dynamic and the relative roles and involvement of planner and client in the process.

An Integrative Framework for Strategy-Making by Financial Planners

As just noted, the dominant themes found in the financial planning profession's body of knowledge can readily be organized along the planning versus emergence spectrum. If we also wish to explore the relative roles of financial planner and client, however, we must first enumerate those roles and activities that are part of the planning process. Combining the activities implicit in CFP Board's six-step process with two additional functions or activities that have been proposed as part of an expanded discovery process, namely "vision" (Kinder, 2000; Kahler, 2005; Diliberto, 2006) and "exploration" (Kinder and Galvan, 2005), yields the following seven roles:

1. Vision
2. Exploration
3. Goal-setting
4. Analysis
5. Strategy formation
6. Implementation
7. Review

Starting with the relative roles or involvement dimension, the financial planning literature would seem to suggest five distinct modes of strategy-making: three corresponding to the main clusters already identified in the literature and two more that represent extreme endpoints. These five modes have been titled: planner-driven, data-driven, policy-driven, relationship-driven, and client-driven. And just as was the case with strategic planning, when financial planning is organized along this roles/involvement dimension, we also find it falling naturally along the rationality dimension.

The five modes and the related focus of each can be found in Figure 3, along with a list of the relative roles and responsibilities of planner and client associated with each mode. Table 1, meanwhile, lists some of the key tools and techniques associated with each mode.

As noted earlier, the three lines of development that clearly dominate the financial planning literature are related to quantitative tools, process-orientation, and interior dimension. In our proposed strategy-making framework, these correspond to the data-driven, policy-driven, and relationship-driven modes, respectively. We'll begin our detailed description with these three modes, which fall along the center of our

Figure 3: Planner-Client Roles and Responsibilities

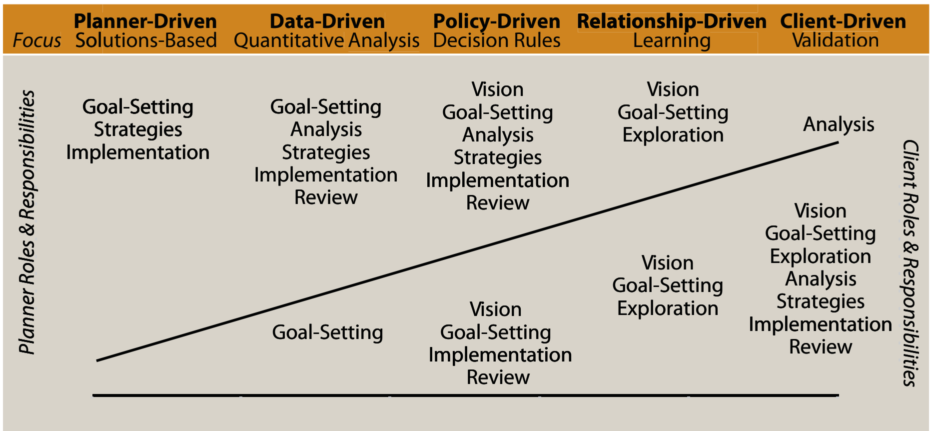


Table 1: Tools & Techniques Associated with Modes of Strategy-Making

	Planner-Driven	Data-Driven	Policy-Driven	Relationship-Driven	Client-Driven
	Solutions	Quantitative Analysis	Decision Rules	Learning	Validation
Tools/Techniques	Generic strategies	Ratio analysis	Financial planning policies	Integral finance	On-demand hourly
	Turnkey programs	Monte Carlo simulations	Safe withdrawal rates	7-States of Money Maturity	HR education
	Off-the-shelf solutions	Sensitivity analysis	Investment policies	EVOKE	Online advice
	"Canned plans"	Real options	Rebalancing rules	Financial life planning	
		Discrete event simulation		Appreciative inquiry	
		Life-cycle investing		Financial integration	
		Scenario learning		Behavioral finance	
		Portfolio optimization		Motivational interviewing	
				Values-based planning	

planning-versus-emergence and planner-client roles/responsibilities dimensions.

Data-Driven Mode. The data-driven mode has quantitative analysis as its focus. The financial planner is the dominant player in this mode because of the training and expertise needed to use and interpret the sophisticated techniques that are its dominant characteristic. In considering the relative roles of financial planner and client, we must first consider the fact that these quantitative tools are designed to deliver optimal solutions based on objective goals. Goal-setting, therefore, is where the process begins. And for the client, this is also where the process ends. For all the rest, these tools and techniques require expert knowledge, both in their application and the interpretation of results. Likewise, strategies based on quantitative analysis tend to possess a high technical content and therefore require expert knowledge to implement and review.

Policy-Driven Mode. The policy-driven mode has decision rules as its focus. There is greater balance in the roles of financial planner and client. In part, this is because clients' interior dimension, their vision and personal values, are an explicit input to the process (Yeske and Buie, 2006). Clients are also more deeply involved in implementation, because the purpose of decision rules is to put the clients more in control of their financial decision-making (Yeske and Buie, 2006; Guyton and Klinger, 2006). Finally, clients have a greater role in review as well, because policies and other decision rules are meant to be durable guides in the face of cyclical changes, while it is only fundamental change in client circumstances or values that will trigger a need to revisit and revise.

Relationship-Driven Mode. The focus of the relationship-driven mode is exploration and learning. Of necessity, the client role is expanded even further as they engage in a dynamic and iterative process of exploration and discovery (Kinder, 2000; Kahler, 2005; Kinder and Galvan, 2005; Diliberto, 2006). This strategy-making mode is not focused on analysis, strategy development, or implementation, but toward enhanced discovery at the beginning of the process (or whenever it is being revisited) and improved communication throughout. The more technical aspects of financial planning tend to be taken for granted. In any case, the client is of necessity a full participant in all but the analysis and strategy development activities, although the client is expected to actively validate any strategies that might be recommended (Anthes and Lee, 2001).

While the three categories just described appear robust and are well represented in the literature, they are also incomplete when viewed along the planner-client roles/responsibilities dimension. There are two more modes that are readily observed at work in the world that must be accounted for. These remaining modes represent extreme end-points on the interaction spectrum and can be described as planner-driven at one end and client-driven at the other. Interestingly, while these modes do not occupy much of the financial planning literature, which tends to be aspirational in nature, there is reason to believe that they may actually be the

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most representative of actual practice among those engaged in the delivery of financial advice.

Planner-Driven Mode. The planner-driven mode is focused on solutions. In this mode, the financial planner sets the direction (Diliberto, 2006) and controls the process. The client enters the process primarily as a consumer of financial services and products. Because this mode involves the use of generic strategies, turnkey programs, and off-the-shelf solutions, the client does not even enter the process at the goal-setting level. More often, it is the planner's preconceptions that determine the direction of advice. While the planner-driven mode can be found with solo practitioners and other independent planning firms, it would be expected to be the dominant form for large financial services companies offering financial planning services (Anthes and Lee, 2001).

Client-Driven Mode. The focus of the client-driven mode is validation. The financial planner enters the relationship at the level of analysis and possibly strategy-making. This leaves all the other elements of the planning process to the client, though it is by no means a certainty that clients will carry out those other activities (that is, vision, goal-setting, exploration, implementation, and review). The process is client-driven because the client decides where, when, and under what circumstances the planner is invited into the process. The specific forms under which this mode can be found range from hourly on-demand planning offices, where the planning engagement begins and ends with the office appointment (Lee, 2002), to web-based advice. In the case of web-based advice, planners may charge an hourly (or per minute) fee or "bid" a fixed-fee based on a detailed client request.

While the five strategy-making modes described above are cohesive and well-represented in the literature, there is no suggestion being made that individual planners or firms will possess capabilities in only one mode. Indeed, it is assumed that more often than not financial planners or firms possess capabilities in multiple modes, employing different modes and combinations as circumstances warrant.

Relating Strategy-Making Capabilities to Client Trust and Commitment

Having proposed the foregoing framework for explaining the strategy-making activities of financial planners, the next step was to empirically test it with financial planners and their clients. Specifically, two hypotheses were tested:

1. Because prior research suggested that a more balanced level of planner and client involvement in the planning process would be positively related to trust and commitment (Christiansen and DeVaney, 1998; Sharma and Patterson, 1999, 2000; Sharpe et al, 2007), we proposed that the data-, policy-, and relationship-driven modes would be more predictive of client trust and commitment than the less balanced planner- and client-driven modes. This hypothesis was tested by regressing the trust and commitment variables on each of the 5 strategy-making predictor variables in turn using ordinary least squares (thus, 10 regression models were estimated). Univariate regression was chosen instead of multiple regression due to the relatively small sample size for matched planner-client responses (see the Methodology section below).

   Hypothesis 1: The data-driven, policy-driven, and relationship-driven modes of strategy-making will be more correlated with client trust and commitment than will the planner-driven and client-driven modes.

2. Wagner (1999) has suggested that planning strategies need not be complex for those whose circumstances are simple, while Langrehr (1991) identified the factors that added to the complexity of a client's life circumstances and must be accounted for in the planning process. A significant part of the financial planning literature is devoted to planning for change and transition, voluntary and otherwise (Diliberto and Anthony, 2003; Anthony, 2005; Diliberto, 2006). It was proposed that client trust and commitment would be greater for clients with complex circumstances than for those whose circumstances are simple. Testing client complexity separately from strategy-making modes allowed for the use of a much larger dataset as all of the client responses could be used (n=325).

   Hypothesis 2: Client trust and commitment will be positively related to the complexity of a client's circumstances.

A factor analysis was also performed in order to explore how the proposed strategy-making modes were actually used by planners as a function of firm size and mode of practice.

Methodology

Financial planner members of FPA who had not opted out of research solicitations were invited to participate in a survey, and those who participated were also asked to invite some or all of their clients to participate in a companion survey. A unique numerical identifier was provided to each planner participant and by having clients enter this number into their own survey, client and planner responses could be matched. The planner questionnaire collected information related to mode of practice, relative roles of planner and client, tools and techniques employed, and size of firm. The client questionnaire collected responses related to client trust and relationship commitment, and the complexity of family and financial circumstances. The invitation went to 14,756 members and was repeated three times over the course of five weeks.

The necessity of using the financial planner respondents as the gateway to their clients would suggest a significant opportunity for bias in the client sample. There was every reason to believe that planners would direct only their "best" clients to the survey, not least because planners would reason that clients with whom they have a marginal relationship would have a low propensity to participate. Mitigating this potential bias was evidence from Christiansen and DeVaney (1998), Sharma and Patterson (1999, 2000), and Sharpe and Anderson (2007) that planners have a tendency to overestimate the strength of client loyalty, often based on longevity of relationship alone. Sharma and Patterson (2000), for example, found that clients will remain with planners long-term even when their satisfaction is low when they perceive switching costs to be high, alternatives to be few, or they have not had prior experience with other advisers. It was also expected that a credible promise of anonymity would allow clients to reveal more nuanced opinions than might otherwise be expected. Finally, to the degree that any such bias exists across the entire sample, which is the most likely eventuality, the relative effects would not be biased.

The planner responses allowed each planner to be assigned a score for each of the five proposed strategy-making modes. Firm size was measured by number of advisers employed.

Client responses allowed each client to be assigned a score representing their degree of trust in their planner and a separate score for relationship commitment. These constructs were adapted from Christiansen and DeVaney (1998), Sharma and Patterson (1999, 2000), and Sharpe et al (2007). Information related to size of family, income, industry of employment, number and complexity of employee benefits, types of investments, and estate arrangements was collected (a total of 23 variables) and used to construct a "client complexity" index (Langrehr, 1991).

Results

Completed questionnaires were collected from 360 planners (a 2.5 percent response rate) and 343 clients. The client responses could be mapped to 35 planners, a smaller than ideal sample size, but minimally large enough for testing purposes. The scores for the five modes of strategy-making were largely uncorrelated with each other (correlation coefficients ranged from 0.06 to 0.35). See Tables 2 and 3 for a summary of planner and client scores.

The first hypothesis stated that the data-driven, policy-driven, and relationship-driven modes of strategy-making would be more strongly associated with trust and commitment than the planner-driven and client-driven modes. With trust as the dependent variable, only the data-driven and policy-driven modes had the predicted larger coefficients than the planner-driven and client-driven modes. The policy-driven coefficient was actually four times the size of the next largest (data-driven) and was the only coefficient that was statistically significant at the 0.05 level. With commitment as the dependent variable, the data-, policy-, and relationship-driven modes all produced the predicted larger coefficients compared to the planner- or client-driven modes. Yet again, however, only the coefficient on the

Table 2: Planner Strategy-Mode Scores

	Mean	Std-Dev
Planner-Driven	11.8	3.6
Data-Driven	12.8	3.8
Policy-Driven	13.9	2.8
Relationship-Driven	17.1	3.5
Client-Driven	8.6	3.3

Table 3: Client Trust & Commitment Scores

	Mean	Std-Dev
Trust (maximum possible score = 30)	27.4	2.9
Commitment (maximum possible score = 42)	35.1	4.1

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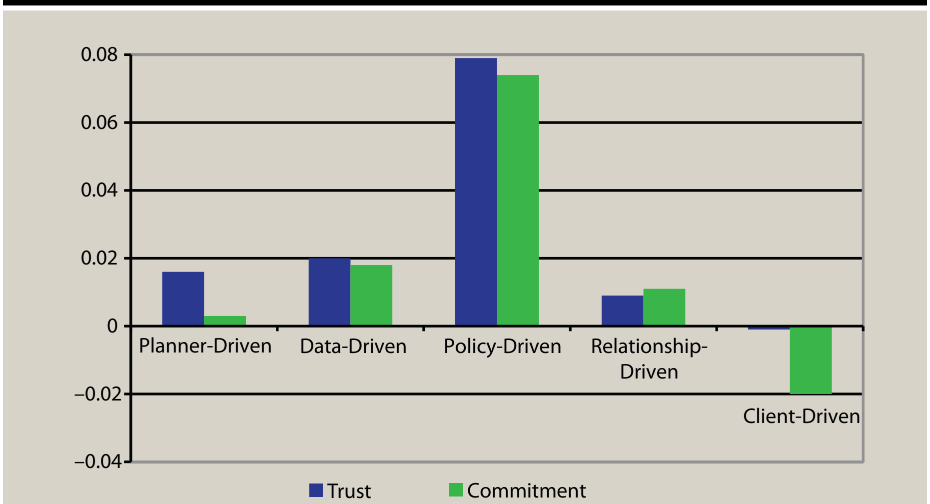
Table 4: Regression Results for Trust and Commitment as a Function of Strategy-Mode Scores

Dependent Variable: Trust	Coefficient	Constant	R^2	F Ratio	t-stat	Sig. t
Planner-Driven	0.016	5.278	0.01	0.325	0.57	0.573
Data-Driven	0.02	5.219	0.016	0.526	0.725	0.473
Policy-Driven	0.079*	4.371	0.141	5.401*	2.324*	0.026
Relationship-Driven	0.009	5.312	0.003	0.101	0.318	0.753
Client-Driven	–0.001	5.476	0	0.001	–0.23	0.982
Dependent Variable: Commitment	**Coefficient**	**Constant**	**R^2**	**F Ratio**	**t-stat**	**Sig. t**
Planner-Driven	0.003	4.984	0	0.011	0.107	0.916
Data-Driven	0.018	4.787	0.013	0.439	0.662	0.512
Policy-Driven	0.074*	3.99	0.12	4.490*	2.119*	0.042
Relationship-Driven	0.011	4.823	0.005	0.154	0.393	0.697
Client-Driven	–0.02	5.193	0.012	0.388	–0.623	0.538

*p<0.05

Figure 4: Coefficients from Regressing Trust and Commitment on Strategy-Mode Scores



policy-driven mode was statistically significant at the 0.05 level (see Table 4 and Figure 4).

The second hypothesis stated that there would be a positive correlation between client complexity and trust and commitment. It was found, however, that trust and commitment were actually inversely related to the complexity of a client's circumstances. This finding was significant at the 0.01 level for trust and 0.001 level for commitment. While this was the opposite of the hypothesized relationship, it could be explained with reference to prior research. Sharma and Patterson (2000) found that client trust and commitment were (indirectly through a "satisfaction" construct) influenced by three factors: perception of attractive alternatives (advisers or firms), perception of switching costs, and the number of prior advisers. Because the factors that went into the complexity score (for example, income, complexity of financial and estate arrangements) would tend to be correlated with greater financial sophistication, it could be argued that the greater the complexity of a client's circumstances, the greater the client's perception of both attractive alternatives and low switching costs. This interpretation is consistent with Sharma and Patterson's (2000) findings and would suggest that financial planners should consider their more sophisticated—and typically largest— clients to be most at risk for changing advisers.

Results of Factor Analysis

When we performed a factor analysis of the responses related to mode of strategy-making from all 360 planner respondents, five distinct factors emerged, all with Eigen values > 1. While two of the factors corresponded to two of our original strategy-making modes—planner-driven and client-driven—the data-driven and policy-driven modes merged into a single factor, which we will refer to as the "data-policy" factor. The remaining two factors represented the bifurcation of the relationship-driven mode, one factor consisting entirely of statements related to client interaction and the other composed entirely of formal tools and techniques used in the discovery process. We will refer to the latter as the "systematic-relationship" factor (see Figure 5).

When we examined these factors in light of firm size and mode of compensation, several distinct patterns emerged. The data-policy factor and the systematic-relationship factor were primarily associated with independent, fee-only financial planners. The planner-driven and relationship-driven factors, meanwhile, were primarily associated with advisers working in large financial services firms, predominantly compensated on a fee-and-commission basis. Finally, the client-driven factor was most associated with planners working in smaller firms with mode of compensation evenly divided between fee-only and fee-and-commission.

Review and Summary

The financial planning profession, now reaching the end of its fourth decade, has until now lacked a framework for organizing and testing the strategy-making activities of its practitioners. The present research has, for the first time, offered such an integrative framework for organizing the strategy-making activities of financial planners and tested it empirically. Because financial planning possesses high credence characteristics, the issue of how to test any propositions related to different practices has often been problematic. A growing body of research, however, has shown that measures related to client trust and commitment can be used as a proxy for a host of more subtle factors that come into play in the financial planning engagement. These measures were used to validate the proposed integrative framework.

The model/framework itself posits five distinct modes of strategy-making that fall along the spectrum of the relative roles of planner and client, beginning with the planner-driven mode in which the planner dominates the engagement, and ending with the client-driven mode, in which the client's role is dominant. In between these two extremes fall the data-driven, policy-driven, and relationship-driven modes. These three modes correspond to the three themes found in the financial planning literature: quantitative tools, process-orientation, and interior dimension. In addition to the relative roles dimension, the five modes fall naturally along a second dimension of planning versus emergence.

Prior work relating client trust and commitment to modes of communication, topics of discussion, and perceptions of functional and technical quality within the planning relationship (Christiansen and DeVaney, 1998; Sharma and Patterson, 1999, 2000; Sharpe and Anderson, 2006) had shown that greater involvement by clients and richer communication between client and planner led to greater trust and commitment on the part of clients. This suggested that the proposed five modes of strategy-making would be associated with distinctly different levels of client trust and commitment because each represented a different level of involvement and communication between clients and planners.

Finally, client complexity was proposed as an additional factor influencing trust and commitment, with greater complexity assumed to be associated with greater planning needs, which in turn would give rise to greater trust and commitment.

Figure 5: Five Significant Factors (Eigen Value >1)

Planner-Driven	Data-Policy	Relationship-Driven	Systematic-Relationship	Client-Driven
Large Financial Services Firms/ Fee-and-Commission	Independent Planning Firms/ Predominantly Fee-Only	Large Financial Services Firms/ Fee-and-Commission	Independent Planning Firms/ Predominantly Fee-Only	Independent Planning Firms/ Equally Fee-Only and Fee-and-Commission

Taken as a whole, the data are consistent with the proposed strategy-making model and its implications for client trust and commitment. The findings with respect to the relationship between the policy-driven mode of strategy-making and client trust and commitment were statistically significant and consistent with the proposed model. The finding of a strong inverse relationship between client complexity and client trust and commitment was at odds with the original prediction, but could be shown to be consistent with prior research (Sharma and Patterson, 2000) related to client satisfaction as a mediator of trust and commitment.

The results of the factor analysis further confirmed key elements of the proposed typology, while adding nuance to our understanding of how the model must be adjusted to account for firm size and mode of compensation. Among other things, the factor analysis made clear the strong linkages between the policy- and data-driven modes, which are themselves consistent with proposed theories for a policy-based approach to financial planning.

> "The findings with respect to the relationship between the policy-driven mode of strategy-making and client trust and commitment were statistically significant …"

In the end, the proposed integrative framework offers a strong foundation upon which to base future empirical examinations of the strategy-making activities of financial planners. It also offers a new way to think about measuring planner competence in terms of skills in different modes of strategy-making, holding out the possibility for developing assessment tools that would aid financial planners in achieving the most appropriate mix of knowledge and technical skills to best serve their clients.

Implications and Suggestions for Future Research

One of the useful tools that might be developed using the proposed framework would be a competency assessment tool for financial planners. Such a tool would allow planners to determine whether they possessed the right competencies to the right degree to be most effective in their work with clients. The profession's body of knowledge could be mapped to each of the strategy-making modes, especially the three modes most associated with client trust and commitment (data-, policy-, and relationship-driven). Development of such a model would be aided by further work validating the modes themselves and establishing in a more robust way the relationship between each mode and client trust and commitment. Such an assessment tool would be able to provide not just a scorecard of where a planner stood in terms of competency within each mode, but a prescription for how to improve. In the end, the kind of assessment tool proposed could become the standard framework for ensuring that practitioners have attained and are maintaining a minimum level of competence across all modes of strategy-making. In this context, it is worth noting that CFP Board conducts a job survey of Certified Financial Planner™ (CFP®) practitioners every five years and uses the results to modify the topic areas (currently numbering 96) that must be covered in any approved educational program. This process only captures what planners are actually doing, however, not what they should be doing. So, unlike CFP Board's purely descriptive survey, which captures what is, and does not explicitly aim to improve practice (only to ensure that certification standards are in line with what practitioners believe is important), research focused on the proposed assessment tool would have the explicit aim of improving practice among financial planners.

There are many more testable hypotheses that flow from the proposed model than those addressed in this research or noted in the previous section. Among them are questions related to the most appropriate blend of strategy-making skills as a function of a client's position in the lifecycle, family composition, job, or other "structural" factors. Also, exploring questions related to how well the model can be applied across teams of financial planners might yield useful insights for ensemble firms, which are growing in importance within the profession.

With the CFP standard spreading globally via the Financial Planning Standards Board (FPSB), which licenses 115,000 certificants in 23 territories (not counting the 59,000 certificants in the United States), and the promulgation of financial planning standards by the International Standards Organization (ISO), it would be of great interest to test the applicability of the proposed framework in other geographic regions. Validation across national boundaries would have significant implications for the development of the global profession of financial planning.

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