

# How the Rich Get It Right

By Teresa Leigh

**T**wenty-eight years of managing households for wealthy clients has given me a bonanza of case studies dealing with subcontractors and vendors. Did you know that during the life cycle of a large home, an average of 75 subcontractor and vendor companies will work for a homeowner? If you include personal service companies that make house calls, the number likely will exceed 110.

Individuals who can afford large homes or multiple residences have discerning taste and demand a particular level of service that many service companies simply cannot accommodate. That said, affluent clients are constantly on the look-out for referrals to the best and the brightest to deliver what they covet: perfection.

If you have been fortunate enough to retain clients over the past troublesome years, they're likely asking or hinting for referrals that may be completely beyond your bailiwick. Do you cringe and ignore their dictatorial requests or do you dive in and hope that the referral you make won't come back to haunt your relationship with this profitable client? For just when you think you have it all figured out, something or someone will change and projects will spin out of control. Each service company has its unique business process and service standards, and they differ depending on geographic region and culture. Indeed, it is extremely time-consuming to pluck out the perfect referral, so allow yourself at least five hours per service category.

## Case Study

Client X is an avid collector of rocks ranging from tiny stones to colossal upright amethyst pillars weighing

more than 12,000 pounds. He recently purchased a collection of assorted meteors, or "bits of metal from the sky," as he calls them. Client X turned to me to find him something "nice" to display them in. So I needed to locate a vendor to supply a cabinet that fits the space he has chosen, which frankly is too small for all the rocks. I felt lucky because at least the wall has an electrical outlet, because Client X also wanted the cabinet to light up like Vegas (and it needs a dehumidification system because meteors tend to rust—they're made of iron, don't you know?). Because I have worked for Client X for the past seven years managing every subcontractor relationship for his home, I know what

will they educate and guide the client on possible cabinet options, are they easy to work with and good listeners, and are they able to explain their business process and offer references. We interviewed 37 cabinetmakers and only three made it through the basic questionnaire. Some could not follow instructions or would not return calls in a timely manner. We did locate a highly skilled and accomplished cabinetmaker, an odd fellow who is prone to talking too much, who offered a dizzying array of design options. But his process was sound and his workmanship, perfection.

I asked my staff to tally the number of calls and e-mails concentrated on this project. The total: 323.

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he likes and dislikes. To help me he forwarded a photo of the cabinet the rocks were displayed in when he bought them, which was an ugly, upright, poorly lit box resembling a high school trophy cabinet. Knowing he would be dissatisfied with anything less than perfect, I set out to find the perfect cabinetmaker. The variables I needed to consider in the first stage of choosing a qualified cabinetmaker included: past experience with high-end furniture building, master craftsman, awards, respectability within the community, do they offer design drawings for review,

## Sizing Up Who Will Be the Best Match for Your Client

The following guidelines offer a valuable perspective on the due diligence process that must be completed before making a sound referral. Note, I refer to subcontractors and vendors collectively as "subs," but traditionally subcontractors supply products and services (e.g., plumbers, painters, electricians) and vendors focus on providing a product, with limited service (e.g., rug or antique dealer).

**Transparency of the business process.** Subs should be able to



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clearly explain, in writing, how they do business and how they charge for products and services. Do they charge per project or per hour? Do you have to sign a contract before the project begins? What are change-order fees? If you return an item, is there a restocking fee? Do they take referral fees from other companies to win your business?

**Deliverables.** What product or service does the sub actually deliver for what price? Ask if they subcontract any part of the deliverable to another company. For example, a Ferrari dealership may offer to pick up the car to have it serviced, but the dealership may subcontract the pick-up and delivery to another towing or transport company.

**Credentials.** Research in detail listed awards and professional associations a sub may lay claim to. Remember, just because a company advertises an award, a membership, or an excellent reference does not make it true. Contact the source to verify the sub is in good standing. The Better Business Bureau is still a good resource.

**Licenses.** Industries vary by state on whether or not a license is required. For example, in North Carolina general contractors working on a single project that exceeds \$30,000 dollars must have a general contractors license; they must have passed a rigorous state-censured test, have sponsorship within the industry, and prove financial stability before they are granted a general contractors license. In Texas, however, there is no license requirement for general contractors. Careful research will be required before you begin your calls.

**References.** Do not be afraid to ask for references. Legitimate subs will

gladly allow you to contact other clients as references and may even invite you to visit work they have completed. Most importantly, contact the references and ask good questions.

**Relationships.** Inquire who a sub knows within their respective industries who will speak for their work and their business process. Is what you hear from others in the industry the same story you hear from the sub? These inside-industry references will be an invaluable resource in your selection process.

**Time table.** Make sure the sub can deliver the goods or services within the time-frame given for the client's project.

**Background investigations.** It is a prudent business practice to perform a background investigation on the sub or company owner, including a check of the sex offender registry if the sub will be around the client's children. Background investigations on a sub's entire work force are not practical for you to complete yourself, but you can ask business owners to sign a document that the business has performed background investigations on its workers. Include lawsuits and liens as a part of the investigation.

**Certificate of insurance.** All sub companies should carry general liability and workers compensation insurance. Some companies may be required to carry errors and omissions insurance as well. Ask subs to give you a copy of their certificate of insurance, which should name the insurance carrier, the amount of coverage, and the policy expiration date.

**Personality and communication.** Meeting a sub in person is the best way to ensure a good match of personality and communication for your client.

**Psychopathic behavior.** This doesn't exist only in the movies. Not everyone tells the truth or has the best intentions or morals. Those who possess these psychopathic traits can fool the most skeptical consumer. Psychopaths have a keen ability to weave great stories, befriend you, learn what is important in your hiring process, then tell you what you want to hear. They slip through the vetting process based on their high likeability; think Bernie Madoff or Joyti deLauri (the personal assistant who stole millions from her employers).

#### Advice for Your Clients

Even if you are not tasked with referring subs to your clients, you still may be able to offer advice on hiring subs that can save your clients millions of dollars and protect them from harm. The following is useful advice for your clients.

**Trust your instinct, but don't hire on like alone.** Often clients hire people they feel comfortable with without first doing due diligence. Case in point: In 2009 in Somerset County, Pennsylvania, Thomas Williams, 60, hired a local handy man, Shawn Shaulis, 34, to help him with renovation of an historic century-old home. During the project Shaulis became upset over the compensation agreement and argued with Williams. A fight ensued and Shaulis beat Williams to death. Realizing that he had just killed his employer, Shaulis dragged him by the wrist to the hole in the floor, dropped him into the dirt crawl space, and buried him under a foot of debris. Shaulis subsequently was arrested, found guilty of first-degree murder, and sentenced to life in prison without parole. Due diligence should include a criminal background investigation as well as calls to personal and professional references to verify past behavior. Even the absence of a criminal history, however, does not guarantee a person is not capable of committing fraud or a violent crime.

**Be aware of different communication styles.** Clients may think that they provide clear instructions about a project, however, different communication styles—especially if the sub is from another culture—could lead to big misunderstandings. Clients should request in writing exactly what the sub understands the project to be to ensure any misunderstandings can be cleared up well before the project begins. If there is a language barrier it is worth the cost of hiring a translator.


**Face time is important.** Clients are busy and may be unavailable to a sub if questions or issues need to be addressed. Clients who are unable to make time for subs should appoint someone (e.g., an executive personal assistant or household manager) to communicate on their behalf.

**Trust but verify.** Once a sub has proven him or herself, a client may monitor the work less diligently, possibly leading to trouble. It doesn't take much then for the sub who is in a financial bind and knows he isn't being watched to overcharge a client or steal a piece of jewelry. Every business deal needs to be monitored—to protect both the client and the sub.

#### Summary

Many times when a client asks an advisor for a referral, the advisor may feel like it's better to beg off than risk making a referral that, despite the best of efforts, could backfire and might ruin the relationship. Indeed, the work involved in making a flawless referral should not be underestimated.

Clients will seek out financial advisors who will continue to educate

them about new ideas, keep them up-to-date with the latest trends, and introduce them to people who can help them have better lives. Learning how to make guaranteed referrals will prove a much needed value-added service for clients and enrich your business. 

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