How to Open a Closed Mind
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Every advisor knows that sinking feeling that arises when a prospect raises serious objections and a meeting heads downhill.

The scenario goes something like this:

You are trying to persuade a prospect that overwhelming data supports investing in a globally diversified portfolio of low-management-fee index funds. The prospect is unconvinced, and believes that he could "beat the market" with the help of a big brokerage firm, insurance company or hedge fund manager. Regardless of the amount or quality of data you present, the prospect remains unconvinced. The meeting ends with the parties polarized.

Why the task is formidable

One of the most common questions I get is: "How do I change a closed mind?" This is a formidable task.

There's a Chinese proverb that states: "A closed mind is like a closed book; just a block of wood." People process new information with a bias toward their pre-existing beliefs. This has been well established in numerous studies. People will interpret ambiguous or mixed information to confirm their beliefs and reject or trivialize information that contradicts them.

Perhaps that's why many of us feel that trying to change a closed mind is much like pushing a giant snowball uphill.

A different approach

In their recent study 'Blank Slates or Closed Minds?' Brendan Nyhan of Dartmouth College and Jason Reifler of the University of Exeter offer a different approach to prying open a closed mind. The study attempted to change the minds of participants who held views on these polarizing issues:

1. The effectiveness of insurgent attacks in Iraq after the U.S. trooper surge.
3. Global temperature change over the past 30 years.

The purpose of their experiment was to determine the most effective approach to change people’s pre-existing beliefs. They tried presenting written data that contradicted the beliefs held by participants, presenting evidence in a compelling chart and, lastly, "self-affirmation treatment," where they built up the participants’ self-esteem.

In a totally rational world (an assumption commonly made by advisors trying to convert prospects into clients), simply providing compelling data in any form would be sufficient to change an incorrect belief. The results of these experiments suggest otherwise.

The researchers found that providing information contrary to strongly held beliefs might actually have the opposite of its intended effect. Presenting such information was deemed to be threatening, causing people to reject it. Delivering the data in graphic form was more effective at changing minds than text. Delivering data in graphic form coupled with attempts to reduce the perceived threat by building up the subject's self-esteem was the most powerful combination.

Take a different tack

How can you apply the findings in this study when confronted with a prospect who is unmoved by logic?
Initially, consider the self-affirmation strategy. Tell the prospect you respect the fact that she is doing such a thorough job of considering all available options. Praise her for being open-minded and objective. Ask her if she would be willing to review some additional information that may assist her in making a decision.

Present your position in a simple, compelling visual. Avoid the temptation to use fancy software and overload your chart with information. For example, there is data indicating that only about 22% of actively managed funds outperformed their appropriate risk-adjusted benchmark on a pre-tax basis in the 1980s and 1990s. A simple bar chart demonstrating the underperformance by the remaining 78% of actively managed funds could be highly impactful. You could prepare similar charts showing the number of actively managed funds that were unable to survive over a 10-year period and the small percentage of surviving funds that beat their risk-adjusted benchmark.

While prying open closed minds won’t be easy, the strategies demonstrated in this study at least give you an evidence-based approach.

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