Leading Firms Leverage Each Other to Accelerate Growth

Insights from the AssetMark Study Series
We brought together advisors from throughout the United States for a series of small group study sessions. Over the course of a year, sixteen meetings were held regionally, followed by a larger group session that brought the regional groups together to share experiences and conclude the series. While it is clear that anyone agreeing to participate in such a group would be proactively interested in growth and development of their business, these advisors were chosen for both their historical growth—higher than 20% year-over-year—and future potential to continue to grow well above industry norms. Advisors selected for the study group had growth metrics that consistently measured in excess of those of a control group of more than 200 advisor firms.

We were all anxious to discover where there was commonality in this group and where there was dissimilarity. Would there be forthright sharing or would critical information be withheld from potential competitors? Finally, when all was concluded, would there be enough depth and importance from the key takeaways to provide meaningful value to each and every participant?

Study Series Advisors exhibited favorable attributes

- **Group Assets**: $2.2B
- **Fee per assets**: 94 bps
- **Growth Rate**: 12%
- **Profit Margin**: 35%

Diversity was vital to the advisor selection process. Participating advisors represented solo practices, ensemble firms, and large organizations. Their assets under management (AUM) ranged from $25M to in excess of $75M (there was no imposed AUM ceiling); specialized and broad-based practices were included too. The number of client relationships per firm ranged from as few as 10 to more than 1000, served by offices with support staff ranging in number from two to 40. Finally, the advisors themselves came from large and small towns and study participants had anywhere from three years of practice management experience to more than 30.

Could successful advisors influence each other to produce better results than they would otherwise?
If only it were that simple. Today’s financial services industry is an ever-changing landscape of complex challenges that threaten an advisory firm’s survival, let alone growth. These challenges seem to come from all directions, from large organizations that are leveraging their scalable platforms to independent firms that are becoming increasingly powerful themselves, to robo-advisors and other automated solutions. On top of all this, there are regulatory headwinds and shifting demographics with which to contend.

Are the challenges of the current environment really that different from those faced at any other time by financial advisors? The Study Series Advisors have always had to provide client value that meets or exceeds that which they might find at, for example, a Super OSJ—an extra-large office of supervisory jurisdiction—with massive support resources, including in-house planning teams, tax departments, and insurance desks. Participants also need to match the agility of big independent firms—going after specific markets and clientele. And Study Series Advisors also have to offer a superior client experience than that provided by robo-advisors.

The participants face all of these challenges, yet seem unfazed by them. While eager to learn more about the latest technology or the upcoming complexities of changes in the fiduciary standard, all prioritized and took the most interest in topics that related to creating the best client experience possible. With +20% sustained annual growth rates, the Study Series Advisors know their products, their customers, and have a burning desire to succeed. Perhaps it is that simple after all. Let’s take a closer look.

How I can scale my business is of paramount concern. I know the environment is changing and I’m aware we’ll need to improve our proposition to clients if we expect to continue growing.

_Cory Schmelzer, San Diego Wealth Management_

**Persuasive Industry Headwinds Persist**

What do you need to start a business? Three simple things: Know your product better than anyone. Know your customer, and have a burning desire to succeed.

—Dave Thomas, founder of Wendy’s.

*Significant Future Changes in the Industry*

- Digital (robo) advisors
- Rise of mega-independent firms
- Development of scaled advisory platforms
- Shift in generational preferences
- Fiduciary requirements and fee based pricing
As a first step, prior to the actual meetings, all participants in the Advisor Study Series completed AssetMark’s proprietary Business Assessment Tool (BAT). This tool was specifically designed by AssetMark’s Practice Management team to enable advisors to objectively analyze and compare their business performance against peer group benchmarks. AssetMark’s Business Assessment Tool provides advisors with a clear view of their business performance—allowing them to benchmark their firm, calculate key performance metrics and provide comparisons against goals and key performance indicators. By creating a clear picture of the drivers that increase or decrease practice value, Study Series Advisors could identify strengths, evaluate opportunities for improvement and make changes to build a better and more valuable business.

One key section within the BAT is the Value Maximization Index™ (VMI) score, based on individual Value Maximization Indicators that evaluate and summarize business operations and practices that relate to a “practice risk premium.” The VMI is calculated based on responses to a battery of qualitative questions in four key practice management areas: managing your practice, marketing your business, optimizing your operations and empowering your team. Questions cover topics such as adherence to financial metrics planning, development of a clearly defined value proposition, and use of a consistent and formal fee schedule.

The practice risk premium accounts for critical elements that can add to or detract from the value of a firm. Reduced risk increases value, sustainability and growth, while increased risk decreases value, sustainability, and growth. Would the AssetMark Advisor Study Series show similar VMI scores or tendencies? Would those similarities run across all categories?

Granted, VMI is self-reported, and thus subjective. This affects not only the Study Series Advisors but also the control group of advisors. What was discovered was not that there was an overwhelming difference between the VMI scores of Study Series Advisors and those of the control group, but rather, in each category, the Study Series Advisors tended to consistently perform a few ‘notches’ better, thus collectively driving their success. Overall, they also tended to be somewhat more focused on developing their business, but again, not overwhelmingly.

### Top Challenges to Optimizing Firm Value

AssetMark Study Series advisors shared the same concerns about optimizing firm value as did industry peers.

- **52%**
  - Lack of focus on driving firm value

- **49%**
  - Lack of ability to grow clients, AUM, revenue

- **32%**
  - Inability to change client demographics

---

2015 Fidelity Benchmarking Study, percentage of participants
An example from the VMI data shows that the AssetMark Advisor Study Series participants seemed to do much better than the control group in the area of operations, specifically in designing their businesses for scale and efficiency. As reported, the Study Series Advisors were more likely to have 1) documented procedures that are performed consistently and 2) a formal fee schedule that is applied consistently and aligned with services provided. Better use of staff, technology and processes to optimize everyone’s time resulted in lower indirect expenses in a period-over-period comparison of the two groups and a delta of more than a 15% increase in operating profit for the Study Series Advisors. This came as no surprise as VMI scores for the high-growth Study Series participants had a median value about 11 points higher across the board operationally than did the control group.

Also, in the area of operations, it is important to note that the AssetMark Advisor Study Series embraces technology as a way to optimize operations. Across the board, every advisor in this group was a strong advocate of simple steps such as going paperless or the implementation of comprehensive CRM, risk analysis, portfolio management, marketing, and client-communication tools.

In the area of empowering their team, the Study Series Advisors understood the value of leveraging their teams. They were more likely to 1) have staff to leverage in managing greater workloads, and 2) have the capacity for increased workload and growth. Again, the VMI scores of the participants were 75 points higher across the board than the control group.

As a final example, the Study Series Advisors, although consistently outperforming the control group, did so at lower margins in the area of marketing. Nonetheless, participants had clearly defined value propositions that were better aligned with their business targets, and they learned how to cultivate more business from all referral types and construct detailed business plans to drive deliberate growth. Of interest, perhaps because this was the area where the Study Series Advisors were closest to the control group in terms of VMI score (and as self-reported then a vulnerability or growth area for this group of advisors) this was also the area that the participants were most interested in engaging in further learnings. Topics included engaging younger client bases and increasing wallet share with existing clients.
In summary, by using the AssetMark Business Assessment Tool and comparing VMI results of the Study Series Advisors to a control group, it was found that participants did tend to have higher VMI scores across the board. The common practices of these high growth firms, as reported were:

- High process orientation
- Demonstrated willingness to work on their business, not just in their business
- Leveraging of platforms such as AssetMark to scale their business
- Productivity measurements using key performance indicators (KPIs)
- Capacity built within their business and leveraging of their staff
- Sustained growth over time (no “yo-yo” growth, or inconsistent growth metrics)

Although some attributes may be common, all participants utilized their unique combinations of people, process, and technology to grow their businesses. Each Study Series Advisor was able to articulate a solid understanding of their business model and how they were able to deliver historical growth. Each firm understood the importance of finding the right talent to grow their business and demonstrated that they were planning for how they would differentiate their firms now and in the future. Many took the findings in their AssetMark BAT to heart, saying, “VMIs serve to refocus me to items with VMI scores lower than I would like,” and “I’ve put it in my calendar to update BAT every 6 months.”
Surveying popular business books, magazines, and websites, it would be easy to assume that the winning traits of highly effective leaders is a known, discreet list. Forbes, for example, on 12/19/12 listed Top 10 Qualities that Make a Great Leader, on 9/5/14 10 Traits of Great Business Leaders, and on 3/1/15 The Characteristics of a True Leader, neatly condensed into 1200 words or less. Would the Study Series Advisors share a specific set of characteristics or behaviors that contributed to their high-growth status?

AssetMark made the DISC behavioral style assessment tool available to participants. DISC, as a leading personal assessment tool, is used by over 1 million professionals annually to improve work productivity, teamwork and communication. DISC is neutral and only describes the differences in how people approach problems, other people, pace and procedures. Through the DISC assessment, Study Series Advisors would be able to develop a common language for better understanding themselves and adapt their behaviors to fit accordingly.

What does the DISC acronym stand for?

These are the four behavioral ‘styles’ that DISC measures:

- **D – Dominance**: How a person responds to problems and challenges.
- **I – Influence**: How a person influences others to his or her point of view.
- **S – Steadiness**: How a person responds to the pace of the environment.
- **C – Compliance**: How a person responds to rules and procedures set by others.

While every person has some mix of all the styles, each person usually has a concentration of one or two of the four attributes. TTI Success Insights® provides eight roles that further illuminate how DISC styles are used in the workplace.

<table>
<thead>
<tr>
<th><strong>Conductor (D):</strong></th>
<th><strong>Promotor (I):</strong></th>
<th><strong>Implementer (D, C):</strong></th>
<th><strong>Supporter (S, C):</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct, results oriented, competitive, confrontational, sense of urgency, change agent</td>
<td>Verbal skills, high trust level, not fearful of change, rather talk than listen</td>
<td>Creative, decisive, slow start/fast finish, vacillating, temperamental</td>
<td>Accommodating, persistent, controls, dislikes confrontation, good listener, adaptable, emotional</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Persuader (D, I):</strong></th>
<th><strong>Relator (I, S):</strong></th>
<th><strong>Coordinator (S, C):</strong></th>
<th><strong>Analyzer (C):</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimistic, flexible, process oriented, quick to change, independent</td>
<td>Cooperative, team player, persistent, good supporter</td>
<td>Cautious, self-disciplined, product orientated, slow to change, pessimistic</td>
<td>Precise, detailed, accurate, concern for quality, critical listener, non-verbal, attention to detail</td>
</tr>
</tbody>
</table>
Looking deeper, DISC also predicts how a person would naturally behave and how their behavior might adapt to various situations. Natural behavior is defined as how one intrinsically reacts to situations, i.e. enjoying the sales process because you are naturally comfortable interacting with new people, or when under stress or pressure. Conversely, an adapted behavior style is how you respond to the demands of the work environment.

After completing the assessment, there was a significant discussion amongst participants around the DISC types and how they might pertain to growth. For example, if an advisor is a Conductor or a Persuader, would they likely not be as interested in completing market research and opting instead to work with clients? Would Analyzer-type advisors shy away from proactive communications, and instead work on analytics, and perhaps “keeping their eye on the market?”

While conventional wisdom and numerous business articles suggest there may be a single dominant leadership style, our study showed a wide variety of both natural and adapted behavior styles. For the AssetMark Advisor Study Series, there simply was not an apparent “one-size fits all” characterization that could be made. In fact, among the eight roles, and the dichotomy between “conductors” defined as direct, results oriented, competitive and confrontational and “supporters” defined as accommodating, adaptable, and disliking confrontation were represented by our study group participants in equal numbers. There was not one particularly dominant profile.

The Study Series Advisors used the DISC not only to assess themselves, but their staff as well. One way that professionals often use DISC is to decrease conflict and promote harmony within their team through effective communication. When team members understand how to adapt communication styles to properly address the individuals around them, things run much more smoothly. One participant reported the positive adoption of this concept by their team, “After conducting DISC, staff members put their DISC designations on their desk so everyone would be reminded of how to communicate with them.”
Many Study Series Advisors reported that they gravitate towards business development and relationship management activities or certain professional functions. Once participants became aware of their own DISC styles (and those of their team), they noted that this information would become an important point to leverage within their firm. By applying knowledge of DISC characteristics to their staff, an advisor can leverage their team’s individual strengths. To drive growth, participants discussed how others in the organization could use style flexibility to take on functions that were not part of their core strengths. Study Series Advisors noted how difficult this process might be and the critical notion of finding the right team members. However, regarding the use of DISC for team building, and possibly including it within the hiring process, most agreed that DISC could be a valuable tool in creating a successful team by adding individuals with (perceived) complementary DISC styles. A typical refrain from the participants was, “Don’t hire clones of myself!”

Finally, a great deal of thought and discussion was given regarding how DISC applied to client relationships. The group participated in role-playing activities and case studies in order to learn how to better identify client DISC styles. When paired with the variable DISC types of clients, spreading across easily adaptable styles would be convenient in a perfect world. All participants agreed that going forward (since they couldn’t change their own unique styles) they needed to identify likely clients’ DISC profiles and either mirror the actions that those clients best responded to or use their own self-understanding to select more ‘ideal’ clients that they would naturally enjoy working with. For example, an Analyzer personality type may define an ideal client profile as individuals that work in industries such as technology, accounting, and consulting.

After reviewing the knowledge gained from the DISC, Study Series Advisors did not find that they shared a particular set of behavioral characteristics that contributed to their to high-growth status. The participants were, however, open to embracing the findings of DISC to better understand themselves, their staff and potentially their clients. In addition, they were open to learning about their unique communication styles and leveraging that knowledge to show those around them how to effectively relate to them, thus opening doors instead of closing them. Similarly, all of the participants were open to learning how to identify the communications styles of their staff and clients, and using their newly-acquired DISC knowledge as a roadmap of how to adapt their unique styles to relate to others.

It’s incredibly valuable to understand personality types within our office. This has led to improved communication, efficiency, and may lead to better hiring practices in the future.

Keith Offel, Stonehaven Financial Group

---

It’s incredibly valuable to understand personality types within our office. This has led to improved communication, efficiency, and may lead to better hiring practices in the future.

Keith Offel, Stonehaven Financial Group
AssetMark believes that strategic growth is not an activity or event: it is a business system. Business systems involve techniques, methodologies, procedures and processes used consistently to execute and drive towards specific outcomes. For the Advisor Study Series, AssetMark brought in industry experts to speak to the group on elements of these business systems. Topics included reaching Millennials, mergers and acquisitions, and technology implementation. These and other topics were presented in support of strategic growth, and by design, as a business system incorporated into the participants’ overall business strategy.

Although the benefits of building a strategic plan to document an overall business strategy might be obvious, the reality is that a lot of firms do not have a well thought out strategic plan or if they do have a written plan, many struggle in terms managing it tactically. This group was no different in the former: most Study Series Advisors noted the difficulty in allocating time to create a written strategic plan. Although the Study Series Advisors all defined themselves as forward thinkers, they more often than not relied on organic planning, meaning taking on new opportunities as they came. Despite not being advocates of written strategic plans, the participants nonetheless quipped “What gets written down, gets done!”

That said, most Study Series Advisors’ goals focused on growth, particularly building revenues and growing fee-based assets. All participants shared this growth-oriented business strategy and knew intrinsically that planning for that growth was vital, with or without a written strategic plan. What came out of discussions was that although they might not always be good at creating that grand, sweeping written strategic plan, they were all excellent at tactically enacting goal setting; consistently making hundreds of little changes over a long period of time that while not changing their business overnight, consistent steered in the desired direction.

Study Series Advisors noted that they leverage third party experts, have period planning meetings, and may include trusted professionals and friends from both inside and outside of the industry to assist them.

The AssetMark Advisor Study Series, with the recognition of the vital nature of strategic planning, asked participants to, with the support of practice management professionals, identify a framework for their own strategic planning and then craft actual plans that were shared with the group.
Overall, participants did not feel the need to revisit their plans weekly; instead quarterly or monthly reviews were deemed appropriate. Plans should also be considered living documents with the ability to be modified as needed. Additionally, only long-term aspirational goals could lack specific deliverables, timelines, and owners; for everything else, these were critical to getting things done. Participants also agreed it was a good rule of thumb given time and capability constraints to limit those projects that advance their business to 3–5 annually.

A simple way to approach planning is to define a five-year vision with specific outcomes an advisor would like to achieve. This could be a collaboration with the advisor’s family and professional team. Once the vision is set, it could be used as an anchor to chart short, medium, and long term goals and initiatives.

This framework helps advisors prioritize urgent objectives versus objectives that are important, but not as immediately pressing. Other long-term objectives might be more aspirational in nature, with medium term objectives encompassing objectives that can’t be completed within a year.

Several Study Series Advisors noted success through the development of a “12 week year,” where they set very specific goals to achieve in a quarter and reset their “12 week year” each quarter. This can be very effective way to ensure implementation if the process is part of a broader strategic framework.

Finally, participants also stressed the importance of maintaining their work/life balance. Business goals should fit within the construct of personal objectives. Study Series Advisors noted the ability to build a business to help with personal objectives and vice versa. This is a balance struck on an individual basis and is something that participants considered a benefit of being an entrepreneur.

### Building Goals Based on Time Horizon

#### Short-term goals
- Immediate opportunities
- Tactical execution
- Near term results focus
- Break up responsibilities within the team

#### Medium-term goals
- Set the stage for priorities
- Identify investments that will be critical in the future
- Address key structural opportunities

#### Long-term goals
- Focus on larger goals
- Address longer term challenges not evident today
- Identify long term financial objectives
The Study Series Advisors noted the following as their areas of focus in the future. These topics seemed to be driven by a combination of what is currently “hot” within industry conferences, broad industry leadership, or direct results of changes within the participants’ business. Even though advisors may be aware of the trend, they might be slow to act on execution. For example, advisors may be aware of having unprofitable clients, but their emotions may lead them to fail to take action about it.

Looking at the topics as a group, they are all issues that can drive present and future success within any advisory firm. Each of the topics directly impacted revenue, firm profitability, and long term sustainability.

**Segmentation and Fee Structures**
Segmentation of clients was noted as an incredibly valuable tool. Client fee structures and minimums were also important, however, all agreed there should be a greater focus on ensuring client profitability.

<table>
<thead>
<tr>
<th>Approach</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set clear minimums</td>
<td>• Limit the use of multiple fee schedules.</td>
</tr>
<tr>
<td></td>
<td>• Be clear on what clients are a fit for your model.</td>
</tr>
<tr>
<td>Implement retainer fees</td>
<td>• Charge retainer fees for services beyond investment advice.</td>
</tr>
<tr>
<td></td>
<td>• Base pricing on time and complexity.</td>
</tr>
<tr>
<td></td>
<td>• Tailor the experience to “A” clients.</td>
</tr>
<tr>
<td>Consider revenue sharing</td>
<td>• Leverage other third-party professionals (CPAs, Lawyers, etc.)</td>
</tr>
<tr>
<td></td>
<td>• Share revenue to incentivize referral activity.</td>
</tr>
<tr>
<td></td>
<td>• Diversify the sales funnel and create sticky relationships.</td>
</tr>
<tr>
<td>Never discount fees!</td>
<td>• Creates unprofitable clients and does not increase loyalty.</td>
</tr>
<tr>
<td></td>
<td>• Clients are not as fee sensitive as some believe.</td>
</tr>
<tr>
<td></td>
<td>• If you are providing high-touch service, charge for it!</td>
</tr>
</tbody>
</table>
**Technology, Workflow and Process**

On a more tactical level, creating a better client experience was commonly found as a key way to lower risk and improve profitability. Advisors in the Study Series use resources such as the VMI provided by AssetMark, as a measurement tool.

**Marketing and Branding**

Most Study Series Advisors are focused on honing in on their ideal client profile and how they can best market to that client. In addition, given that revenue and asset growth are top priorities for participants, each advisor has some element of this included in their strategic plan. There are limitations to how much of an investment can be made into marketing and branding, given the relative size of their revenue. Regardless, participants are building plans for leveraging low cost solutions, such as social media. Key strategies discussed included:

- Once you have a vision established for your firm, share your vision and ask your key influencers and referral sources to be a part of it. Share goals, business results, and surveys with those clients that can boost your market access and credibility through referrals, testimonials and word-of-mouth to improve results. Consider including in strategic planning.
- Become either the Dollar Store or Nordstrom’s. Decide to either scale your practice and deliver more commoditized services (Dollar Store) or build high end services to differentiate (Nordstrom’s).
- Create something unique for your public image. What do you stand for? Prospective clients use this message as validation. Hire a professional designer for your website. DIY solutions often waste time and produce unsatisfactory results. Consider developing intellectual capital, such as a whitepaper, and deploy via website and social media.
- Expand the use of social media. Hire a young professional with a passion for social media or outsource it. LinkedIn profile and footprint. Begin selective, proactive marketing.
- Set up four proactive client events each year. Specialize in a “fun event” you have a passion about and invite your network to attend. (i.e. boating, wine, golf, cars, or similar.)
- Create a service plan that incorporates meeting and working with millennial children of existing clients.

---

**Leverage**
- New technology (such as Riskalyze) as a business development tool.
- Scaled platforms (such as eMoney) to communicate more effectively.
- CRM to create workflows and automate tasks and process.

**Define**
- Roles and delegate accordingly.
- The right person for each role to ensure success.

**Segment**
- Leads and prospects in your CRM using a rating/ranking system.

**Measure**
- The time value of each activity. Study Series Advisors gravitate towards activities of high value.
- Using a client survey every two years and communicate the result.
**Employee Development**

Most Study Series Advisors had limited experience with developing staff. This is not surprising given that most are usually in an individual contributor role when they are trained to become an advisor, work as an advisor, and then eventually become a practice owner. Regardless, working with their teams to develop an organization with more well defined roles, responsibilities, and career paths was one key focus of the participants. Some observations on how to develop staff were:

- Baby-Boomers and other generations may communicate about succession differently. Work with your team to better understand shared goals.

- Focus on the next generation of your clients and employees. Speak with Millennials on their terms, not your own. Allow for alternative forums—coffee-shop time was one suggestion. Show Millennials a path to growing their career based on type of work and activity. This may be more important than compensation. Build your employee value proposition. Leverage next-gen events offered by firms like FPA. Your employees gain networking opportunities with more senior advisors.

- Take suggestions for changes from employees as evolutionary rather than revolutionary.

- Think about human capital more strategically; as an asset instead of a cost. Don’t hire clones of the practice owner. Hire complimentary skills (DISC can be a framework). Move away from subjective bonus plans to ones that can be quantified with a business result.

- Outsourced Investment Management: Each participant took stock in the fact that scaling an investment process within one’s practice is very difficult to do. Given that the Study Series participants leverage AssetMark, combined with the changing industry environment, the group felt it would be even more critical in the future to leverage scaled platforms versus building them.

---

**I know bringing in the next generation is vitally important. Figuring out how to address roles, compensation, and accountability are issues we are tracking.**

*Vance Boucher, Hardworking Capital*

---

**Hiring and compensation at advisory firms**

Similar to industry benchmarks, a chief concern amongst AssetMark Study Group advisors is hiring and compensation.

- 69% provide financial support for professional development
- 60% expect to increase compensation
- 60% conduct performance reviews
- 55% plan on hiring in the next 12 months

---

2015 FPA Trends in Advisor Compensation and Benefits
Non-Organic Growth through Acquisition
A subset of advisors sought to explore growing revenue by recruiting advisors or buying books of businesses. Participants in the Study Series agreed this growth lever is high risk, but a subset of advisors are deploying the strategy as either a succession planning strategy or as a way to attract younger professionals to their organization. To address the high risk nature of non-organic growth, participants identified the following best practices:

• Consider M&A as a practice owner’s succession plan versus seeking to find young talent to take over.
• Buyers usually dictate price and terms. Take valuations as a guide only. When thinking through a potential buy/sell transaction, remember that terms are more important than price.
• Consider using lending facilities that are becoming more common in the market.

• Leverage third party resources in the market through AssetMark, FP Transitions, and other consultants in the industry.
• Work with a broker/dealer or network at industry events to build your pipeline of practices to acquire. Most successful acquisitions start with the two parties knowing each other.
• Understand your capabilities and where you may find success. Don’t try to pursue non-organic opportunities that have low success probability.

Non-Organic Growth Readiness Requirements
Advisors may explore growing by recruiting advisors or buying books of businesses. Participants in the Study Series agreed this growth lever is high risk. However, advisors are deploying as either a succession planning strategy, a way to grow revenue, or as a way to attract younger professionals.

1. **Identify gaps.** Assess which areas might be strengthened. Examples include bolstering the firm’s growth engine, obtaining younger talent, or addressing succession.
2. **Define the ideal candidate.** Define the ideal attributes of a potential partner before entering the market based on gaps identified.
3. **Establish an offering.** Each non-organic strategy will require compensation, support offering, and the potential for ownership. Create a compelling pitch for prospective advisors to increase the odds of success.
4. **Leverage third-party resources.** Industry experts can help inform the overall strategy and potentially identify candidates. This may include working with broker/dealers, custodians, lenders, and/or consultants.
5. **Commit the time.** Non-organic growth strategies can take considerable time from firm owners. Time commitment to implement the desired strategy will help drive results.
The above quote is of great relevance to the Study Series Advisors, who are tasked with measuring and keeping themselves accountable as financial advisors and as business owners. Accountability is defined as the obligation of an individual or organization to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner. Thus, fundamentally, financial advisors deal in accountability to their clients on a near daily basis. For many, however, this is where their accountability ends, especially for those in solo or small practices. As Warren Buffett explained, performance standards for the solo practitioner rarely exist (or are put into place), and the small business owner often has no immediate superior to measure their performance.

However, for the AssetMark Advisor Study Series, installing accountability for their business practices was a key differentiator for the group and perhaps one of the underlying keys to their continued high-growth. The Study Series Advisors noted a high level of implementation focus when thinking about and growing their business.

The ideas provided in this report would prove fruitless without an accountability mechanism by either a third party or an internal mechanism. The Study Series provided an ideal scenario where advisors were brought together on a frequent basis to report back on the commitments they made throughout the year. The entire concept of reporting on their progress forced the participants to take action on their ideas or risk the professional embarrassment of “not walking their own talk.” It did not matter whether the advisors completed their reporting on a regular, methodical basis, or crammed like a college student the night before an exam (or in this case the next study session), the point was each advisor was held accountable to coming to the study sessions with their assignments completed.

The Study Series design also had the full support of the AssetMark Practice Management team, which provided industry expertise, third party experts, meeting venues, metrics, frameworks, and the time of practice management consultants. Over the course of the year, continually working on their strategic business goals and reporting the results to their peers, revising plans and reporting on progress again, strengthened advisors’ practices, and AssetMark received high praise from the group for enabling this outcome.

When asked why ineffective CEO’s retain their jobs longer than subordinates, Warren Buffet said:

The supreme irony of business management is that it is far easier for an inadequate CEO to keep his job than it is for an inadequate subordinate. A CEO who doesn’t perform is frequently carried indefinitely. One reason is that performance standards for his job seldom exist. Another important, but seldom recognized, distinction between the boss and the foot soldier is that the CEO has no immediate superior whose performance is itself getting measured. Finally, relations between the Board and the CEO are expected to be congenial. At board meetings, criticism of the CEO’s performance is often viewed as the social equivalent of belching. No such inhibitions restrain the office manager from critically evaluating the substandard typist.
The accountability methods that the group employed were as diversified as the group itself. The group reported that if one method didn’t work, it was rejected and replaced by another because it wasn’t the method that was important, but rather the consistent application of some form of accountability. Some best practices for accountability from the AssetMark Advisor Study Series include:

- Build a strategic plan and find a third party or internal person to install accountability.
- Delegate a team member to hold the practice owner accountable to their goals.
- Start or join a study group with a circle of like-minded advisors. This will help install accountability and accelerate learning.
- Set defined and unmovable time blocks to review quarterly objectives.
- Organize weekly activities in a way that combines like-activities together. For example, pick a day for client reviews, another for business development, and allow for flexible days.
- Hire a professional coach.

- When motivation is required, Study Series Advisors can remind themselves of the “why” by looking at their strategic plan.
- Build a business development process that is repeatable and is bulletproof in making sure each prospect is followed up with.
- For Study Series Advisors that have a team to delegate, build roles with clear measurements for success. Be consistent with management of success criteria.
- Have office staff take care of all tasks that are not advisory in nature (e.g. scheduling or tactical items that are non-professional).
Study Series advisors exhibited substantial success in translating their findings from the events into their businesses. Although the Study Series brought a structured forum for ideas and accountability, many advisors have been leveraging resources from AssetMark for years, resulting in enhanced outcomes for their firms and clients.

CASE STUDY: BROPHY WEALTH MANAGEMENT – STRATEGIC PLANNING HELPS TRIGGER GROWTH

Brophy Wealth Management has experienced tremendous growth this decade. With over $220 million in client assets, the firm has effectively made the transition from a practice to a business. Steven Dalton, Wealth Manager at Brophy who participated in the Study Series, stressed the impact effective strategic planning has in terms of driving their business forward. Steve noted “initially we had very little focus (on business planning), however through our relationship with AssetMark, we made planning an integral part of how we do things.

Brophy Wealth Management begins the planning process each year by setting goals for each functional area within the firm, recent focus has been on branding, client acquisition, and compliance. The plan is administrated by the firm’s office manager who is responsible for documentation and keeping the team on track. Steve mentioned that the team leverages the VMI framework for benchmarking and goal setting. He said, “The VMI has been huge for us, given we have a way to benchmark and set financial targets. This is a key part to evaluating if our organization is successful or not”

A big change that occurred over the past few years is the implementation of processes into everything Brophy does. This includes operations, investments, on-boarding of new employees, and the overall client experience. The firm has seen tangible benefits. For example, Brophy’s “ramp up” time for new employees has been reduced and the firm has experienced gains in efficiency by making tasks more repeatable. The result is increased scale to the firm’s business model. The quantifiable result was a growth rate of 15% a year on average for three years running, without adding staff. The ability to grow revenue without adding staff represents quantifiable savings of $225K!

Steve noted the value of the Study Series broadly. In fact, Steve noted he still checks in with his peers from time to time and works in partnership with the AssetMark Practice Management team to consistently improve practices. “We view AssetMark as a partner, not a vendor. The practice management support we receive makes all the difference,” Steve concluded. With a growth rate like Brophy’s and continued focus on business management, one can only expect continued sustainable growth and profitability.

CASE STUDY: SUMMIT WEALTH MANAGEMENT – BUILDING ACCOUNTABILITY CREATES ADDITIONAL SCALE AND IMPROVES CLIENT EXPERIENCE

Summit Wealth Management (Summit) is a client centric independent advisory firm based in New York. With over $130M in assets under management, the firm has built a strong track record with clients via its focus on financial planning. In recent years, the firm has installed accountability mechanisms to improve the client experience, source potential clients, and improve team performance. Luke J. Buehler, the Summit partner that participated in the Study Series, remarked “the study group made installing accountability even more relevant; we didn’t want to come to a meeting without exhibiting progress on commitments.”

Although accountability has played a part within the firm for years, Summit has sharpened focus to drive a finite number of improvements each year. Recently, Summit’s focus included marketing and employee accountability for the firm’s planning process. In terms of marketing, Summit funded a third party agency and built processes to complete marketing deliverables. Luke said, “We decided to invest in a marketing plan where we can
systematically reach new prospects. We built a plan for the year and scheduled our marketing deliverables. My partner and I decided to meet weekly to make sure deliverables were hit. The last thing either of us wanted is to let our partner down.”

Employee accountability for delivering financial plans has become more process driven. Summit leveraged the Assetmark practice management team to develop workflows within the firm’s CRM system. The workflows outline an end-to-end process to complete a financial plan. This helped each member of Summit team to “march to the same drumbeat,” which ensures client deliverables are met and errors are reduced. Luke noted, “In addition to understanding where we are with each planning case, we created a spot-award system to reward employees when workflows are completed on-time and accurately. This has incented the right behavior and reduced the time required to complete a financial plan. A win-win for us and our clients.”

Overall, the Study Series has played a big part in the firm’s success holistically. In the future, sticking with accountability will help the firm achieve additional important milestones such as creating a “one firm” approach in serving clients (the firm is structured as two teams currently) and improve the firm’s long term planning process.

Creating Accountability

1. Build a plan
2. Assign deliverables
3. Create metrics
4. Monitor and assess
The AssetMark Advisor Study Series sought to answer the question: If brought together, could our more successful advisors effectively influence each other to produce better results than they would have if they did not participate in such a group? While the entire Study Series received outstanding reviews from the participants, it is too early to know the long-term impact of bringing this group together. This was validated with Study Series interviews, including case studies highlighted in this paper. What is known, at the conclusion of the year, when measuring bottom-line results against the control group of advisors, the Study Series Participants showed 23% higher firm AUM, 13% higher fees (BPS) and 7% higher operating profit. Over the course of the study, their businesses collectively became more valuable than those of the control group as well, by more than 10% across the board.

This group showed an overwhelming eagerness to share their experiences and learn from others in the group. Both from third-party observation and participant self-reporting, it was clear that this group saw little benefit in one-sided communication. As a result, it quickly became apparent that while the participants shared similarities, their differences were just as striking. For instance, the results of the DISC assessment showing that every behavioral type was represented was a surprise to the entire group.

Despite these differences, one trait the advisors all shared was being extremely growth oriented. They were focused on non-linear growth as a strategy and process driven. Specifically, they were less focused on ad-hoc events or a single ad to grow their businesses but rather in creating a simple, consistent and repeatable structure for executing on business goals. The goals were as varied as the advisors and included such things as targeting specific client segments and developing expertise in a particular niche. Organic growth strategies from the group including generating client referrals, and reaching next-generation clients; external growth strategies included deepening referral networks, and growth through acquisition. Perhaps the most universal strategic planning goal was to build efficiencies to execute better on their strategic business plans.

When all was concluded, the AssetMark Advisor Study Series participants agreed that there was substantial depth and meaningful takeaways to provide significant value for their participation. The advisors share a belief in the benefits of having a forum to share ideas, provide each other with accountability, and utilize the expertise and advice of their colleagues to drive success in their businesses.

Credits and Thanks

AssetMark Practice Management Group
Study Group Concept and Design: Matt Matrisian
Whitepaper Writing and Editing: Natalie Fay
Additional Editing: Benjamin Kitchen

Project Consultant: John Furey, Advisor Growth Strategies LLC

AssetMark’s Practice Management group would like to thank all of the advisors that participated in the Study Series. We would also like to thank Steve Dalton of Brophy Wealth Management and Luke J. Buehler of Summit Wealth Management for their contributions to the whitepaper. Finally, we would like to thank the AssetMark design team, communications and marketing teams and all of the members of the Practice Management team for their support.
Appendix

Sample of VMI (Valuation Maximization Index) Output

Jane Q. Advisor
Business Assessment Report as of Jan - Jun 20XX

Firm Performance Relative To Firm Goals and Peer Group Benchmarks
(note: all Firm Financial values are annualized)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Your Firm</th>
<th>Your Goals</th>
<th>% of Goal</th>
<th>Benchmarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Firm Aum</td>
<td>$47,500,000</td>
<td>$50,000,000</td>
<td>95 %</td>
<td>$56,095,321</td>
</tr>
<tr>
<td>Total Clients</td>
<td>113</td>
<td>115</td>
<td>98 %</td>
<td>141</td>
</tr>
<tr>
<td>Recurring Revenue</td>
<td>$260,000</td>
<td>$300,000</td>
<td>87 %</td>
<td>$391,043</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$364,000</td>
<td>$440,000</td>
<td>83 %</td>
<td>$465,572</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$284,000</td>
<td>$340,000</td>
<td>84 %</td>
<td>$367,394</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>$80,000</td>
<td>$100,000</td>
<td>80 %</td>
<td>$98,179</td>
</tr>
<tr>
<td>Projected Annual Growth Rate</td>
<td>11 %</td>
<td>12 %</td>
<td>92 %</td>
<td>24 %</td>
</tr>
</tbody>
</table>

Value Maximization Index
Firm Relative to Peer Group Benchmark

Key Performance Indicators(KPIs): Firm Performance Relative to Goals and Peer Group Benchmarks
(note: a maximum of 9 KPIs are displayed, all values are annualized)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Jan 20XX</th>
<th>Jun 20XX</th>
<th>20XX Goals</th>
<th>% of Goal</th>
<th>Benchmarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring Revenue per Client</td>
<td>$2,301</td>
<td>$2,609</td>
<td>$2,609</td>
<td>88 %</td>
<td>$4,235</td>
</tr>
<tr>
<td>Recurring Revenue per Advisor</td>
<td>$260,000</td>
<td>$300,000</td>
<td>$300,000</td>
<td>87 %</td>
<td>$270,963</td>
</tr>
<tr>
<td>Total Revenue per Client</td>
<td>$3,221</td>
<td>$3,826</td>
<td>$3,826</td>
<td>84 %</td>
<td>$4,913</td>
</tr>
<tr>
<td>Total AUM per Client</td>
<td>$420,354</td>
<td>$434,783</td>
<td>$434,783</td>
<td>97 %</td>
<td>$556,138</td>
</tr>
<tr>
<td>Total AUM per Advisor</td>
<td>$47,500,000</td>
<td>$50,000,000</td>
<td>$50,000,000</td>
<td>96 %</td>
<td>$35,690,864</td>
</tr>
<tr>
<td>Profit per Client</td>
<td>$708</td>
<td>$870</td>
<td>$870</td>
<td>81 %</td>
<td>$893</td>
</tr>
<tr>
<td>Profit as a % of Revenue</td>
<td>22 %</td>
<td>23 %</td>
<td>23 %</td>
<td>97 %</td>
<td>21 %</td>
</tr>
<tr>
<td>Clients per Advisor</td>
<td>113</td>
<td>115</td>
<td>115</td>
<td>98 %</td>
<td>96</td>
</tr>
<tr>
<td>Revenue as BPS on Assets</td>
<td>77</td>
<td>88</td>
<td>88</td>
<td>87 %</td>
<td>108</td>
</tr>
</tbody>
</table>

Valuation ranges shown are for illustrative purposes only and in no way constitutes a guarantee of individual practice valuation by AssetMark. Actual practice valuation may vary from tool results. Visit https://ewealthmanager.com/saWMC.aspx/termofUse/PracticalManagementtermOfUse to view the full terms for use for this tool.
Please contact your AssetMark representative, call 1-800-664-5345 or visit assetmark.com to access additional resources and learn more about AssetMark’s Practice Management program.