

# Focus for Success

A continuous cycle for driving practice growth

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# Table of contents

- 3 **Executive summary**
- 7 **CHAPTER 1:**  
**Ideal client focus: Building stronger relationships through a match of vision and values**
  - 7 Why ideal clients matter: Making the most of your uniqueness
  - 8 Identify ideal clients by defining their expectations — and yours
  - 9 Case study: Building a reputation for success — one ideal client at a time
- 11 **CHAPTER 2:**  
**Service model focus: Delivering on what your clients value**
  - 11 Disciplined service model drives success
  - 12 Client segmentation: Customizing the experience and managing practice resources
  - 13 Segmentation done right, a systematic way to support growth and profitability
  - 14 Case study: A sophisticated approach to segmentation blends discipline with judgment
- 16 **CHAPTER 3:**  
**Resource allocation focus: Leveraging human capital efficiently and productively**
  - 16 Key priorities in managing human capital
  - 19 Outsourcing can drive efficiencies, scale and knowledge
  - 20 Coaches can keep advisors on track
  - 21 Case study: Managing human capital
- 23 **CHAPTER 4:**  
**Business development focus: Dedicating more time to clients and prospects**
  - 23 Business development: A persistent challenge
  - 24 Fundamental themes in growing your practice
- 26 **Conclusion**
- 27 **Appendix A — Resources**
- 28 **Appendix B — About focus for success: A continuous cycle for driving practice growth**

# Executive summary

## Focus for success

What drives results at top-performing practices? One of the fundamental skills driving their outperformance is focus. That is, top performers show more discipline across a range of key practice areas, including: having a well-defined ideal client; a service model that matches their needs; a staffing strategy that puts the right resources in place to deliver; and a programmatic approach to acquire more of those ideal clients.

According to the 2010 *InvestmentNews/Moss Adams Financial Performance Study of Advisory Firms*, top performers had higher profitability, client retention and acquisition and were better able to manage the recent downturn.

- **Ideal client focus:** Top performers know what types of clients they want to work with and what types of clients are a good match with the practice's philosophy and approach. They are disciplined about when and why they make exceptions and don't chase markets or clients that might dilute their focus.
- **Service model focus:** Focusing on ideal clients enables the practice to be more disciplined in designing a specific offering and consistent service model that those clients will value – including using segmentation strategies to customize the experience and ensure meaningful contact for groups of clients that share similar needs.
- **Resource allocation focus:** Having a clear set of deliverables, connected to a well-defined client experience, helps top performers be more strategic and streamlined in leveraging staff time. Their leaner structure and higher efficiency can boost profitability as well as service quality — the latter potentially enhancing growth through increased retention and referrals.
- **Business development focus:** Higher efficiency and productivity can free up professional time for client-facing activities and business development. When those activities are focused on the right markets and clients, it completes the continuous cycle: bringing in clients that most value what the practice is offering and is optimally staffed to deliver.

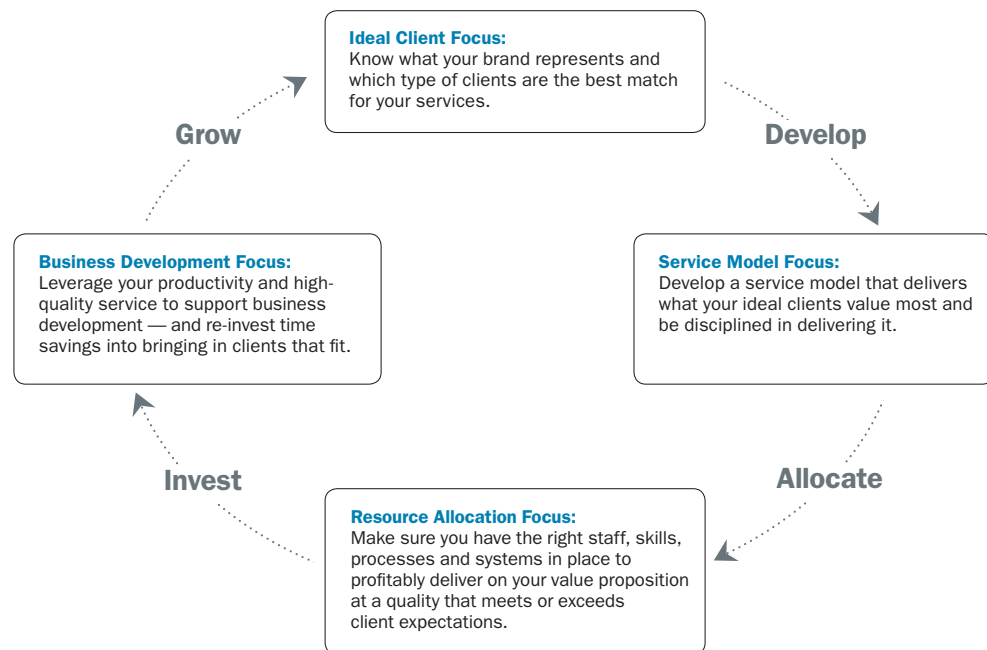
In writing this white paper, Ameriprise Financial collaborated with IN Adviser Solutions, which provided research data and conducted interviews with Ameriprise

advisors to gain insight into best practices that provide focus. The paper is based on data from the 2010 *InvestmentNews/Moss Adams Financial Performance Study of Advisory Firms*, which analyzed the performance of the top 25% of advisory firms based on a composite score of growth, profitability and productivity. So when this report refers to top performers, it's referencing that group. Additional details of the survey methodology and top performer analysis appear in Appendix B. All quotes and case studies in the paper — including practice management insights around achieving focus — were provided by Ameriprise financial advisors, who may or may not have participated in the 2010 *InvestmentNews/Moss Adams Financial Performance Study of Advisory Firms*.

The goal in exploring these topics is to provide quantitative as well as qualitative insights from leading advisory practices. By detailing potential best practices that impact operational and financial performance, we hope to help advisors build their businesses, and achieve both personal and professional success.

### Focus drives a continuous cycle of performance

Figure 1



## Top performers

With a more focused strategy, top performers were able to achieve stronger results — both for their top and bottom lines.

### Top performers grew revenues and profits faster than all others (Figures 2 & 3)

Figure 2  
Percent change in median revenue 2007-2009

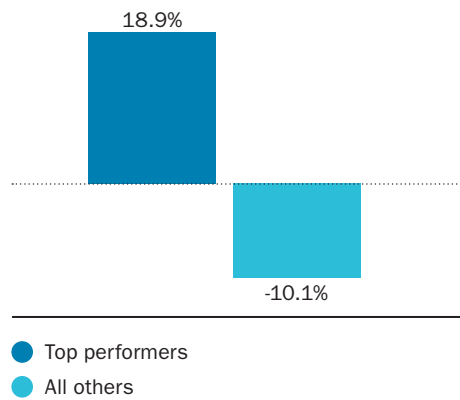
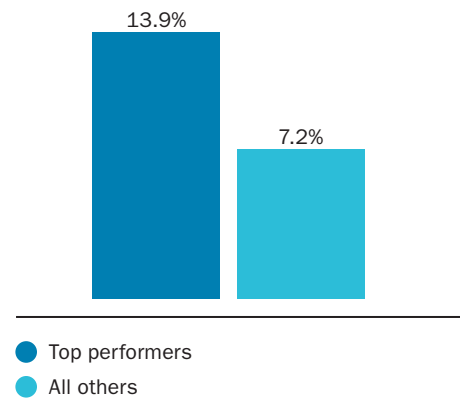
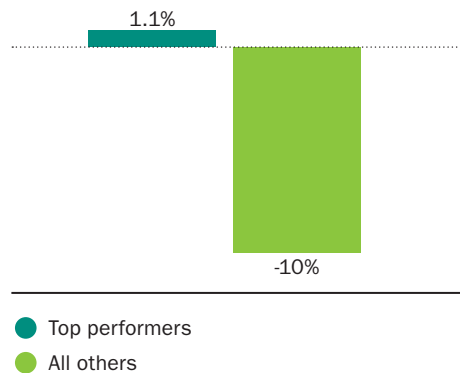


Figure 3  
Median 2009 operating margin



### Resulting in higher income for owners (Figure 4)

Figure 4  
Change in median earnings before owners' compensation margin 2007-2009



### **Special Acknowledgment**

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**Edward A. Conti**  
ChFC®  
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Bellevue, WA  
\$61,000,000 AUM

**John Everson**  
CFP®, MS  
Financial Advisor  
Martinsburg, WV  
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**Robert Potter**  
CFP®, CRPC®, MS  
Financial Advisor  
Managing Director  
Giles, Potter & Associates  
Troy, MI  
\$150,000,000 AUM

**Michael Scott**  
CRPC®  
Private Wealth Advisor  
Michael Scott and Associates  
Westborough, MA  
\$70,000,000 AUM

## Ideal client focus: Building stronger relationships through a match of vision and values

In the advisory business, we often talk about “ideal clients” and encourage advisors not only to develop an ideal client profile but also to use it to drive a continuous cycle of improvement and growth.

Defining the practice’s ideal client is the first and most important step advisors can take in achieving focus, and it starts with vision and values. Advisors don’t just provide advice or products. They make a difference in their clients’ lives by bringing unique competencies and qualities to their work.

When asked what their practice is best known for, the two most common answers from study respondents were “advice or asset management process” and “unique sales method or relationship management approach,” (Figure 5). Both of these answers point to the fact that it is the *client’s experience* of the practice brand, as defined by its unique processes and methods, that is its true competitive advantage. It is this client experience that is the basis for keeping — and winning — new clients. Yet, when asked how they identify ideal clients, study respondents said they focus on “investable assets” and “people we enjoy working with,” and not much else (Figure 6).

### Why ideal clients matter: Making the most of your uniqueness

Clearly, advisors have more work to do in linking their uniqueness to specific types of clients that are an optimal fit. In reality, ideal clients are not necessarily those with the most money. Ideal clients are those that best match your purpose, aspirations and capabilities as an advisor, because those are the clients you can help the most. And those are the clients who will be loyal over the long term, value what you have to offer and become the most forceful advocates for your practice.

Figure 5  
What is your firm best known for?

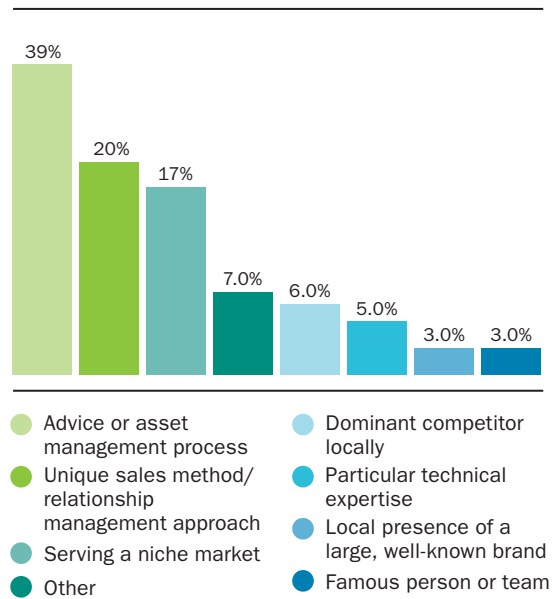
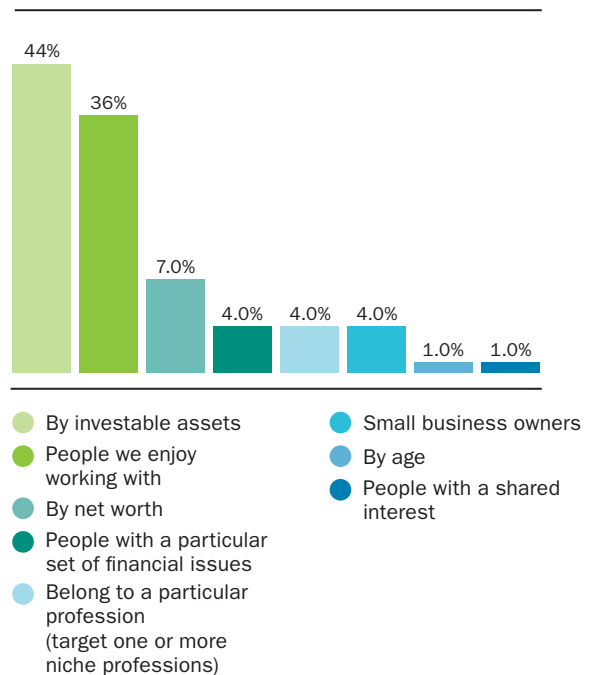


Figure 6  
How do you define an ideal client?



For Karen Harvey, of Shamis & Harvey in Gainesville, FL, ideal clients need more than just minimum assets to be considered a good match for her practice. She says she doesn't take on a client that doesn't want to go through the financial planning process. "Clients who go through the planning process tell me that it gives them peace of mind," she said. "I've found that in turbulent times, having a plan in place helps people stay calm and focused on their goals. If they're motivated to go through the process, it becomes much more rewarding for my team and, of course, more beneficial for the client."

John Everson is an advisor in Martinsburg, WV, about 75 miles from Washington, D.C. He is even more specific about what makes an ideal client — and why it matters. He says that in a small town of about 115,000, his practice deals with an "eclectic blend of situations," but that, in addition to asset minimums, he has two types of ideal clients:

- pre-retirees or those who have just made the transition to retirement
- recipients of lump-sum payments — either non-qualified money from the sale of an asset or compensation from a legal settlement

He says that, over the years, his expertise in these areas has helped him attract clients that fit and can benefit from his offering, what he calls "the more serious cases and people with bigger financial concerns." In addition, he says that sticking to specific types of clients has another critical benefit: "I have been in business in this town for 25 years, and I'm always making sure that I protect the reputation of my business. We want clients who are open to advice, who are advisor friendly and willing to be counseled. We don't want adversarial relationships, because the strength of your relationship with clients is the kind of thing that other people hear about."

### **Identify ideal clients by defining their expectations — and yours**

Identifying ideal client types requires systematic analysis that includes both quantitative and qualitative metrics, including understanding why these clients choose to work with the practice. It may be hard to predict the common themes that ideal clients share, as they could be personality type, occupation, socio-economic status, geography, or other factors. But once the advisor can identify major themes, it will be easier to document a story behind who "ideal clients" are.

Advisors should also be clear about their expectation of their clients. Edward Conti, an advisor in Bellevue, WA, says he is very explicit about the process he uses to refer out a client. He says, "It's only fair to tell them on the way in what the rules are." He tells his clients that he will refer them to another advisor if:

- The client won't schedule meetings or doesn't show up for meetings
- The practice puts time and energy into delivering advice and the client ignores it or does the opposite, to his or her detriment
- The practice takes more of an interest in the client's financial well being than the client does

"I finally realized that it was not in the best interest of my practice — or new prospects — to take on clients that don't fit. Now I refer them out."

**ED CONTI**  
AMERIPRISE FINANCIAL ADVISOR

## Case Study: Michael Scott & Associates

Practice Location: Westborough, MA

Size: \$70,000,000 in AUM

Type: Private Wealth Advisory

### Building a reputation for success — one ideal client at a time

Michael Scott, Private Wealth Advisor of Michael Scott & Associates, has been in the advisory business for more than a dozen years — on the advice side as well as the management side. And he believes that the industry's next evolutionary step will be toward behavioral advice. He says, "At the core of my practice philosophy is a desire to focus specifically on the combination of behavioral finance and traditional finance/wealth management. It's a niche and a different connection with clients. In addition, I believe it's a different value proposition."

Within this specialty, he intentionally focuses on two types of ideal clients:

- "Doers" who are typically entrepreneurs or senior-level executives, whose success comes with a lot of complexity
- Families that have a member with mental illness, which can create financial complexity, strain and uncertainty

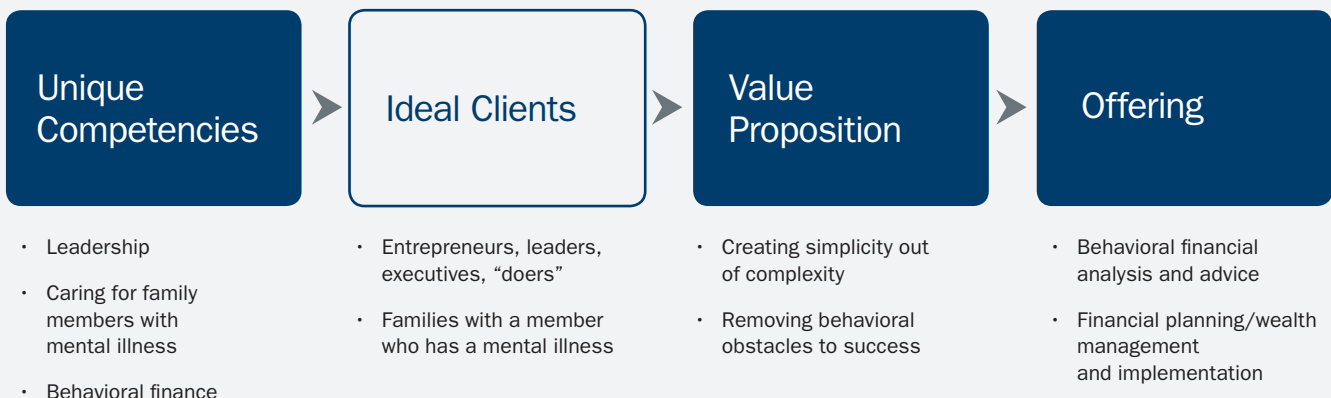
Scott chose these types of clients because they fit with his unique expertise. He says, "I sat back and thought, who are the clients that I love working with? What's my unique skill set? What am I passionate about?"

He realized that his leadership roles in different organizations equipped him to deal with leaders and "doers." And his experience caring for a family member with mental illness gave him firsthand knowledge of the kinds of problems these families face and the types of solutions that can work. Both groups face complex financial challenges, as well as stressors that can impact behavior and financial decision making.

### Refined service model drives growth

Scott says he pared his client roster back from about 400 clients to about 150. And because he now has a precise idea of who his ideal clients are, he says that the practice has been able to fine-tune its service model. For example, the practice has developed customized tools and resources that are deployed at specific stages of the relationship to address specific challenges. He cites the practice's "5 Points of Dialogue" and "Obstacle Eliminator" tools, which were designed to address communications and behavioral obstacles to effective decision-making.

According to Scott, "Our tools and processes are specially tailored for those specific markets, to help clients sort through the complexities so they can make decisions."



Scott uses his behavioral methodology to customize his planning and investment recommendations to clients. He says, “A person who has behavioral issues around spending might need investment vehicles that are less liquid. But someone supporting a mentally ill family member might need more liquidity.”

However, not everybody is suited to behavioral advice. So he adjusted his business development program accordingly. To ensure that the practice is right for the client — and the client is right for the practice — Scott’s initial client meeting aims to understand the client’s goals and explain the practice’s philosophy of “behavioral finance” integrated with traditional financial planning and wealth management. The second meeting focuses on creating clarity by getting to the true behavioral finance and traditional finance issues. Subsequent meetings are customized to help clients make values-based decisions with their money and their lives.

Scott says, “It’s a longer sales process so we had to innovate.” For example, the practice held an event for clients and prospects that featured a world-renowned sports nutritionist, who talked about behavioral issues around food and exercise. Scott says it was an interesting and practical event for attendees, and he was able to thematically tie the idea of behavioral influence back to finance.

According to Scott, focusing on ideal clients has helped him hone his practice’s unique behavioral approach and special needs focus. He says that its growing expertise in these areas has enhanced its reputation and fueled referrals of clients who both want and value his practice’s approach to delivering financial advice. “This has been a record-breaking year for unsolicited business,” he says. “We have people calling to meet with us who have been referred by people we don’t even know.”

“The core of my practice’s brand is serving a niche market with a unique value proposition. The clarity of that focus has paid off in numerous unsolicited referrals.”

**MICHAEL SCOTT**  
AMERIPRISE FINANCIAL ADVISOR

## Service model focus: Delivering on what your clients value

The right match between the practice and its ideal clients will bring clear objectives and expectations for value. This link creates client loyalty and confidence, because the practice’s processes and methods directly address client needs.

Matching the appropriate service model to the ideal client is the next step in creating a continuous cycle of focus. If the service model isn’t designed to meet the ideal client’s expectations, the clients will be more likely to focus on investment performance as the key benefit of the advisory relationship and compare fees paid to investment return. This devalues the advice portion of the relationship and may affect client retention, as investment return is an easily replaceable commodity.

It also sends the wrong message: that focusing on the investment portion of the client’s financial objectives will adequately address a client’s entire financial situation. It won’t. Without a strong advice component, clients could meet their investment return target but miss a range of other financial objectives.

In addition, managing the client experience can increase referrals, as clients who have a good experience will be more likely to pass on that information to others.

### Disciplined service model drives success

Top performers reported having a narrower overall service offering and were less likely to expand their service model. In addition, they outperformed all others in retention and growth — for both clients and assets (Figures 7 and 8). Top performers lost fewer clients and gained more new clients, and as a result their assets grew much faster. Their revenue-per-client also declined less during the downturn and grew faster afterward.

According to Jim Bennett, of Bennett & Associates in Bellevue, WA, “Excellent service is kind of like beauty — it’s in the eye of the beholder. It’s not about being all things to all people. It’s about being specific things to specific people.”

Figure 7  
**Top performers had higher client acquisition**  
 (% change in median number of clients)

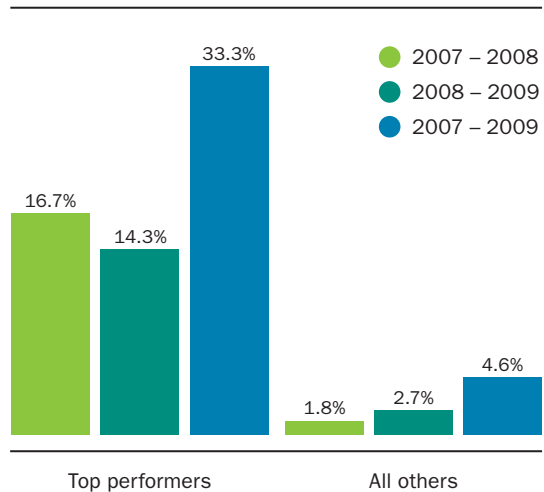
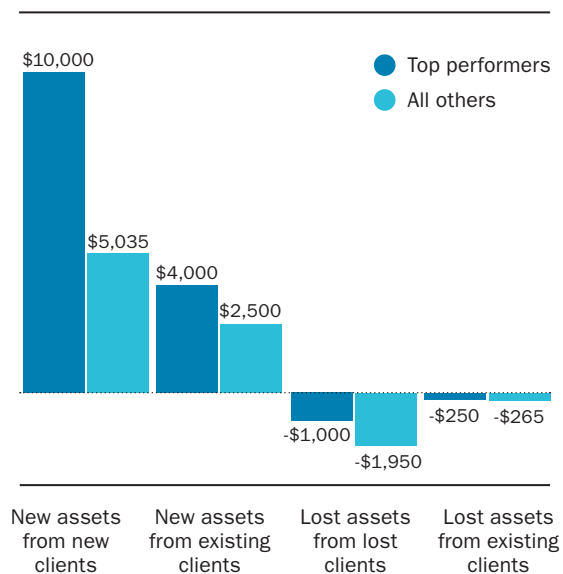


Figure 8  
**Top performers had stronger asset retention and acquisition**  
 (2009 median increase in AUM)



A practice’s “service model” is simply a proxy for the “relationship” part of the client experience. Without clearly defining that experience, the advisor is just managing money. The perception of value is low. And it’s easy for the relationship to fray.

By contrast, a strong, focused service model implies operational reliability and strength, a key element in client trust as well as the practice’s brand. A focused service model also makes it easier to make decisions related to staffing, capital investment and technology. It helps advisors design repeatable systems that support efficiency, productivity and consistent quality. And it inspires confidence in staff that the practice is well-managed.

Finally, because a well-defined service model delineates optimal levels of client contact, it can open more opportunities to help clients with their goals, especially during life changes that create a need for financial advice. Maintaining a system for ongoing, meaningful contact keeps the advisor top-of-mind and more likely to be the trusted partner in managing difficult decisions. The further the advisor is away from clients at those times, the more the door is open to someone else to meet those needs. If the advisor-client relationship is weak, the client is more likely to turn to another advisor to meet those needs.

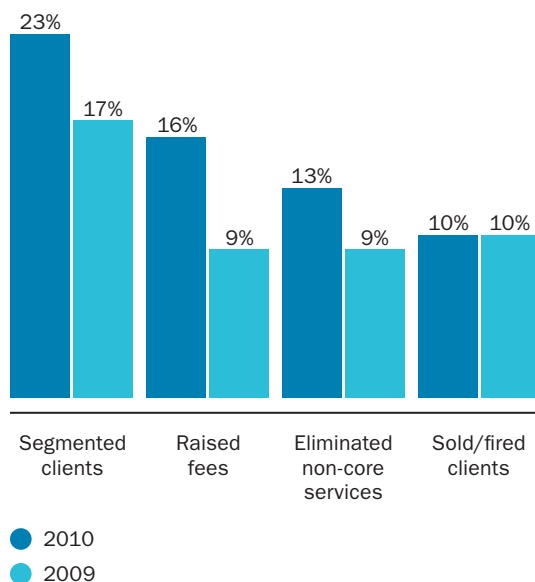
**Client segmentation: Customizing the experience and managing practice resources**

Segmentation is a top client service strategy for improving profitability. In its most effective form, segmentation develops refined service models for specific groups of clients that share common challenges and needs. Once a service model is defined for a specific group, then the practice can better understand the staffing and cost structure involved in

serving that group and price the offering appropriately. Segmentation is not simply a way to cut small clients. For practices with a strategic rationale for keeping smaller clients (e.g., they are strong savers who will grow with the practice), segmentation is a way to retain them within the range of ideal clients, but do so profitably. (Figure 9)

This approach of strategically retaining smaller clients can benefit the practice in a number of ways — and not just financially. The advisory business will face strong succession pressures over the next 10 years as experienced advisors approach retirement. But according to study data, approximately two-thirds of advisors have no plan — even those advisors within a few years of retirement. Given this situation, many advisors may be hard-pressed to find an external buyer for their practice. As part of an internal succession plan, allocating segments of clients to junior advisors can provide a solid and growing client base for younger professionals as they are groomed to take over in the future.

Figure 9  
Client service initiatives to raise profitability



**Segmentation done right, a systematic way to support growth and profitability**

The first step in developing a segmentation strategy is to identify groups of ideal clients that have common needs and challenges. Then the advisor can design an offering that meets those needs — not just products and services, but also standards for response time to client inquiries (e.g., half hour vs. end of day); the number of and types of client touches during the year (e.g., regular meeting vs. appreciation and networking events); and the extent to which the advisor will coordinate with outside professionals (e.g., attorneys and accountants).

Once the services have been defined, the advisor can determine costs related to providing those services and compare that to the revenues earned. For each segment the advisor can determine whether it is operating at a loss, at break-even or at a profit. If the segment is not sufficiently profitable, then the advisor needs to find ways to drive revenue and/or cut costs (e.g., outsourcing aspects of financial planning for some segments or assigning associates to handle some meetings).

The goal of this work is to have the right service and staffing model in place for each segment, so that clients’ needs are met and the practice can still grow without compromising profitability.



## Case Study: Giles, Potter & Associates

Practice Location: Troy, MI  
Size: \$150,000,000 in AUM  
Type: Full-Service Financial Planning & Investment Management

### **A sophisticated approach to segmentation blends discipline with judgment**

Robert Potter, of Giles, Potter & Associates, says their practice has a clearly defined ideal client type, as well as a clearly defined service model, which is documented in the practice's service policy. Yet even within this systematic approach, segmentation strategies allow the practice to effectively serve different sizes and types of clients. And he says that the benefits accrue to both the clients and the practice.

According to Potter, "Our ideal client is somebody with good behaviors. A lot of times, advisors will have account minimums and other ways of screening out clients. But we've found that clients with good behaviors, who live within their means, can be great long-term clients. Some of the younger clients that may not be good for another practice develop into fantastic long-term clients for us."

One key driver of the practice's segmentation program is the maturity of the practice. Segmentation is one way the practice can identify and profitably serve the next generation of high earners. Says Potter, "When you have a mature practice like ours, where your average client is 62 to 65 years old, you have to anticipate significant outflows in the form of systematic payouts. You need to replenish those assets and revenues. So for us inter-generational planning is a priority."

### **Well-designed segments leave little to chance**

The practice's segmentation strategy uses four classifications, with a written service policy for each that defines the appropriate types and levels of service for that group. The practice's segmentation approach has four groupings:

- A: Top 20% of revenue generators
- B: Remaining 80% of revenue generators
- C: Family or other relationship to a key client or referral source
- D: No longer fit

The service model for each group (e.g., number of meetings) is based on the client's level of assets and complexity — generally with six to eight meetings in the first year for all clients and then one to four meetings per year after that depending on the client's assets, needs and preferences.

Potter says that within each group there tends to be enough similarity that service demands are also consistent. That enables the practice to anticipate the core needs of each group and build an offering and service model that meet those needs — without having to charge ad hoc fees for services that go outside the basic model, although the practice has recourse to such fees, if necessary.

He says, "To me, the issue goes back to revenues versus expenses. You have to say to yourself, if a client is utilizing all of our resources, then we have to be compensated for that. And we do have add-on fees for that. But the fact is, I've never had to do it."

### **Flexibility and judgment are essential to effective segmentation**

According to Potter, the practice finds potential in all kinds of clients and gives advisors leeway in applying the rules. He says: “You can have an A client that doesn’t have a lot of assets, but is a tremendous referral source. And you can have two A clients, each with half a million dollars in assets, and one wants to meet six times a year and the other just once. I know it sound cliché, but it really does depend on the client.”

He says that the key to effective segmentation is setting clients’ expectations for what is an appropriate level of service and understanding the underlying costs involved in the service model, such as staff time for prepping for meetings, running reports, etc.

With those metrics established, he believes in letting advisors use their judgment. “Clients know that if they need anything, they can call us. For us, segmentation is more of a rule of thumb than a mandate,” he says. The practice leaves it up to individual advisors to know the service costs to the practice and then manage clients according to what’s in their best interest. Potter added, “I believe this is a subjective process. I think you’re making a mistake if you make it too black and white.”

“This is a subjective process.  
I think you’re making a  
mistake if you make it too  
black and white.”

**ROBERT POTTER**  
GILES, POTTER & ASSOCIATES

## Resource allocation focus: Leveraging human capital efficiently and productively

The next link in the cycle of focus is managing human capital. With a refined service model in place, an advisor can manage to that goal by putting the right people and skills in place (both internally and externally) to efficiently meet, or exceed, clients' expectations for a high-quality experience.

In this regard, the practices of top performers are telling. Top performers have a 15% higher expense profile, per-client, than all others, on an absolute dollar basis. The reason is that top performers have more professional staff as a percent of total staff, and those professionals earn more. At the same time, top performers operate with about two-thirds the overhead cost of all others, measured as a percentage of revenue (Figure 10).

In short, their lean, efficient staffing structure enables top performers to maximize the impact of a larger professional staff to retain, serve and build client relationships. Those professionals generate higher productivity (i.e., higher revenue per total staff and higher revenue per professional), as well as higher professional compensation. They invest in higher value staff to drive revenue, while outsourcing non-core activities.

### Key priorities in managing human capital

Based on research data and interviews with successful Ameriprise advisors, there appears to be a significant qualitative difference in the staff management strategies of top performers. To these top performers, "focus" includes three key priorities: aligning staff resources efficiently to support the practice and its value proposition; managing staff as a growth resource, rather than as an expense; and investing in the development of their skills and knowledge.

Figure 10  
Median overhead expense as percent of revenue

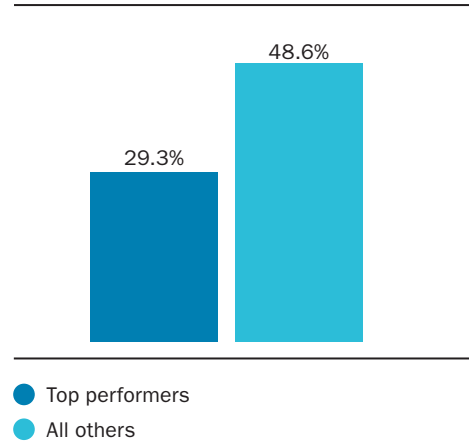
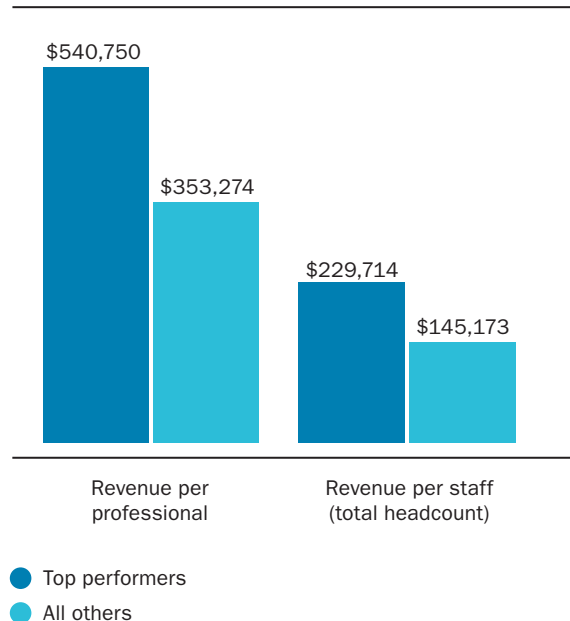


Figure 11  
Top performers' leaner structures drive higher productivity

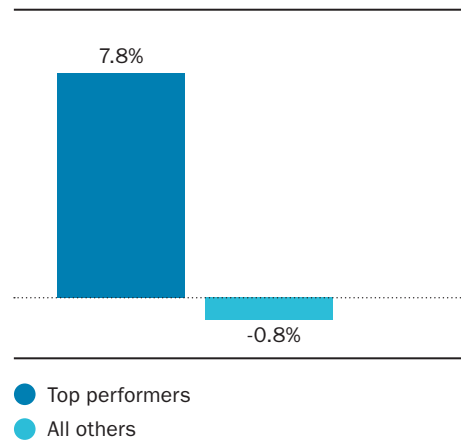


- **Supporting the value proposition:** At every level of the practice, from the advisor on down, successful management of human capital requires knowing what skills the practice needs and where those skills should be deployed to deliver the most value. And to be most effective, staff members need well-defined roles and responsibilities, connected not just to tasks, but to outcomes for the practice.

Michael Scott says that his team members all have to complete a statement of unique ability, which helps them better understand their own skills, as well as how they fit into the business. “A good team is one plus one equals ten. But for many practices one plus one only equals one and a half. Because they are not focused on unique abilities, they end up putting people in roles that are wrong for them.”

- **Hiring to grow:** Research data indicates that top performers manage staff to support growth, rather than as an expense to be cut in difficult times (Figure 12). Top performers’ leaner structure means that when tough times hit, their margins are impacted less than other practices so they are not forced to cut staff. Further, they can hire more quickly and are more apt to hire even in down times, because they have higher revenues and profitability and are generally more productive. Reactive hiring (i.e., waiting until the practice is under pressure to hire) increases the likelihood that an advisor will be forced into a quick decision to fill a gap and not have the time to search for the right candidate.

Figure 12  
**Percent change in average number of professional staff, 2007-2009**



• **Invest in and develop staff:** In order for a practice to achieve higher financial performance with fewer staff, those staff need to be highly skilled, highly focused, and they need to grow in their roles as the practice grows and evolves. Advisors interviewed for this report cited four critical strategies in maximizing the effectiveness of their teams:

1. **Communication.** Open communication on daily practice operations and ongoing business strategy is essential. Ameriprise advisor John Everson says that his practice conducts a weekly “wrap-up” meeting in which the entire team reviews client activity on a case-by-case basis. He says that this level of interaction with staff is essential — not just to keep them operationally on track, but so that they understand the practice’s business strategy and vision: “They understand who we’re looking for, what drives this business and what’s involved. Every one of my staff can articulate who the optimal client is and the ideal situation.”
2. **Job descriptions.** Once that understanding is in place, job descriptions are another critical piece of the puzzle. Employees need to know their value; if an employee is hired for specific skills that support the practice’s mission and value proposition in specific ways, that needs to be documented to ensure that investment is leveraged appropriately for maximum impact. Clear performance guidelines will also improve staff motivation and satisfaction.
3. **Incentives.** As a key element of staff motivation, incentives can be financial or non-financial, with the latter category including such things as additional training, travel to conferences, events outside the office, time off or some other personal reward that is unique to each employee. Kevin Ferhadson, of Ferhadson & Associates, says that his practice has a financial bonus program that includes all staff, but he adds that the program is product and revenue agnostic. “I want them to be compensated for bringing in assets, not for selling specific products. So everybody is influenced to do the right thing.”
4. **Development.** Career path and skills development are fundamental to managing human capital in two ways: they keep staff motivated and engaged and help the practice gain the right resources to support each stage of growth. Top performers report investing heavily in training, particularly around software systems; they were nearly three times as likely to invest in training compared to all other practices.

“I invest in my people because, in the end, I’m only as good as my team.”

**MICHAEL SCOTT**  
PRIVATE WEALTH ADVISOR  
MICHAEL SCOTT & ASSOCIATES

## Outsourcing can drive efficiencies, scale and knowledge

The most valuable use of professional staff time is spending it with clients and prospects. As such, outsourcing is a significant time savings for professionals. Practices with extensive outsourcing programs report saving two days of professional staff time per week — time savings that can be reinvested in client service and acquisition (Figures 13 and 14).

Outsourcing options cover a wide range of capabilities, from administrative functions to core investment functions. And outsourcing strategies differ from practice to practice, based on individual resource allocation decisions. An ideal strategy consists of a thorough practice management review. This includes an assessment of internal resources to improve productivity and an evaluation of external options to save time, allowing more focus on client-facing activities.

A number of outsourcing options are available from broker-dealers and custodians. These options cover a broad spectrum of practice functions, including:

- Investment solutions
- Plan production
- Marketing
- Payroll and benefits administration
- Technology management
- Accounting/Financial management
- Operations and maintenance

For example, practices at Ameriprise can leverage outsourcing solutions for investment management — in the form of advice-embedded portfolios — as well as for financial plan production, technology management, seminar and event marketing, and other key practice functions.

Figure 13  
What's currently outsourced

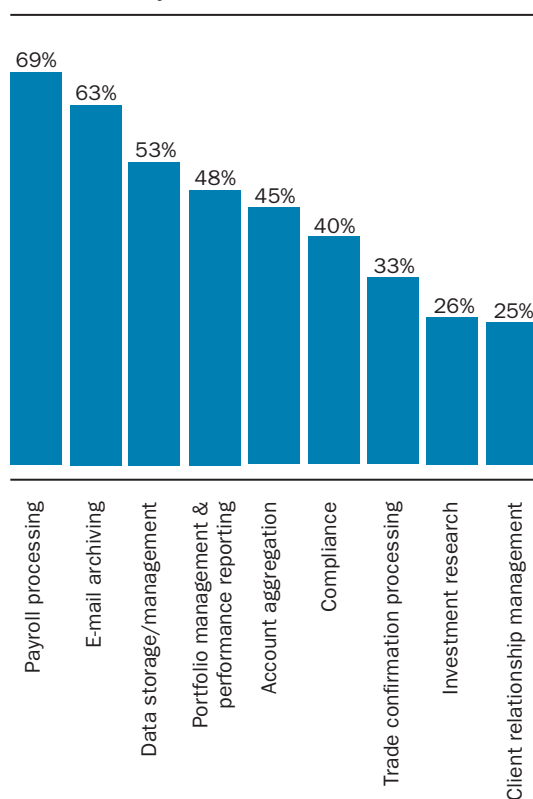
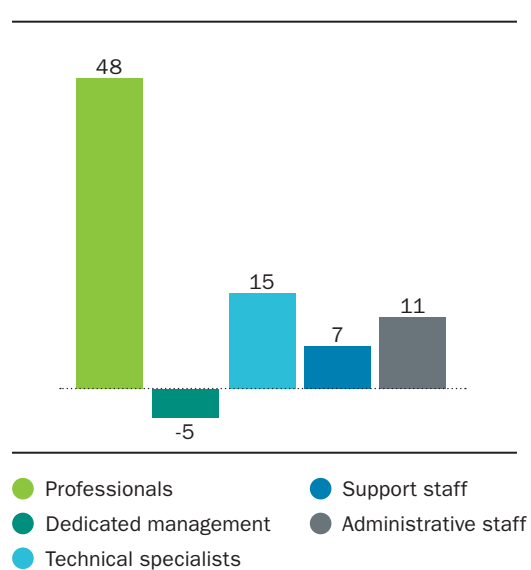


Figure 14  
Weekly timesaving hours based on outsourcing 7 or more functions



In addition, outsourcing can bring a complementary skill set to the practice and help deploy “big practice” resources at a lower cost. And it can help the practice acquire knowledge that boosts employees’ skill sets to support future growth. For example, Kevin Ferhadson says he outsources seasonal tax work to a contracted CPA and event management to a consultant. He says, “I have an external marketing person who manages all of our bigger marketing events. My team has little experience in this area, and we can learn from our consultant, who’s been doing this for years.”

### **Coaches can keep advisors on track**

Few advisors have experience acting as a CEO and being responsible for the livelihoods and careers of others. But that’s what successful business people do, in addition to the myriad day-to-day management responsibilities they face. Many advisors consider retaining a coach of their own, to help them keep their businesses and their own careers on track.

Advisors should consider applying the same principles and expectations they have for clients to managing their own practices (i.e., planning for the business, setting and tracking goals, and executing against the plan). Several of the advisors interviewed for this report said that coaches were instrumental in helping them do just that.

Ameriprise advisor Edward Conti says that his coach helps him develop a long-range business plan and then translate it into tangible goals that move the practice forward, in such areas like client acquisition, marketing programs and staff development and hiring.

“He keeps me on the straight and narrow. Most of the wonderful things we do as a practice are because of his prompting to come up with a system and a plan,” says Conti. “I now feel confident that I know what we need to add. I know when we need to add it. I can see growth paths for my junior advisors, so they have an opportunity to grow through their career. And without using a strategic coach, I don’t believe I would be able to say that.”

“My coach has been fundamental in making me schedule time to work on the business instead of in the business and that’s made a huge difference.”

**EDWARD CONTI**  
AMERIPRISE FINANCIAL ADVISOR

## Case Study: Bennett & Associates

Practice Location: Bellevue, WA  
Size: \$100,000,000 AUM  
Type: Comprehensive Financial, Investment and Tax Planning

### Managing human capital as an investment in your growth

Like many advisors, Jim Bennett, founder of Bennett & Associates, says that managing people is not his strong suit. “I’ve had to learn and grow into this area. And to be honest with you, it’s not one of my unique abilities or strengths. But I have been able to rely on my outside consultant to help me with it, and it’s gotten easier.”

And like many advisors, his diligence has paid off in a strategy that he says “efficiently allocates resources based on the size and structure of the practice.” Bennett says that because every practice is different, each practice will have to develop its own approach to solving the challenge of managing human capital. But the core elements of Bennett’s approach can be instructive to other practices.

### Motivation is about achieving results — not completing tasks

As a first step, roles and responsibilities are clearly defined, including what Bennett calls a “strategic job overview” that includes a “result statement.” Deliverables are broken down by what each employee should be engaged with on a daily, weekly, monthly, quarterly, annual and “as-needed” basis.

But Bennett cautions that motivation is different from accountability. Practices need both, but motivation is built at a strategic level. He says, “I don’t want my staff to feel like they are just about tasks. I want them to know exactly how — based on the jobs that they do — they have a clear role in achieving specific results for the practice.” Those strategic targets, in the form of a business plan and vision, are shared with staff on a quarterly basis, to keep the vision fresh and directly connected to people’s roles and responsibilities.

The practice’s larger “strategic” results are also tied to incentive pay, to further reinforce motivation. Staff compensation includes base pay, plus two levels of potential bonus pay: one for meeting individual goals, the other for meeting team goals. In addition, he uses non-financial incentives like training, travel and time off to reach employees at a personal level.

He says: “While money is great, it doesn’t always drive people. So I try to find out what does. For some people I pay for additional training — for example if people want to grow in their roles and become licensed. Another person might want time off or travel. So when we hit all our numbers I took my entire staff to a conference for a few days as a group.”

“Excellent service is like beauty — it’s in the eyes of the beholder. It’s not about being all things to all people. It’s about being specific things to specific people.”

**JIM BENNETT**  
AMERIPRISE PRIVATE WEALTH ADVISOR

### Everyone grows with the practice — including the owner

Bennett says he has been growing in the manager role, and it has become easier as he learned how to be systematic about managing human capital. But he says ultimately, as the practice grows, it's a role he'd like to grow out of.

To reach that goal, however, someone else has to grow into the role. He's working with a part-time employee to do just that. She used to be a quarter-time employee coordinating the practice's marketing. She has grown her position to half-time as she helped build out its management capabilities — by generating job description templates, goal-tracking processes, and other management tools.

According to Bennett: "There are three main roles for advisors in any practice: the owner role, the manager role and the advisor role. Ultimately, I want to get out of the manager role and just focus on being an owner and advisor. And what's great about this business is that I have an opportunity to do that."

#### Bennett & Associates: Human capital management overview

Job descriptions, objectives, and deliverables	<ul style="list-style-type: none"><li>• Documented in a "results statement"</li><li>• Task-specific, as well as strategic (i.e., practice-wide objectives)</li><li>• Deliverables broken out into daily, weekly, monthly, quarterly, and "as needed"</li></ul>
Compensation and incentives	<ul style="list-style-type: none"><li>• Base pay</li><li>• Individual bonus</li><li>• Team bonus</li><li>• Non-financial compensation</li></ul>
Compensation metrics	<ul style="list-style-type: none"><li>• Individual goals</li><li>• Practice goals</li></ul>
Strategic business reviews	<ul style="list-style-type: none"><li>• Monthly strategy/progress review with coach</li><li>• Quarterly strategy/progress review with staff</li></ul>

## Business development focus: Dedicating more time to clients and prospects

Business development is the final step in the continuous cycle of focused practice management. Once the “focused” practice is running efficiently, more time is freed up for the advisors in the practice to spend more time working directly with clients and prospects. And this drives retention and acquisition of assets and clients. But just like any other part of the practice, business development requires a systematic approach to be most effective — especially if the industry’s growth targets are to be achieved. A successful business will focus on bringing in more clients like the ideal clients the practice already serves.

Four of the top five strategies that practices use for growth focus on sales and marketing (Figure 15), which means that growing practices will have to allocate more advisor time to business development (Figure 16). In fact, when asked to name one thing they wish they could change about their practices, advisors’ most common answer — by a wide margin — was “marketing and business development.”

### Business development: A persistent challenge

While some advisors are natural marketers, it is not a prerequisite to success. Many successful practices grow because they have a systematic business development process in place to leverage advisors’ time, energy and expertise more effectively. They put the right resources in place to support the process such as hiring qualified staff, outsourcing tasks to third-party vendors such as scheduling or establishing professional alliances with specialized outside firms such as creating a relationship with a CPA.

Strategies can vary, but what successful practices share is a systematic approach to setting and then reaching their business development goals. To be effective, business development cannot be managed on an ad hoc basis or made up of random shots in the dark. Through our interviews we identified six key steps to building a systematic process that can be customized to support any type of practice.

Figure 15  
Top 5 Growth initiatives (2010)

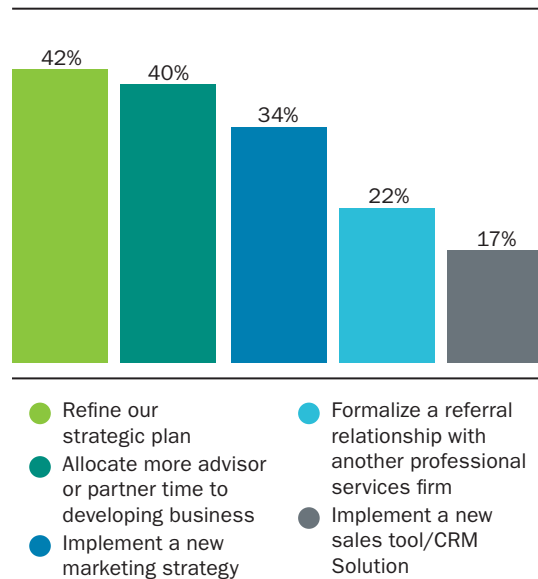
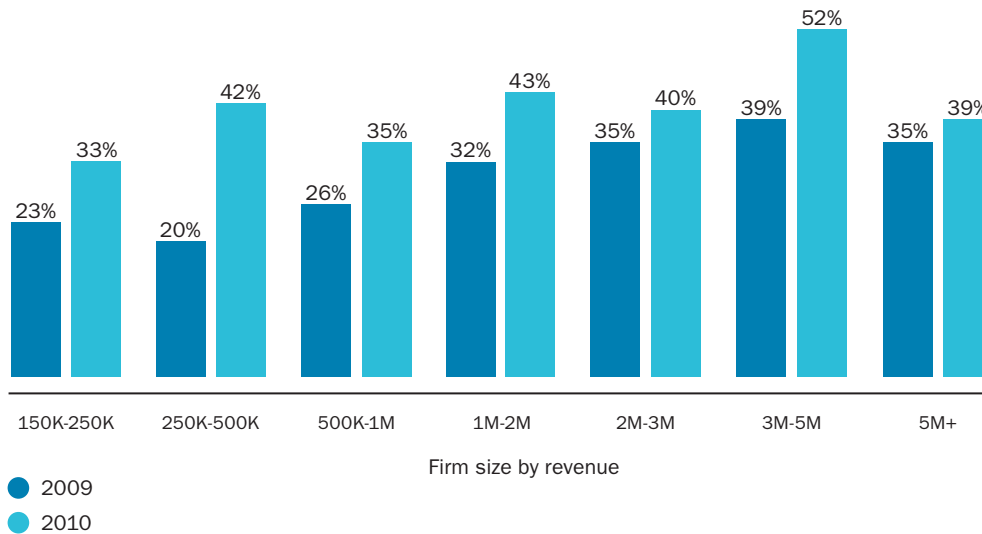


Figure 16

**Percent of firms allocating more advisor or partner time to business development**



**1. Focus on referrals.** Use the profile of your ideal client to identify new prospects. Then reach out to your best clients and let them know you're open for referrals. Remember, clients won't refer you if they think you're too busy or not taking on new clients.

**2. Embed business development into all your business processes.** Are there signs in the lobby? Do you mention referrals in your follow-up correspondence with clients? Is it on the agenda for your regular client meetings?

Jim Bennett tasks his staff with putting "introductions" on the agenda for every client meeting. He also has a small appreciation gift for every client at every meeting; the gift is delivered with two business cards and a message: "The gift is for you because we appreciate your business, and the business cards are for friends or associates like you, who might benefit from what we do." The gift is placed in the advisor's office along with the agenda, prior to the meeting, giving the advisor the opportunity to discuss referrals as the last agenda item. This is just one well-developed piece of systematic process that involves all staff and weaves business development into the fabric of the practice's day-to-day operations.

**3. Establish a strategic framework.** Think through all the steps required to identify, screen and acquire the ideal clients you want to work with. Being systematic in this effort requires a framework, which can be broken out into the following components:

- Ask for referrals: People won't refer if they don't think you are open to new business so be active and consistent about emphasizing your openness to new business.
- Target a segment: You won't grow your ideal client segment if you don't ask for targeted referrals. So be specific about the kind of referrals you want (e.g., "young physicians about five years out of med school, with a growing practice").
- Fill your pipeline: A steady flow of new clients depends on a steady flow of new prospects; that means having sufficient depth in the pipeline at all times (ideally 200 or more).
- Maintain your pipeline: It's just as important to be in front of prospects consistently as it is to be in front of clients consistently; communicate regularly to keep your leads warm.

- Expand your network: Whether it’s a local fraternal organization, an alumni association, a country club or some other group activity, use your networks to show that you’re a credible resource.
- Establish Center of Influence (COI) relationships: These are often reciprocal relationships where you refer clients to a professional service provider (i.e., an estate attorney), and he or she refers financial planning clients to you. COI relationships can also be focused on specific groups including professions, companies, industries and interests.

**4. Stick to a schedule.** Consistency drives success, so whether you’re sending birthday and anniversary cards, mailing newsletters or planning events, make a schedule and stick to it.

Ameriprise advisor Edward Conti developed a trimester event schedule that mixes financial content with socializing. For example, a first trimester event might be planned around Valentine’s Day and just be a social evening. He says that for one event he invited a representative of MasterCard to talk about how to travel for free with rewards points. His practice also holds a “Stars Event” in December to kick off the holiday season. It’s an annual appreciation dinner for clients whose referrals became clients during the year.

He says that he also takes out an advertisement in Seattle Magazine every April in their “wealth manager” issue and gives reprints to clients with a letter that explains exactly what kind of clients the practice is looking for. When marketing and business development outreach is tied to a regular schedule, it’s easier to manage and track and keeps the practice “fresh and top of mind for clients,” says Conti.

**5. Consider getting smaller to grow:** Three of the seven practices interviewed for this report said they significantly pared back their book of business in an effort to get focused and achieve the right kind of growth. These practices went from several hundred clients down to fewer than 200 clients.

According to Jim Bennett, “One of the reasons I got smaller to get bigger was, when I was at 650 clients, and it was me and a staff of about the size I have now ... My business was in control of me as opposed to my controlling the business.”

Practices that prune their client list say this exercise puts them back in control. It keeps them focused on a core offering that fits with their mission and helps them focus staffing strategies on specific services that fit the practice’s value proposition. It’s a discipline that can work for practices of all sizes and for advisors that need to downsize a newly acquired book of business.

**6. Set targets that fit your mission and vision:** Business development is not a one-size-fits-all exercise. Different advisors set different goals, depending on their unique mission, their vision for their future practice and the type of ideal clients they want. One advisor who was interviewed set a growth target of \$1 million in new assets every month. Another was targeting just 10-15 new clients a year, but focused exclusively on a narrowly defined ideal client type. The message here is that while concrete goals are good — and essential — those goals need to reflect your priorities as an advisor: who you want to work with and what you want to offer.

“We manage around creating value, not volume.”

**MICHAEL SCOTT**  
PRIVATE WEALTH ADVISOR  
MICHAEL SCOTT & ASSOCIATES

## Conclusion

Focus is a powerful tool for financial advisors. It can drive a continuous cycle of improvement that begins with the client. Defining the ideal client provides the foundation on which the practice can build a targeted offering and service model, with well-defined standards for quality. In support of this model, the practice can effectively manage staff to deliver on the value proposition, productively and profitably.

And ultimately, this combination of targeted offering and systematic, efficient delivery helps practices focus on building the business to better serve more of its ideal clients. Financial results from top performers show that this approach works. And anecdotal evidence from our interviews suggests that a well-focused practice can make advisors' own lives more manageable, because they're more in control of their relationships and their time.

But success of this kind requires taking time to define the practice's mission and vision. That way, the practice can identify clients that are the best fit. This requires a growth- and investment-oriented approach to staffing and resource management. And it requires strategic reinvestment of professional time back into the business, both in practice management and business development.

By staying with the mantra of "focus" — in clients, service, resources, and growth — practices can stay successful in what will always be a very competitive industry.

*Ameriprise is committed to providing advisory practices with effective, practical tools for growth and practice management. Your comments and feedback are welcome. We hope that this material can provide actionable guidance in addressing your practice management challenges. If you have questions or would like more information on how Ameriprise helps advisors grow their practices, call (888) 267.8354 or visit [joinameriprise.com/how](http://joinameriprise.com/how).*

Learn more about Ameriprise  
and how we help advisors  
grow their practices — call  
(888) 267.8354 or visit  
[joinameriprise.com/how](http://joinameriprise.com/how)

# Appendix A

**Ideal client worksheet** – Marketing activity 5/  
*AdvisorCompass*<sup>®</sup>

**Value proposition worksheet** – Marketing activity 5/  
*AdvisorCompass*

**Developing your value proposition training** – Ameriprise  
University

**Steps to referral success** – Marketing activity 5/  
*AdvisorCompass*

**Steps to networking success** – Marketing activity 5/  
*AdvisorCompass*

**Referrals & networking training resources** – Marketing  
activity 5/*AdvisorCompass*

**Client advisory board resources** – Marketing activity 5/  
*AdvisorCompass*

**Business planning tool** (including marketing planning  
tool) – Tools/*AdvisorCompass*

# Appendix B

(Methodology)

About “Focus for Success — *A continuous cycle for driving practice growth.*”

“Focus for Success — *A continuous cycle for driving practice growth.*” leverages insights gained from the 2010 *InvestmentNews/Moss Adams* Financial Performance Study of Advisory Firms and the 2011 *InvestmentNews* RIA Technology Study, as well as interviews with Ameriprise Financial advisors.

The 2010 *InvestmentNews/Moss Adams* Financial Performance Study of Advisory Firms draws on data submitted by more than 650 financial advisory firms that responded to the survey. Of these firms, 612 met the criteria for a complete and valid survey submission, including the minimum requirements of at least one year in business and \$150,000 in annual gross revenue. Survey questions focused mainly on financial, operating and other performance characteristics during the 2009 fiscal year. Fielding of the survey took place from April 1 to May 21, 2010, and advisors completed the survey online.

The 612 respondents who met the criteria for a complete and valid survey submission were divided into two groups: top performers and all others. The top performers are the top 25% of all firms (153 in total) based on a composite ranking of the following criteria:

- 2009 earnings before owners' compensation (EBOC) as a percentage of revenue
- 2007-2009 compound annual growth rate (CAGR) of revenue
- 2009 revenue per staff (total headcount)

Each firm was compared and ranked against the other firms on each of the criteria. A firm's three individual rankings were then aggregated to form a composite ranking, and the top 25% were segmented into the top-performing group.

The 2011 *InvestmentNews* RIA Technology Study draws on data submitted by 116 financial advisory firms, specifically RIA and hybrid firms (defined as dually-registered advisory firms), that responded to our survey. Of these firms, 108 met our criteria for a complete and valid survey submission. Survey questions focused mainly on technology approach, spending, staffing, outsourcing, usage and social media. Fielding of the survey took place from December 14, 2010, to March 4, 2011, and advisors completed the survey online.

The 108 included respondents who met the criteria for a complete and valid survey submission were divided into two groups: top-performing firms and all others. The top-performing firms are the top 25% of all firms (27 in total) based on a composite ranking of the following criteria:

- 2009 earnings before owners' compensation (EBOC) as a percentage of revenue
- 2007-2009 compound annual growth rate (CAGR) of revenue
- 2009 revenue per staff (total headcount)

Each firm was compared and ranked against the other firms on each of the criteria. A firm's three individual rankings were then aggregated to form a composite ranking, and the top 25% were segmented into the top-performing group.

For more information about the 2010 *InvestmentNews/Moss Adams* Financial Performance Study of Advisory Firms and the 2011 *InvestmentNews* RIA Technology Study, please contact IN Adviser Solutions at [research@investmentnews.com](mailto:research@investmentnews.com).

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