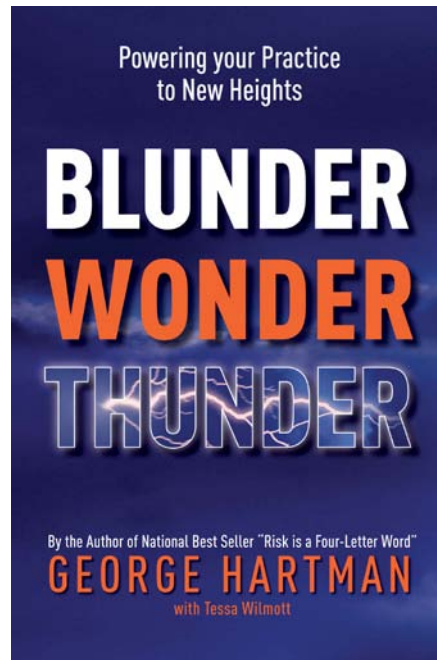


Practice Management – Evolution or Revolution?

Based on an excerpt from the book



George Hartman, CEO, Market Logics Inc.

"Hasten slowly, that you may soon arrive."

Milarepa, Tibetan Buddhist



Imagine for a moment that you are watching a hockey game. This game, however, is very different from any other you have seen – it's the financial services industry version and you are one of the star players.

What's so different about this game? Well, to begin with, there can be any number of teams on the ice at the same time: banks, insurance companies, broker-dealers, financial planning firms, full service and discount brokers, wirehouses, direct sellers, credit unions or "do-it-yourself" portals. There is more than one puck in play: deposits, securities, bonds, mutual funds, alternative investments, insurance, wraps and other managed accounts, to name a few. Anyone can score, at any time, using any puck.

And if that isn't confusing enough... the playing surface is poorly-defined and the game increasingly takes place outside the arena – on the Internet or even in grocery stores. Each team brings their own referee and the referees are all fighting among themselves to see who gets to be Chief Referee, surprisingly, given that the rules of the game are not decided by the league, teams or players but by suspicious regulators who occasionally drive by the arena.

Fan loyalty is fickle and many are willing to trade their long-held season's tickets for a seat at the concert of some one-hit-wonder rock star who is briefly passing through town. Players who fail to score consistently are quickly turned on by the same people who cheered them loudly – as long as they were putting points on the board. And when the hometown team falters, as it inevitably will from time to time, the crowd screams for the coaches' and managers' heads. "Do you think we are paying you to lose?" they shriek. Worse yet, if teams that have traditionally lead the league go into a prolonged slump, calls go out for government to intervene. "They are ripping us off – I can play better myself," the fans cry.

Incredibly, the outcomes of the game—who wins, who loses and by how much—are not decided by the number of points scored, but by the media – most of whom have never played the game, yet still feel fully qualified to complain that the professional players are grossly overpaid – even when they are winning.

Despite all this confusion, teams from foreign lands are breaking down the arena doors to get in. Often, they are bigger, faster and better-equipped than we are, but we let them in because they said if we didn't, they'd buy us out. Besides, if we are good enough, maybe someday they'll let us play in their leagues.

If you can picture all this in your mind, what you will see is a financial services industry in a constant state of flux as the economy rises and falls; as markets spin in one direction, then another; as consumer preferences vacillate; as competition threatens; as regulations proliferate and as operating margins dwindle. And guess who is smack in the middle of all this frenzy? It is professional financial advisors and their dealer firms who, unquestionably, feel the pulse of these changes more than anyone. They are caught in the eye of the storm —balancing the competing motivations of suppliers, regulators, industry critics and media — all while trying to help their clients make sense of the myriad of options available to them and bring calm amidst all the marketplace noise.

Who in the world...?

So, given all of this, why in the world would anyone want to be a financial advisor or lead a dealer firm? For those who have been in the industry for some time, the answer is obvious — you help people realize their most personal dreams. You do so often knowing that the real impact of your work may not be felt for years or even generations to come. In many instances, in fact, you may never actually see the ultimate benefits of what you do. Yet you believe that even the simplest advice along the life path of a client will make a positive contribution to their financial journey.

There is another level of satisfaction that comes from being a successful financial advisor or leading a great dealer firm. This one stems from the opportunity to create an incredible business, as unique as you want it to be, with virtually unlimited economic potential. It is truly amazing! In how many other industries can you start with such little capital investment, minimal technical training, have complete discretion in choosing the people with whom you want to do business, set your own policies, procedures, work only as hard as you choose and still earn an income typically available only to the most senior executives and highly-qualified professionals?

This is not to suggest in any way that the rewards are unjustified or that financial advisors and the dealer firms they represent are not professionals. My experience, in fact, is that *the* most successful advisors and firms are those who adopt the best practices of top performers from many fields of endeavour and conduct themselves according to the highest standards of client care, compliance and moral responsibility. But the world around us has changed—abruptly and dramatically—and earning our place in it today is more challenging than ever. Success is certainly available to those who seek it, but to actually attain it requires acceptance of the fact that the traditional game plan is unlikely to lead to victory. There is simply too much at stake; from meeting rising client needs and expectations to realizing the full economic potential of the business, for it to be left to chance or seat-of-the-pants decision-making.

My belief is that, given the low barriers to entry described earlier, few financial advisors start out in the industry with the intention of being business managers; however, as their practices grow in both size and complexity, many find themselves spending more time managing the enterprise than working at their craft as financial, investment or insurance advisors. Some, in fact, ultimately go on to head up their own substantial firm, taking them further down the slippery slope of managerial responsibilities and accountability. Think for a moment about your own business. Do you, right now, feel you are prepared, equipped and willing to make all the tough decisions necessary to build and sustain a thriving practice or dealer firm?

Regardless of whether you have the management skill or desire, there is no doubt that your success is far better assured if it rests on the foundation of a clear *vision* for the future of your business, a well articulated *strategy*, a diligent *implementation* and a commitment to *continuous improvement*. In today's world, that means you have to be aware of the changes taking place in the financial services industry, in consumers' minds and in what it takes to build a successful business. In that regard, my life has been blessed. I have had the wonderful pleasure (as well as the challenges) of being witness to and part of the progression of the financial services industry for almost 40 years, as an advisor, manager, dealer firm president, product manufacturer, educator, consultant and coach. With the benefit of those varied perspectives, here's my take on the pace of that change—whereas I once believed that the changes in the industry were an evolution rather than a revolution, I now firmly believe that *if you are not already on the right path to building your business, you had better accelerate your efforts to catch up – before it is too late.*

The Path of Change

That path has taken everyone: clients and advisors, dealer firm executives, suppliers and distributors, regulators and industry commentators, through several significant transitions. Some observers have labelled these changes “paradigm shifts”, which are formally defined as *radical changes in basic assumptions or approach*. The transition of our business has been from a spotlight on *sales* to an emphasis on *marketing* and then, ultimately to a focus on managing a *business*. As a colleague of mine was fond of saying, “*Nowadays, the world's top advisors are not the world's best salespeople, or the world's best marketers, they are the world's best entrepreneurs. The paradigm has shifted – being a relationship manager is not enough. To be at the top today, you need to master the art of business.*”

While the term ‘paradigm shift’ itself has become somewhat over-used, my personal observation is that, over the last four decades, our industry has, several times, torn down its established framework and reassembled the pieces into something new. I also believe it is now poised to do so again as a consequence of the world economic meltdown. Please indulge me a little as I trace my own journey in the financial services industry through these transitions for purposes of illustration.

I started my career as a life insurance agent in the 1970s when I answered a newspaper advertisement for a “management trainee” position at an unidentified company. I was “accepted” into the position but somehow, the management training program never quite fully materialized – I think partly because of some modest early success I had as a salesman. Numerous other “management trainees” came and went over the first couple of years and it didn’t take too long for me to realize that a single successful salesperson was worth more to my sponsoring company than a gaggle of wannabe managers. The emphasis in the industry was very much on selling and the sole measure of my “success” was the number and size of life insurance applications I could write on a monthly basis. Product and sales ideas were simple in our “one-size-fits-all” approach where we tried to massage the customer’s needs to fit our limited product line. Oh sure, we did good work by protecting families in the event of the death or disability and in many cases, we disciplined people to save regularly for emergencies, opportunities or retirement to an extent they likely wouldn’t have done otherwise. At our branch meetings, company and industry conferences, however, accolades and trophies went to the top salespeople — who were not necessarily the same people who been doing the greatest job in their role as *advisors* to their clients.

By the mid-1980s, I was part-way through the several years I spent in my company’s Head Office, much of it in the training department, where the emphasis was, of course, on teaching selling skills. By that time, however, the winds of change were starting to blow across the industry, prompted by the disintegration of the traditional pillars between banks, insurance companies, trust companies and brokerage firms. The entry of these resource-laden institutions into the personal advice business in a meaningful way elevated the industry to new heights of sophistication. That’s when the emphasis shifted from *sales* to *marketing*. In my Head Office role, I was asked to develop a new “advanced marketing” capability among our representatives, which meant I had to learn everything about financial, estate and investment planning and how to “target market” those capabilities.

On the good news front, for the most part, we stopped trying to make people fit the products we wanted to sell and instead took our message, through our new marketing efforts, to people who legitimately were likely to have an interest in these more focused solutions to their financial needs. We still compensated advisors according to their sales results, even though they now had the added task of building a brand around themselves as ‘advisors’ rather than as ‘agents’ of a product manufacturer. This meant they also had a new challenge – how to meaningfully differentiate themselves within the context of a much more aggressively marketed industry.

By the time we rolled into the new millennium at the end of the 1990s, my career was focused on strategic practice management - helping advisors and dealer firms build better businesses in response to higher costs, sharply enhanced compliance requirements and heightened competitive realities. While all this was happening on the advisor and dealer side, clients were also developing new perspectives and preferences. Buoyed by investment markets that seemed to only go up, many consumers became increasingly cynical about the value of advice offered by their investment professionals. The “do-it-yourself” movement gained momentum as more and more people began looking to the emerging Internet and other technology as alternative sources for financial information, comparison shopping and low-cost transactions. Whereas financial advice and delivery of product was once almost the exclusive purvey of professional advisors, non-traditional sources were gaining ground.

So again the question for advisors and their firms to answer – how to compete? As the perceived value of investment counsel eroded and products became more commoditized, many advisors (and their dealers) concluded the way to differentiate and define themselves was through the level of service they provided. A reasoned choice, given clients’

accelerating service expectations, but even that approach brought its own challenge – how to deliver on a higher service promise and remain a viable business in a world of shrinking margins? But that wasn't all...

Not long after, violent market swings seriously wounded many investors, prompting even more questions about the ability of advisors to lead people to the financial Promised Land. In response, many advisors and dealer firm heads, being as tough-skinned and tenacious as they are when it comes to principles, reacted almost counter-intuitively. They accelerated the move to an advice-oriented practice model rather than a transaction-driven one, convinced it was a better way to serve their clients. Their determination, however, was met by consumers who, for the most part, were not fully ready to compensate them for providing “unbundled” advice. Consequently, the practice of generating revenue largely from sales of products lived on, which presented a conundrum for many advisors and their sponsoring firms – clients were demanding deeper and more personalized attention but weren't yet willing to pay for it — so how to deliver a more intimate relationship while sustaining a profitable business that didn't rely entirely on salesmanship for its revenue? As this environment continued to evolve, more and more advisors and company executives began to anxiously ask, “How do we plan and manage our businesses for the long-term with so many conflicting variables to consider?” All of these forces converged to usher in the next major transition in the industry – “the business paradigm” – that is, the management of a financial advisory business for profit, with everything that entails - where we are today and from where we must progress.

So whether you are setting out to build your business to new heights or nearing the end of your journey and planning your exit, you need to heed quickly, yet firmly — and with clear purpose — the lessons brought by the winds of change that blow across the industry. Almost a thousand years ago, a Tibetan Buddhist named Milarepa said spoke words that every financial advisor and dealer firm executive would do well to take to heart today. “*Hasten slowly,*” he said, “*that you may soon arrive.*” Just as changes in the industry have come about deliberately and quickly, so must your business progress through careful plan and design, implemented with urgency.

Back to the hockey analogy with which this introduction started. Wayne Gretzky, arguably one the greatest players in the world, was famous for his ability to “*go where the puck is going to be*”. In that sense, I am happy to *pass* my education along in hopes that you will *score* the game-winning goal for your business.

To order copies of ***Blunder, Wonder, Thunder – Powering Your Practice to New Heights***, please visit www.marketlogics.ca or email Sarah Reynolds (sarah@marketlogics.ca)

For additional information or consultation on taking your business to the next level, please contact:

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Praise for ***Blunder, Wonder, Thunder***

“Of the many books that are published on the subject, there are a very few that I would recommend to a financial advisor seeking to become the “best he or she can be.” George’s *Blunder, Wonder, Thunder* is definitely one of them. It is full of practical how-to concepts and ideas, and built upon actual advisor case histories in which George has played an active role as counsellor, *Blunder, Wonder, Thunder* provides a detailed road map to assist any advisor to achieve his or her business goals — and become the best he or she can be. **Jim Rogers, Chairman Emeritus, Rogers Group Financial Advisors, and Past President, Million Dollar Round Table**

“*Blunder, Wonder, Thunder* is a must-read for all financial advisors! This is a game plan, which if adhered to, will inform new advisors how to be successful and accelerate already successful advisors to new plateaus.” **John Rothwell, President, Canaccord Wealth Management, Toronto**

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Powering your Practice to New Heights

BLUNDER **WONDER** THUNDER

In *Blunder, Wonder, Thunder: Powering your Practice to New Heights*, coach and counselor George Hartman explores the life cycle of a financial advisory practice through the **Blunder, Wonder** and **Thunder** stages and traces the processes advisors should implement to build a successful and enduring practice.

Using case studies and coaching sessions based on the experiences of 6,000 advisors he has counseled, George translates the theoretical into the practical; with the addition of Action Plans at the end of each chapter, he provides a step-by-step guide to a booming business.

Whether advisors are setting out to build their practices or nearing the end of their journeys and planning their exits, *Blunder, Wonder, Thunder* provides an entertaining yet practical road map. Every advisor who reads this book will come away with a renewed sense of urgency to be the best he or she can be — and will know just how to attain that goal.

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★★★★★
awarded 4 1/2 stars out of 5
by industry newspaper
Investment Executive



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George's career in financial services has spanned thirty-five years, working in the insurance and investment businesses as an advisor, manager, head-office executive, educator and author. He has conducted workshops and seminars for hundreds of investment dealers, insurance agencies, financial planning organizations and educational institutions.

George is the author of acclaimed best sellers *Risk is a Four-Letter Word* and *Risk is Still a Four-Letter Word*. He also writes a monthly column for industry newspaper *Investment Executive* on the subject of practice development for financial advisors, and is a featured columnist for the *Hong Kong Journal of Financial Planning*. His firm, Market Logics Inc., provides consulting services to the financial services industry in the areas of strategic planning, product development, sales management, marketing and operational excellence. He is also Executive Vice President of The Covenant Group, specializing in practice-management training.

IMPORTANT INSIGHTS

- Advisors have to think ahead, or their practices will fall behind.
- A strong vision sets the course for all other decisions.
- Implementing business planning processes consistently is key.
- Advisors are managers who have to lead their businesses.
- The value of an advisory practice is a function of future promise, not past results.

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