Transcript

Better conversations. Better outcomes.

Mini Series Episode 2 – Start living your dream; Part 2 of Building an effective practice

Steve Moore - I like making win-win-win decisions. To me, that means that you want to make sure that clients win, but also that team members win, but also that the business wins.

Ben Jones - Welcome to Better conversations. Better outcomes, presented by BMO Global Asset Management. I'm Ben Jones.

Matt Smith - And I'm Matt Smith.

Matt Smith - In each episode, we'll explore topics relevant to today's trusted advisors, interviewing experts and investigating the world of wealth advising from every angle. We'll also provide actionable ideas designed to improve outcomes for advisors and their clients.

Ben Jones - To learn more, visit us at bmogam.com/betterconversations. Thanks for joining us.

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Ben Jones - Today, we're bringing you the second installment of a mini-series embedded within the Better conversations podcast season one. This is a series of interviews with Steve Moore.

Matt Smith - Hi, this is Matt Smith, and today, I am back in Bellevue, Washington, speaking with Steve Moore. We're focusing the podcast series on the content from his book, *Ineffective Habits of Financial Advisors and The Disciplines to Break Them*.

Ben Jones - Steve used to be a coach in the NFL. And as it turns out, there's a lot of similarities between coaching a football team through a winning season and leading a team of advisors to build a successful business with happy clients.

Matt Smith - Before we get into the first habit, though, Steve, I'm interested in what is it about coaching that draws you to it?

Steve Moore - I love seeing players win. I love helping people get to where they would like to get in life. And I get a real thrill out of it.

Matt Smith - Well, I can tell you do get a real thrill out of it and I've been on the positive end of that. You've been very generous with me and my career over the years. How did coaching in the NFL prepare you for being a strategy coach in the corporate world?

Steve Moore - When you do game planning, you chart out your world. Down and distance, field position, clock, the opposition, and it turns out that that's very much like business planning but with different language.

Matt Smith - In the NFL, you have seven days -- six days to figure that out. You don't have -- sometimes even fewer days than that. That's high-speed strategic planning.

Steve Moore - That's why we call it high-speed strategic planning because you've got to get ready to play every Sunday. On Thursday afternoon, you can't call up the opposing coach and say we're not quite ready, can we come down next Tuesday. You've got to go play on Sunday.

Matt Smith - Do you ever have trouble getting your players focused on the next game?

Steve Moore - Never. We never had that. I was talking earlier with some friends that you can't necessarily predict kind of the mood of the team at kickoff. For some magical reason, sometimes they're just -- will explode and have all the energy you had ever hoped. Other times, when you'd think they had everything lined up to be into the game, it felt flat. And I've never been able to figure out that part of it. Frustrating. But players are pretty much ready to play. But what I'm talking about is that little extra spark, that magic that happens not every game, but hopefully more than once a season.

Ben Jones - Steve is now, as he terms it, a resultant. A consultant that focuses on bottom line performance. In his work, he helps businesses identify their purpose, develop their goals, strategies, and plans to drive customer satisfaction, and create exciting business results.

Matt Smith - Today, we're talking about the first habit you help advisors change, which is living their dream and not somebody else's. That's good advice on the surface, but you don't just implore advisors to do that. You walk them through a series of steps to help them build this habit. And those steps involve developing their purpose, setting their business goals, creating guiding principles, and even creating this vivid description of the business success they intend to create down the road.

Let's start with purpose. Why is this where you start with advisors, and where did you get your ideas on how to develop a solid purpose statement?

Steve Moore - I took this work, really, from good, great books. Jim Collins did a wonderful job around this. And as I read his work, it caused me to actually go before his work and said, who really came up and began to need purpose into this world and to my knowledge, it was Victor Frankel who really made it real for me. So the combination of Victor Frankel and reading his logo therapy. And his logo therapy was based on if you can just get people thinking about the one thing, the logo, the one thing that has the greatest impact in their lives, then all the craziness goes away. So Jim Collins took that purpose and discovered that the best businesses run -- had strong purposes. And so a purpose is a fundamental reason an organization exists. The best example, once again, comes from Jim Collins, was the Disney purpose. Disney didn't talk about creating movies or theme parks. Their purpose was to make people happy. At the end of it all, what is your job? Theirs was to make people happy. I would argue, for a wealth manager, their job is to help clients to achieve their financial vision or to have or experience financial peace of mind. It's just that clear, but once you get clear on the purpose of your business, a lot of other things begin to make sense.

Matt Smith - And from that purpose, then -- I liked the way you talked about it in the book -- provide your clients with financial peace of mind. And then we go from there. That drives your business goals.

Steve Moore - Sure and those business goals, there are both long-term and short-term. I tend to think of a mission being a long-term goal; a moon mission was to land a man on the moon, return him safely to Earth. A long-term goal. So what is a long-term goal for an organization? With my years of work in the industry, I've found that if we can get people focused on a quantity goal and a quality goal that their lives begin to get traction. The quantity goal I focus people on is recurring revenue. They tend to think that they're in the asset gathering business. And though there's a correlation between assets and revenue, it's not explicit. And when you look at a book of business, you're going to find many, many assets that they're not charging anything on. And so if you can focus people on what they really want, which I think is recurring revenue, then they begin to attract recurring revenue, because there's a fundamental principle of psychology and it is that we move towards, we become, that which we think about. So does an advisor want AUM or do they want recurring revenue? And I would argue they want recurring revenue. The other target that we counsel people to think about is a quality goal. And that's the recurring revenue per client. The people -- I've been able to bring some interesting things to the market. The financial vision document, I think is interesting. The road map, I think is interesting. I think goals-based reporting was an interesting thing and I think that I was the first person to bring that to the market. An analytical tool that we use to help people slice and dice their businesses and understand it more completely, I think that was useful. But I think the thing that has had the greatest impact of all the work that I've done is getting people riveted on recurring revenue per client, that quality goal.

Matt Smith - You talked about a mission. Mission statement. Those are longer-term goals. And you also talk about the fiscal year, unifying goal.

Steve Moore - Yeah, and that's generally just a step in the direction of your mission. Long-term goal being four or five years out, that's the mission. And then that fiscal year goal around the recurring revenue and the recurring revenue per client. What are you striving for this year? And then those, Matt, they just chart direction that you want to head. And from that point on, the most important parts are what are your strategy objectives. What are we going to do to actually improve recurring revenue? What are we going to do this year to improve recurring revenue per client? So it becomes pretty clear that what I need to do is I need to engage my very best clients because I know that they actually have more assets, more revenue than they're offering me today. And once you get deep with them, you find out that -- I thought I was their primary advisor, but they've got money over here and they've got money over here and they've got money over here. They've got it everywhere. So we counsel people to focus on improving their engagement with their existing clients. If you want to improve recurring revenue per client, I think that a strategy would be to transition your transactional clients to recurring revenue. So we target that as one of the strategy objectives. Matt, we try and line up the strategy objectives that are explicitly designed to improve the recurring revenue and recurring revenue per client numbers.

Matt Smith - Steve, what is it about goals that is key to a team's success?

Steve Moore - You never will experience synergy on a team. Synergy is energy that is more than the sum of the parts. You will never experience synergy unless you have an alignment between team members, and that's when things are just cooking. Every listener that's out there at this moment has been in a synergistic environment somewhere, on a business team, an athletic team, family team. When things are just cooking, you can feel it. You never get there unless people are headed in the same direction.

Matt Smith - Let's talk about this aspect of providing goals with feedback. It's not just setting the goals; it's not just making those goals clear to the teams and why you're doing it. That's your purpose. You have to provide goals and then feedback. That gives you a bigger effect than just goals by themselves.

Steve Moore - The research is that goals by themselves hardly have any impact at all. This is research that Dr. Al Bandura shared with me, who, by the way this last week, won the National Science Award. He showed me a chart that showed a control group. That's neither goals nor feedback. And then he showed me the effort by those with just goals, and it was just ever so slightly above no goals at all. Now, those with feedback, no goals but feedback were almost identical to those with goals alone. Hardly any improvement over the control group. But what was amazing is the group that had the combination of goals with feedback improved their performance by over 100%. It's magical, the combination of goals plus feedback.

Steve Moore - Okay, so we've talked about the many reasons why goals are important. I'd like to hear your thoughts on what are the characteristics of effective goals?

Steve Moore - First of all, they're specific. In this industry, they're numbers. I think another critically important one is they walk the delicate line between being challenging yet realistic. So some people talk about stretch goals, and I don't believe in stretch goals. I believe in goals that are challenging, but they need to be believable. And once again, I think that this statement is supported by Bandura self-efficacy theory work. If you believed that you could be successful at something, you're going to need to try harder than somebody that doesn't believe they're going to be successful. But if you have a setback, if you're not successful, if you still believe that you can be successful, then you try a little bit harder still. What if you don't think you're going to be successful? Well, you begin to quit. And what happens if you fail on that second attempt? I think that success is defined from running from one failure to the next. So on that third attempt, if you still believe that you're going to be successful, you try harder still and are ultimately successful. Whereas the other group has quit. And that's why I would argue on that delicate continuum of challenging yet realistic, that goals should be slightly to the side of realistic.

Matt Smith - So how do you counsel an advisor, maybe a managing director of an advisor team who, historically, has given stretch goals to either themselves or their team? I think we've all been in situations where maybe because of bravado or machismo, the team creates these unrealistic goals year after year, and despite the fact that you come in at 50% of goal every year, even though your growth rate might be phenomenal, you have this effect of feeling like you only got halfway there. How do you counsel those folks about setting goals in the future?

Steve Moore - You do get pushback. And where you really get pushback is down in Silicon Valley, where people are supposed to just be thinking fail fast. And so it's more difficult there than the rest of the world, but regardless of where you are, I just say it's silly, now stop it. You show them the research. It does not work. It's ineffective to do so. And all you have to do is point out -- the tier two level, the managers who come in with their second set of missed goals, they're on the bubble whether they're going to have their job or not. If the third year they come in and miss it again, they're usually out. You cannot miss a goal more than three times, in a major organization, and actually survive.

Matt Smith - So there's another aspect of goals. We can talk about goals being assigned. So this is where management or a managing director has decided what the goals should be and they assign that goal to the team. But there's another way to create goals called participatory goal setting. And you see some of each in the corporate world. Talk to me about the difference between assigned goals and participatory set goals.

Steve Moore - And it even extends to strategy setting. Participatory goal setting and strategy setting will crush assigned goal setting every time. And people will often think it's because of buy-in, but that buy-in is a very distant second to the real reason. The real reason is that, as a result of wrestling with what the goal should be, people understand the problems base better and therefore are able to execute better against it. And so there simply is no question that the participatory goal setting and strategy setting is significantly better than assigned.

Matt Smith - How are guiding principles different than the purpose or the vision or the goals?

Steve Moore - Well, guiding principles are statements or concepts to help people make good decisions in non-structured environments. I like, for example, making win-win-win decisions. To me that means that you want to make sure that clients win, but also that team members win, but also that the business wins. I think that all three groups have to win. Let me give you an example of a win-win-lose decision. You bring in a small client that's going to be unprofitable and they're delightful to work with. And because they're delightful to work with, then you have a good organization, you put a lot of effort to making sure that they're successful, and so the client is happy and they win. And the team, because they're not paying their salaries, they're happy to be working with this particular client. But the business is going out of business. If you make too many of those decisions, you're out of business. And so it doesn't matter what industry I have been in. If you make too many decisions that are not win-win-win, you're in trouble.

Matt Smith - Do you ever work with advisors where not only you go through the book and you look at revenue and profit and these types of things -- we talked about this before, putting your clients in deciles based on profitability. But do you ever look at those qualitative factors where the advisory team's sitting there and looking at their managing director, saying, look, we've got a handful of clients here that are just difficult to work with. We need to free up this time and get rid of them. Even though they're profitable clients.

Steve Moore - Absolutely. And in fact, one of the largest RIAs in the US, one of my really, very good friends, has a number of service teams in his organization, and he gives each team the right to fire three clients per year. And they take advantage of it. If they become difficult to work with, they're free to fire them.

Matt Smith - And I have to believe those teams, then, they love where they work.

Steve Moore - Well, they love where they work and people are more careful bringing new clients on, make sure they are, in fact, win-win-win opportunities.

Matt Smith - Yeah. If I'm leading an advisory team, how do I know if my guiding principles I've set forth are effective? What are the characteristics of effective guiding principles?

Steve Moore - Well, they help people make decisions in non-structured environments, so that's number one.

Matt Smith - Yep.

Steve Moore - And you can absolutely see that people are walking their talk with it. You can hear conversations where it's reflected inside the organization. And so more than anything, you can hear conversations. You can see it actually happening. And that's how you know that it's actually working. Matt, I don't think there's any way to test for it. Just a senior, senior guy, the business owner has to observe that they are, in fact, up and working inside their organization.

Matt Smith - Let's talk about the vivid description. So this is also part of creating your dream. This is your dream, not their dream. Part of it, you coach your advisors to create a vivid description. So this is a narrative of the business success they intend to create.

Steve Moore - Yep.

Matt Smith - How did you come up with that?

Steve Moore - I spent a lot of time talking to people about what it is you're trying to create. It may not come to them outside of goals, but if you sit down with them and have a glass of wine or two with them and have a conversation, they begin to talk about, really, what they're striving for. And in almost every case, it can be organized around what they want for clients, what they want for team members, and what they want for their business. It explains the triple win. Most people actually want to bring value to clients. So the vivid description describes that. When you say we want our clients to have a wonderful experience with us, we want them to experience financial peace of mind, we want them to achieve their financial goals, we want them to have the financial peace of mind that we promise them. How do we know that and what do we do for them that allows that? Well, they describe that. The next portion of it is the team win. How would you describe how your team operates? Do you want it to be highly compensated? Do you want it rich and rewarding? Do you want great collaboration? Do you want people for continued improvement? Do you want a career path? Most teams do. So it describes what it is that you really are aching for your team. And then finally the business results. Have you become one of the leading wealth management teams in a particular area? Or have you become a leading wealth management team serving medical specialists on Pill Hill, which is the medical facility here in the Seattle area. So it describes the triple win. And it describes it not as though it's happened. It describes it kind of like Bob the Builder. Can we do it? And then they answer, yes, we can. It kind of -- we aspire to become this and we aspire to create a team that looks like this. We aspire to grow a business that ends up looking like this.

Matt Smith - And then that, I would imagine the vivid description leads to how you feel, how you're going to feel when you get there.

Steve Moore - So once again, any time you're talking about something in the future, you'll want to have the rationale as to why and the feeling behind it. The people that -- we move towards feelings. So how does it, in fact, feel once you're there?

Matt Smith - You've told me a story before -- I'd like you to tell again if you would -- about being in the locker room and coaching a team that largely, the players hadn't won the championship before and you're starting early in the year. And there are a couple of veteran players on the team in the locker room who had been there, who had won a Super Bowl. And you talk about somebody who gives their vivid description of what it's like to be there.

Steve Moore - This was an absolutely amazing story from Charlie Young who had played for the 49ers during their great years. And we had him in Seattle. We had been struggling in the pre-season and were getting ready to play San Francisco in San Francisco in our final pre-season game, which I think was a Thursday night. And so Wednesday night meeting, Charlie asked Chuck Knox, the head coach I worked for for 12 years, if he could talk with the team. And Chuck, of course, said fine. And Charlie gets up and he says I want you to know what it's like to win a world championship. He went on to describe, not the game, but what it was like once you walked into a locker room. He said people were pounding on the lockers. There was hooping and hollering. There's a group of guys over in the corner on a knee saying a prayer. And what

Charlie was doing was kind of painting the picture of what it was like to win a Super Bowl championship. And then he reached into his pocket and pulled out a Super Bowl ring, one of his, and he handed it out to one side of the room and the players began to pass it around and noticed that some of them had slipped it on. But whether they slipped it on or not, I promise you that every last one of them was thinking what it would be like to have their own Super Bowl ring. That team went on to have a very, very good year. I think we won 12 games that season, even though we lost our star running back Kurt Warner in the opening game. Went on to have one of the best seasons in the history of the Seattle Seahawks.

Matt Smith - And even though that's not the classic vivid description you talk about with advisors, that's a great story about what it would feel like to get there.

Steve Moore - Absolutely.

Matt Smith - And that's one of the things a vivid description can do for both you as the advisor, the leader of the team, and your team. This is how it will feel when we get there. When our clients have this level of service, when we have this level of satisfaction with our careers.

Steve Moore - Matt, you are spot-on.

Ben Jones - I think Steve's philosophies around goal setting are spot-on, and I really like his idea around win-win decisions. It's important to think, not only about making your clients happy but also setting your team up for success and building your business based upon reliable and smart choices.

As mentioned during our previous episodes, we are rewarding some of our early supporters with a Bluetooth headset. We have randomly selected 3 usernames from the reviews on iTunes. Drumroll please. {Drumroll} The winners are: plb561; bartocks; rcho328. That's plb561; bartocks; rcho328. To claim your prize, please email your shipping information to betterconversations@bmo.com. Thanks so much for your support and your comments!

A huge thanks to Steve Moore for his time and insights and Matt Smith for producing this mini-series. Our production team includes Pat Bordak, Gayle Gibson, Matt Perry, and the team at Freedom Podcasting.Thanks for listening to Better conversations. Better outcomes. This podcast is presented by BMO Global Asset Management. To learn more about what BMO can do for you, go to bmogam.com/betterconversations.

Matt Smith - We hope you found something of value in today's episode. And if you did, we encourage you to subscribe to the show and leave us a rating and review on iTunes. And of course the greatest compliment of all is if you tell your friends and co-workers to tune in. Until next time, I'm Matt Smith.

Ben Jones - And I'm Ben Jones. From all of us at BMO Global Asset Management, hoping you have a productive and wonderful week.