Transcript

Better conversations. Better outcomes.

Mini Episode 7 – Team approach vs. rainmaker approach; Part 7 of Building an effective practice

Steve Moore - Matt, I do think that people want to do something special and you're going to attract the better team members when they think that they're on the journey to do something special.

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. 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.

Disclosure - The views expressed here are those of the participants and not those of BMO Global Asset Management, its affiliates, or subsidiaries.

Ben Jones - Today's the seventh installment of our Building an Effective Practice miniseries. During this installment, my co-host, Matt Smith, sits down with Steve Moore to talk about his advisor coaching program and book, *Ineffective Habits of Financial Advisors and the Disciplines to Break Them*. In the episode, they discuss Steve's advice about moving away from a rainmaker approach and how to build a successful and effective team. But first let's hear why the rainmaker approach is outdated.

Steve Moore - Well, the rainmaker approach is you're supposed to have this special guy who's got the right ambiance and the right look and they dress right, and they can say incantations and magical words and they can make it rain money. The rainmaker. And what I have found is that started 25 or 30 years ago in this industry is no longer relevant and yet there are a bunch of people trying to be rainmakers out there. Today, it requires a team to deliver holistic wealth management. And so I think the rainmaker approach should be extinct. It is hard for people to see themselves as a rainmaker and let go of that because they were kind of the center of the universe. There's even programs still out teaching that where you do bring the clients in, you slay them, and you service them, and you're the guy, and organize everything else around to allow you to do that. And everybody else is put into more of a minion role and picks up just the things that you don't want to do.

Matt Smith - When that works, I would imagine that's pretty satisfying for the rainmaker. In the course of you dealing with advisors, you run into advisors, guys and gals, who have done well with the rainmaker approach. Why would they change it if they have a successful practice and obviously their ego is getting stroked and it's going well? Why would they change?

Steve Moore - So, a couple of things. First of all, you're ultimately going to be limited in how far you grow. You can grow so far and then your service capacity is completely used up and, in fact, if you try and add to that, your service levels go down. And your viral marketing ceases and in fact you can constrict. So, for that reason it does not work. The other reason that it does not work is that people today want to be involved in an organization that is growing that has a future that is actually going to be sold in the future, that it has value. And if the whole value is centered around the rainmaker, when he's gone, it's worth far, far less than if an organization has built that client base.

Matt Smith - Yup. That makes sense. The rainmaker approach is just not the best business model for an advisory firm, and there's a few reasons for that. It doesn't scale, it's difficult to grow beyond a certain level, and ultimately it's very difficult for the rainmaker to sustain this type of practice. Also something to consider; if you're part of an organization that uses the rainmaker approach, what do you do when your rainmaker goes elsewhere or retires? The value of the business walks out the door with the rainmaker.

Ben Jones - So now we understand why the rainmaker approach just isn't that great. So, Matt asked Steve to share his viewpoints about how to move away from it and towards building a business based on the entire efforts of the team.

Matt Smith - Now, you have an advisor who has used the rainmaker, some variation of the rainmaker approach, in the past, but you've met them. Now they see the light and they want to start moving towards the team approach. You talk about doing a team competency audit. Can you talk about that?

Steve Moore - Sure. So, there's certain competencies that an organization has to have in order to be successful and competencies are bundles of skills. It's not just like -- that I've got sales ability. If you have the competency around sales, you know value propositions; you have a system for pipeline management. You have offers that have been thought through. You have an organization that can manage sales. If you have a service competency, you don't just smile and greet and look good, you have organization systems that allow you to deliver outstanding service. So, a competency is a bundle of skills and the ones that seem most important are sales, and service, and the management of a virtual team of experts if you're delivering wealth management, money management, having a system of investments, not trying to pick, but a legitimate system philosophy around investments. So, those are the key, key ones.

Matt Smith - When you start to work with a new advisory team and you walk them through the competency audit, what do you generally find? Are there areas that most teams are doing well, or what's -- or is there a typical finding?

Steve Moore - So, I just went through this as an exercise with a group of people in New York -- or just outside of New York -- and they were remarkably consistent. And what people think that they don't do particularly well is have systems for service. It seems to be most impromptu. They would argue that they know how to sell, sales competencies. I would argue that they're not as good as they probably think that they are. But the one that they self-appraise as not being particularly good is the service capacity -- service competencies.

Matt Smith - What do you do to help them understand their level of competence at each one of these tasks?

Steve Moore - What I do in our session is I ask them to rate themselves on a one to five, one low and five high, and I give them an example of what a five would look like. I paint a picture of if you really have this at a level five, this is what it looks like. How would you rate yourself? And they do it subjectively.

Matt Smith - Okay, okay. Is there an ideal team structure?

Steve Moore - I think there is. A lot of people think you can do it lots of different ways. I think there's an ideal team structure that consists of a senior wealth manager supported by a more junior wealth manager, supported by a paraplanner type.

Matt Smith - I'm sorry. paraplanner?

Steve Moore - What I would call a paraplanner. Somebody who does financial plans, they can help prepare for reviews, they can respond to day to day contact issues, service issues.

Matt Smith - It's like a corollary to a paralegal.

Steve Moore - Like a paralegal. A paraplanner, I would -- they're a service assistant, maybe on steroids because ideally they would be a financial planner. And so I think the organizational structure starts with that building block of a senior wealth manager, a junior wealth manager, and a paraplanner. And that group of people can actually deal with 100 high net worth clients delivering quarterly reviews. And once you get up over 100, it's probably time to add another junior wealth manager.

Matt Smith - So, the expansion of the team is you expand that team with more team members, or do you make -- do you replicate that to a whole other team with the senior/junior/para?

Steve Moore - So, it's both. The first move is to put two junior wealth managers under the senior guy. Then you get to about 150 clients and you hire another paraplanner. And now I can work with 200 clients with those five people. Now, I think that's an ideal size, but it doesn't satisfy some people. Some people's appetite is greater than that, and so I actually work with a team that has seven of those teams. At a certain spot, the role of the senior guy oftentimes morphs into more of a just organizational leadership role.

Matt Smith - Like a managing director.

Steve Moore - Like a managing director. And the junior wealth managers assume more of the leadership responsibility.

Matt Smith - Okay, so let's take an advisor who comes to you, doesn't have a team already, but believes in this journey. So, now you're going to help them go on this journey. Is that advisor -- do they typically take the role of the senior advisor and then they hire the junior and the para, or is that advisor -- do you suggest no, you be the managing director, go out and find the senior person, find the junior person, find the para?

Steve Moore - So typically, they fill the role of the senior wealth manager and some of them are organized in a way that they can become the business leader. Many though are satisfied in just the role of being the lead wealth manager.

Matt Smith - Okay. Now, in this team structure, do the senior advisor, the junior advisors -- do they have a set list of clients that they always work with or do sometimes they switch off -- so, you're managing more clients with the team, but do they still have their own clients that they deal with?

Steve Moore - Yes, they have their own clients. Each service team has their own clients, but there's enough interaction so that if somebody's away on vacation, it doesn't mean that they're not going to get their review. There's enough consistency of how things are done that the client is perfectly willing to have their review with another team.

Matt Smith - Now, is this what you mean by a scaleable organization?

Steve Moore - Well, it is, because I can continue to add these service units underneath it. One of our advisors that we did this work with, which is recently I read that they're the third largest RIA in the United States, whom we started this journey with him -- I told him your clients -- you think your clients want great service from you. And they don't. They just want great service. And he told me that initially that hurt his feelings and yet he continued to build this organization. And now he's moved into the overall leadership role and has these service units underneath him. And I don't recall at this moment how many he has, but they've grown to the point where they're like the third largest.

Matt Smith - So, he's got over the hurt feeling.

Steve Moore - Yeah, he got over the hurt feeling and has now time to be away from the office. He's getting up and trying to decide exactly what he's going to do with his future time and he's got plenty of time to think about it now.

Matt Smith - Okay, so it might be obvious, but let's -- on this topic of scale able organization -- compare that to the rainmaker approach. You can't scale the rainmaker approach. I mean, other than going out and finding another rainmaker, which generally you're not going to have a team of rainmakers.

Steve Moore - In fact, I heard a story the other day that Michelangelo didn't want to develop teams. In fact, he would replenish his team regularly so people couldn't get as skilled as he was. So, he died broke. Here's one of the greatest artists, sculptors, in the history of mankind and he died broke because he actually did not build an organizational structure that could grow.

Matt Smith - Yeah, and if you read the history of his life, he was working 20 hours a day his entire career. He also wore himself out.

Ben Jones - At this point, you should understand how to go about building a team, particularly one that can grow and scale with your business. So, let's talk about making sure that that team is effective, and what are the characteristics that your team needs.

Matt Smith - Earlier we talked about building self-efficacy at the individual level. This also works with teams. Can you talk about how this team structure helps the individual members and the team itself build efficacy?

Steve Moore - Well, it helps, but it can also hinder. So, it's an obligation of team members more than anything else to do what they say they're going to do, to battle, to fight, to deliver what they said that they were going to do. This all goes back, Matt, to one of our good friends, Dr. Bandura, in social cognitive theory. Social cognitive theory is I can -- I see people like myself attempting things and if they're successful, it builds a belief in me that I too can do those things. If he can do it, I can do it. And that's why it's important to have people around you that are committed to getting stuff done because if they're looking around and seeing other people getting stuff done, it builds the efficacy of the other members of the team. If they're looking around and seeing people not be successful, continually fail, particularly in the early stages -- later on it's actually useful to have some setbacks that you can recover for -- but particularly early on it's important for people to look around and see that everybody's getting stuff done because it conveys if they can do it, I too can do it. One characteristic is that they have embraced a language of commitment; who's got it? Where are we with this? That's their conversation. What do you need from me? They talk about getting things done and a wonderful example of that was back when I was coaching and I can't remember who we were playing but the guy that I worked for, Chuck Knox was our head coach, and he would always start out the Wednesday morning meeting with this is what it's going to take to win this game. So, he started out it's going to take five big plays to win this game. He got that far into his talk and Steve Largent, who is the best player that I ever coached, a hall of fame wide receiver here with the Sea Hawks, stands up and he says Chuck, put me down for three of them. And then he went out and actually did that. And that's what you find with high performance teams. They have people on the team that have embraced this language of commitment. They say you can count on me. I'll do that for you.

Matt Smith - What is your advice around motivating a team? So, we just talking about this topic of peer modeling; you see your team members doing things a certain way, it's contagious, and certainly that tone can be set from the top. But, do you have any advice on how to motivate team members?

Steve Moore - There are numerous things. The most important thing is the group of people have to think that they're doing something that's important and everybody wants to do cool stuff. You know early in our time with the Seattle Sea Hawks, I had an absolutely fantastic experience of one of the players leading that -- I think it was our second or third year here in Seattle and we were struggling in the pre-season, and we were down getting ready to play the 49ers in a pre-season game. And the night before the game, Charlie Young, a tight-end that we had gotten off the waiver-wire from -- after the 49ers had waived him and he had been with all the really great 49er teams -- asked Chuck Knox, the head coach that I worked for, if he could talk with the team. And he said sure, Charlie, and Charlie stands up and he said I want you to know what it's like to win a Super Bowl Championship. And he went on to describe not the game, but what it was like going in the locker room having won the game. He said when I got into the locker room; people were whooping and hollering, people were pounding on the lockers. There was a group of guys over in the corner on their knees saying a prayer. The media people were in -- at the time, they did all the interviews in the locker room -- so they were setting up and the stars were being interviewed, and people gigging one another. And he went on to describe what it's like to have won a Super Bowl Championship. Then he reached into his pocket and he pulled out his Super Bowl ring. And he passed it out to a player in the front row and the players begin to pass it around and I notice some of them slipping it on. But what he did was help the team build a vision of what they could be that year. Now, they came short that year, but it was -- at the time -- still the best season that The Seattle Sea Hawks had ever had up to that point and I think a lot of it had to do with people had some clarity about doing something special. So Matt, I do think that people want to do something special and you're going to attract the better team members when they think that they're on the journey to do something special. So, I think that's number one. I would also say that to organize a compensation in such a way -- ideally, I would give everybody a salary and I wouldn't have significant bonuses. I would rely on people wanting to grow and people wanting to contribute, and people wanting to be part of a team more than individual incentive comp. But, if you're going to use compensation, which I think it's hard to get away from it in this industry, incentive comp, I would make sure that the incentive comp was around a team win. What's the team trying to get done. And I would center it around that rather than individual competition that creates just that, individual competition amongst team members. Now you have a collection of competitors as opposed to a team that's trying to accomplish something big together.

Matt Smith - Do you have any recommendations as to how -- what percent bonus should be as a target of compensation? Would we say 10% or is it 100%? Sometimes bonus structures can be pretty big in the financial services world -- big by -- what I mean by percentage of salary.

Steve Moore - Well, it's big largely because the big organizations are trying to make things variable. If the markets go down, they don't want to pay a big salary. If the markets go down, I have to tell you that's not the fault of somebody who's selling or servicing products in that organization, and yet the organization is trying to keep that a variable cost, which is, to me, silly. So, I would argue that 75% to 80% of what somebody earns should be a base salary. There's lots of research that will tell you that a key in all of this is take the concerns about compensation off the table and let people get worried and thinking about their jobs and not the compensation.

Matt Smith - Okay, great. So Steve, any other closing comments or comments about this habit to stop the rainmaker approach and start the team approach?

Steve Moore - Well Matt, it's just such an important piece. I mean, we could talk forever on it and it's a piece that most advisors don't spend a lot of time thinking and talking about. They just assume it's going to happen and it's not. You actually have to work on it, you have to think about it, you have to study it. You know, Catmull's most recent book, he's the guy who heads up Disney and Pixar, wrote a brilliant book on creative organizations. And I learned a ton going through that and yet I read on teams all the time and I'm still learning about teams. And so, if you're heading up an organization, I think it's incumbent upon you to really study this as a topic.

Matt Smith - On that book recommendation, could you say the author's name again?

Steve Moore - Catmull. And the book is Creativity Inc.

Matt Smith - Okay, good. Thank you. As I prepare for these podcasts, I read the chapter in the book for the particular podcast we're covering, and like you said we could talk for hours. There's a lot more information that you go in-depth in your book, so just -- so the listeners know -- if you want more in-depth information on any of these topics, check out Steve's book, *Ineffective Habits of Financial Advisors*, and you can get that at Amazon. You can get it anywhere that sells books. It's published by Wiley. Steve, thank you very much for your generosity in talking with me today about this topic.

Steve Moore - My pleasure, Matt.

Matt Smith - Creating a team that's effective and passionate is a powerful move for your business. It should have the characteristics of commitment, efficacy, and motivation. Your team should believe the team is doing good and important work and that a win for one member is truly a win for all of you. These ideas can help unite your team to create a successful business.

Ben Jones - We hope you've been enjoying the series so far and we would really love to hear from you. Please tell us about your favorite episode, your experiences with a particular topic, or maybe what topics we might be able to cover in the future. You can e-mail us at better conversations at BMO.com. Again, thank you so much for listening and sharing the show with all your friends and colleagues. Thanks to Steve Moore for all of his time and insights he's put into this miniseries. Our production team includes Pat Bordak, Gayle Gibson, Matt Perry, and the team at Freedom Podcasting.

Ben Jones - 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 coworkers 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.