

SENIOR CONSULTANT

The Voice of the Investment Management Consultant

Managing Your Business For Success

Steven R. Drozdeck and Karl Gretz

Editor's Note: The transition from a broker managing an individual book of business to manage a large business with the earnings equivalent of ten McDonalds franchises is not accomplished in one leap, but through a series of several small steps. Practice management and professional development are very rich topics in investment management consulting because consultants are running a business from day one. We have asked Steve Drozdeck, former director of Professional Development for Merrill Lynch worldwide to write a series of articles on practice management. The keys to Steve's insight are his access and experience with the top brokers in the business (surprise: a disproportionate percentage are consultants), his years of research at Merrill and his proprietary research on what makes people successful, not to mention his experience in training over 40,000 brokers. In the coming months, look for several dynamic, interactive articles which will provide invaluable personal insight on how you might best build your practice.

The 2% Differential (*Senior Consultant*, April 1998) highlighted four characteristics of the star performers in the financial services industry: (1) consultative selling mindset, (2) professional knowledge, (3) business management and (4) personal motivation. This and subsequent articles in this series deal with the four characteristics in greater detail.

As a reader of this publication, you are identified as a "super achiever" in the investment management consulting business. Hence, below you will see ideas that describe your current business practices and hopefully a few things which other top producers are doing that can enhance your business. Additionally, the ideas presented may also help your associates and assistants service your clients more effectively.

A business should not develop by chance. Sound business practices will substantially increase the probability of success for any business. Dealing with these critical issues will increase the level of your productivity, presuming the other three characteristics are in place.

1. Having a "You, Inc." Attitude/Mindset
2. Developing a Professional and Personal Mission Statement
3. Strategic Planning
4. Critical Few Objectives
5. Effective Goal Setting
6. Analyzing Your Book
7. Culling and Cloning Your Book
8. Effective Delegation
9. Performance Evaluation (How To, Want To, Chance To)

"You, Inc."

You do work for your firm. You also work for yourself. It is useful to think of yourself as the President and CEO of your own business, your own franchise, "You, Inc." Consider the differences in work habits that would occur if you had purchased a McDonald's franchise instead of becoming a financial consultant (FC). You would pay a very large franchise fee and then spend 12+ hours a day working to develop your business and to pay off the money you borrowed. This heavy workload might continue for a few years as you built your business. You would worry about personnel,

stationary, local advertising, payroll, quality, cleanliness and a host of other things.

In contrast, as a FC, you don't have to pay a sum of money to get a franchise, instead, you get paid to train and develop your business. As a FC, you make a good profit margin in comparison to most other businesses. Most of the day-to-day business details are handled by your firm, and you do have certain responsibilities to continually develop the business. We find that the stars in the financial services industry are very careful about how they allocate their time and efforts. They are very rarely seen standing around the water cooler or coffee machine. Very few will bother with office gossip or with general BS'ing. For the most part, when they are at the office they work hard and tolerate few non-productive interruptions. Maybe, that's one of the reasons that they are stars.

As the CEO's of their own company, they are constantly asking themselves: "Is what I am now doing

A BUSINESS SHOULD NOT DEVELOP BY CHANCE. SOUND BUSINESS PRACTICES WILL SUBSTANTIALLY INCREASE THE PROBABILITY OF SUCCESS FOR ANY BUSINESS

[Graphic omitted]

[G r a p h i c o m i t t e d]

moving me towards one of my goals?" "Is this productive?" "Is this worth my time and effort?" They realize that they are personally responsible for their success and that the other financial consultants are not going to be putting any money in their pockets.

Developing a Professional and Personal Mission Statement

A mission statement is a written description of your "vision" for your career. It encompasses all that you are and wish to be in all areas of your life. As numerous experts, such as Stephen Covey, will attest, a mission statement helps an individual or a company focus its energies and maintain its efforts over the long term. It becomes a guiding principle and is simultaneously useful in maintaining long-term motivation.

Developing a mission statement can begin with carefully formulating answers to questions such as the following:

- How would you describe the "purpose of your business" in such a way that the listener would get excited about doing business with you in three sentences or less?
- What differentiates you and your firm from the competition?
- What is your investment philosophy?
- What are the resources that you can draw upon to help you help clients?
- Why are you in business?
- How do you specifically help people?

The answers to these questions can also be used to enhance your sales presentations.

Each person has several roles in their lives that a mission statement can positively effect. These roles include: professional, mental, physical, social, family and professional. A mission statement can be written to encompass many of your important goals and positively influence your internal and external image.

Strategic Planning and Goal Setting

Strategic planning consists of a number of steps which help fulfill the mission statement. If the mission statement is where you want to go, then the strategic plan is the map to getting there. It begins with an analysis of your current

business (described more fully in the next section) which leads to a determination of where you would like to be/go personally and professionally in the future. Then short-, intermediate-, and long-term goals are set to help ensure that the strategic plan is accomplished. Finally, an on-going monitoring system is employed which both keeps us on track and allows for regular plan enhancements/modifications. The most important result of this process is that you systematically and purposefully become successful, rather than obtaining random results.

Analyzing Your Book

Most reps throughout the United States and Canada spend inordinate amounts of their time

A MISSION STATEMENT IS A WRITTEN DESCRIPTION OF YOUR "VISION" FOR YOUR CAREER

and efforts on clients who are producing little revenue and who have limited revenue potential. The result of this analysis will allow you to spend your time and efforts in the areas which will achieve maximum results.

We've employed the following "Point Value" system of analyzing client value with numerous brokers. Points are added based upon net commissions, assets, activity, referral potential, etc. Points are subtracted for excessive service time or personality conflicts. The resulting scores help determine which clients should be more fully serviced.

The computations in the exhibit are made for each client, which includes all related accounts. This allows us to take into consideration smaller clients who are "connected" to other, larger clients.

Categorizing Clients

Clients are then categorized as A, B, C or D, based on their point value. A-clients generally represent the top 25% of the business (possibly generating as much as 80% of the commission revenue, and B's the next 25%, etc. It is common for financial advisors to discover that

the majority of their time and effort is spent on C and D clients, and relatively little time on their best clients.

Culling and Cloning a Book

Closely analyze the characteristics of the A clients since they are the best clients with whom you have had the greatest success and who offer the greatest potential. Clone these clients by asking for referrals and targeting individuals who match their characteristics (perhaps through a mailing list). Next, look to the best B clients and try moving them into the A ranks by effectively profiling them for additional needs that you can meet, as well as gathering additional assets. Do this for the C and D clients by giving them at least one additional profiling call. However, if after everything, you have a client (or prospect) that offers little potential, yet is costing you more time and effort than it is worth, it is probably time to reassign the account and spend your time on more productive avenues.

There are numerous ways of culling a book, including reassigning the client to a new broker or sales/administrative assistant, trading the client with another broker, putting them in a category of very inactive accounts and letting your sales/administrative assistant deal with them, etc. (Note: If you choose the inactive accounts approach, try to have their monthly statements segregated from your active accounts.)

We've found that most financial advisors seem to be extraordinarily reluctant to "let go" of any client because of the "potential" for something to occur in the future. Many people accumulate things in their garage for years and years until they become overwhelmed with their gadgets, gizmos and momentos (translating to mostly "junk"). Sometimes the best thing to do is have a garage sale and clean house. This analogy is appropriate to our book of clients. Productivity tends to rapidly increase when you can focus your time and efforts on the people and tasks that make a difference.

Critical Few Objectives

Once the strategic plan has been established, it is important to determine what specific activities are necessary to accomplish

[G r a p h i c o m i t t e d]

your short-, intermediate-, and long-term goals. Basically, it is determining A, B and C priorities that are suggested in virtually all time management systems. Determine the A activities and concentrate on them first. Simple. Yet, many people are guilty of wasting time with B, C and even D items during the business day.

Many financial advisors reluctantly would admit that they would fire a sales/administrative assistant if that person consistently wasted time and consistently neglected to complete the important tasks. Hold yourself to the same standard that you would hold an employee. Remember, most CEOs and franchise owners have to work harder and more efficiently than anyone else.

Effective Goal Setting

Once your long-term, strategic goals(s) are determined, it is important to fine-tune them so your probability of success is maximized. Many people have great ideas, hopes and aspirations, yet never get anywhere with them because they did not correctly "form" the goals and/or make them motivating enough to accomplish. This segment, therefore, presents two distinct processes: An effective goal setting model, and a discussion of specific short- and intermediate-term goals to allow the strategic plan to be attained. Each is an important part of the process. These processes can be applied to virtually all professional and personal goals.

Six Steps of Goal Setting

There are six critical steps to establishing a goal which is a motivating, dynamic source of long-term power. (The sixth is the most important and, generally, least considered.)

1. *Goals must be stated positively.* State your goal in terms of what you want to achieve, rather than what you want to avoid.
2. *Your goals must be in your control.* Each goal should be challenging but realistic. Don't bite off more than you can chew, or list a goal whose attainment is based upon outside factors such as market appreciation or some specific person giving you referrals. Think of your desired result and work backwards from there to determine the knowledge and experience necessary to get there.

This helps to ensure that you systematically build the skills necessary to attain the goal.

3. *Each goal must be testable in some objective manner.* If it is not measurable, it is not manageable. This requirement also reduces subjectivity which can actually get in the way of achieving goals.
4. *Write your goals down and review them periodically.* Study after study has demonstrated that those who have written down their goals have substantially greater probability of attaining their goals than people who don't. Failure to write goals often results in people forgetting the goal, reducing the goal or neglecting the goal.
5. *Be sure you understand each goal.* If your goal is to generate a certain level of income,

weekly, monthly basis. If you don't set specific timeframes, then you have "all the time in the world" and may not have the psychological boost that deadlines may provide. Furthermore, accomplishing daily goals provides the psychological feeling that you are "succeeding" (active verb as opposed to eventually becoming successful) and helps avoid the "rat on a treadmill" feeling from which so many financial advisors suffer.

Setting a daily plan and monitoring your activities can help ensure these daily and weekly goals are met, and therefore, that your long-term strategic goals are attained.

Performance Evaluation: The "How To, Want To, Chance To" Model

"People don't plan to fail, they fail to plan." However, what happens if you have planned but aren't attaining your goals? The following applies to virtually every situation in which someone is not getting what they want and can be used as an evaluation tool to assist yourself or others in determining where the "road blocks to performance" may be.

There are several reasons why people fail to achieve their goals or otherwise perform according to expectations. If you or someone you know is not performing well, it is probably the result of either not knowing how to do some aspect of the job, not wanting to do the job (or pay the price), or being blocked by some obstacle that is sufficiently large that they don't have a chance to do it – or a combination of the three. Listed below are a few questions that can be considered in each of the three categories to help understand the reasons behind the performance concern/issue. The questions provided here are not comprehensive, yet can be used as idea generators.

How To

One common reason for failure to achieve a goal is lack of required knowledge. You may not have a specific skill, or you may not fully understand a given product or service. Fortunately, these problems can usually be fixed fairly easily with education/training. Questions to ask that fall into this category include:

ONCE YOUR LONG-TERM, STRATEGIC GOALS(S) ARE DETERMINED, IT IS IMPORTANT TO FINE-TUNE THEM SO YOUR PROBABILITY OF SUCCESS IS MAXIMIZED

how much production must you have? How many clients must you be working with? How many orders must you write? What additional training might you require?

6. *Your goal should not cost more than it is worth.* Make sure you include your personal and family needs when you write your goal. For example, spending Saturday at the office may negatively impact your relationship with your family. Working late every night may negatively impact you health or relationships with your children. Unconscious, internal conflicts can result in unnecessary stress, procrastination, fear of success, illness, divorce, etc. (A comprehensive list of questions to fully explore the ramifications of a goal is available on request.)

Intermediate and Short-Term Goals

Each of the goals is then further broken down to a series of accomplishable, measurable steps that define what we must do on a daily,

Do you (or the person) know *how to*:

- perform the procedures necessary to do the job?
- be flexible in strategy and tactics?
- use interpersonal skills to achieve effective cooperation?
- use technical skills?

Want To

People often fail because they lack sufficient motivation. Your success will depend in large part upon your ability to maintain your drive to succeed. Questions to ask that fall into this category include:

Do you (or the person) *want to*:

- do what is required?
- work for the kinds of incentives the job offers?
- have more or less independence or power than the job allows?
- achieve the same goals (personal/professional) that the job demands?
- be competitive and assertive as needed?

Chance To

Sometimes something blocks us from achieving a goal. Such obstacles might include clients who fail to return new account forms or dealing with an overwhelming number of phone calls or administrative duties, etc. When these occur, it is necessary to work directly with the source of the delay. Questions to ask that fall into this category include:

Do you (or the person) have the *chance to* do the job as it is set up; that is, do you have:

- the information, tools and working conditions you need?
- the right kind of supervision and/or help?
- impossible deadlines, goals or conflicting demands of equal priority?
- accurate feedback on execution needed to correct performance?

Thoughts on Stress Management and Maintaining Motivation

Stress is a major problem in our society and is the cause of over 75% of all time lost from work. The inability to effectively handle stress is one of the greatest reasons for failure or lack of motivation. Most of the ideas within this chapter are also stress management tools. If you have a strong sense of purpose, a definitive plan for attaining it and a method of succeeding and feeling good about yourself, and can reassess the goals and performance at will, then many of the sources of stress are neutralized or can be readily identified and dealt with.

There are numerous books on stress management that can be read which give additional techniques on dealing with stress. To one degree or another, the following pieces of sage

advice summarize the key stress management skills:

- Take control of the things that you can control, and reduce the impact of events you can't control (often with contingency planning).
- Remember: Don't sweat the small stuff - and it's all small stuff.
- If something occurs and you realize that "someday you'll look back on this and laugh," then why wait? Laugh now and laugh often.
- Have balance in your life. Take into account your mental, physical, social, family, spiritual/moral and professional well-being. Be a rounded individual, rather than lopsided person.
- Keep your personal mission in mind and maintain a positive mental attitude.

Conclusion

The industry's superstars share four characteristics which differentiate them from others, and which result in substantial differences in productivity. Effective business management skills is one of the keys to success. Each of its major components was briefly explored in this article. It is now up to you to determine where you are and where you want to be in five years. It is your choice to "run" or "ruin" your business. It's not easy to be a success. The only real way is through hard, diligent work. It is our hope that this article has assisted you in the pursuit of your goals. ■

About the Author

Steven Drozdeck has been involved in the financial services industry since 1974. He has trained over 55,000 financial professionals in all aspects of their profession and written over nine books and numerous courses. In 2001 he formed The Progress Center. He and 25 other financial experts deliver over 300 courses at different levels of sophistication and depth, dealing with such topics as Sales Strategies, Practice Management, Product Knowledge and Motivation. From Rookies to Top Producers and from Sales Associates to Sales Assistants, the courses are designed to increase productivity and professionalism. For more information about these courses, visit The Progress Center at www.TheProgressCenter.com or call 435-753-8848 for information. Steve is also available for speaking engagements via Financial Forum (435-750-0062).

SENIOR CONSULTANT

THE VOICE OF THE INVESTMENT
MANAGEMENT CONSULTANT

James P. Owen
Co-Founder

Stephen C. Winks
Co-Founder, Publisher & Editor-in-Chief

Sydney LeBlanc
Consulting Editor

Mamie Woo McNeal
Production Editor

Eddie Bryant
Marketing Consultant



Advisory Board

Jerry Bott
Merrill Lynch

John Brock
Brock-Hazzard/First Union Securities

Dick Charlton
New England Pension Consultants

Bob Cluck
Canterbury Capital

Harold Evensky
Evensky Brown & Katz

Jeff Frum
Wells Fargo

Rich Gleason
Salomon Smith Barney

Kathleen E. Hegenbart
Salomon Smith Barney

Brian Hunter
Prudential Securities

Greg Hunter
Alex Brown

Bill Johnson
CapTrust

John Kelsey
Salomon Smith Barney

Keith Phillips
Morgan Stanley Dean Witter

Bob Rowe
Morgan Stanley Dean Witter

Dick Smith
Capstone Investment Group

Jim Yanni
Yanni Partners

SENIOR CONSULTANT

1457 Crystal Springs Lane
Richmond, Virginia 23231

Ph 804-795-1642 ■ Fax 804-795-7703

WWW.SRCONSULTANT.COM