

# SENIOR CONSULTANT

The Voice of the Investment Management Consultant

## Your Real versus Stated Value Part III: Is Your Business Really a Business?

Steven R. Drozdeck

Almost everyone has made some resolutions for 2003. Statistically, most people have already forgotten, discarded, disregarded or otherwise failed to keep them. It's disheartening to realize that most of the resolutions people made in previous years also failed to come to fruition. Something is wrong; something needs to be fixed. Part of a solution is to objectively assess where you are now and measure yourself against certain standards, which makes goal-setting more realistic and helps to create a template for their attainment.

A stated or unstated goal for most financial services professionals is to increase the value of their business practice during the year. (In some markets, the goal may be to merely survive.) Your ultimate goal is to have a business that is self-sustaining, valuable and salable. The business must provide your clients with a valuable service, and you must receive adequate compensation for your efforts.

In the early years of your practice, management was relatively simple: it meant learning more product knowledge and getting more clients.

Chances are that very little attention was paid to developing your infrastructure. As your business developed, it became important to start managing your business as a business, which is a significant departure from the way you were probably working. As your business matures, as many readers of this magazine have already experienced, you must shift how you manage your business and its growth. It must include organizing your team's efforts, succession planning, a managerial mindset, employment of more viable business models and structures, etc. Upgrading how you do business is not an easy task once you get into the habit of doing some things certain ways, *as if* it were the best way.

Your habits can become a major impediment to personal and professional development because they lead to the unconscious presupposition that you are efficient, effective, correct, maximizing potential, etc. Habits often prevent us from seeing areas of deficiency/weakness. It is for this reason that you should seek an evaluation from a peer, mentor or coach. This

series of articles was started to help you identify the reality of your business performance – to provide a type of self-assessment that lets you know where you are *now*, relative to key business practices, to pierce the illusions caused by habit.

The first article in the series ("[Your Actual versus Stated Value](#)") discussed how many financial advisors attend "value-added seminars" in which they learn how to effectively self-promote by highlighting and verbalizing refined value-added statements, to let prospects and clients more fully appreciate the services they provide. Without doubt, these seminars can be an

excellent investment in your business. After all, if you cannot enunciate what you do and why someone should do business with you in a compelling way, you run the risk that the individual might not appreciate how vital you are to their ultimate financial success and thus, you could end up not getting their business.

The first part of the self-assessment process will help you more completely develop your unique value proposition

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by reviewing key characteristics of numerous high-level advisors. It sets the stage for you to measure yourself against important benchmarks.

The second article ("[Your Actions Speak Louder Than Words](#)") deals with the first essential success characteristic: communications. The article asks 30 specific, self-assessment questions on external and internal communications focusing on how you actually communicate with clients and staff members. In a series of Yes/No questions, you determine whether your actual performance meets or exceeds the benchmarks. The answers help determine if you are really adding value in the communications area. (A similar approach is used in this and the next articles dealing with practice management, professional knowledge, and perpetuating motivation – the other essential areas necessary to perform at the higher levels.)

It is notable that the second article in this series generated a number of phone calls and e-mails regarding how relatively few financial advisors actu-



ally add value to their clients. As I was chatting with a couple of the callers, they told me some "war stories" that made me realize the necessity of objective self-assessment that allows us to go beyond what we ass/u/me we are doing to what we are really doing. It made me realize that more rigorous self-assessments were needed and that we needed to do a "compare and contrast" with our competitors; we need to know our strengths and deficiencies so that we can move to the next levels of professionalism and productivity. (Again, it is only through such self-assessment that we know where we really are and what we really bring to the table. Essentially, it provides the starting point of where we are *now* versus *where we want to be*.)

A major industry problem, we concluded in our telephone discussions, was that too many advisors are lacking substance, that they are more fluff than stuff. True professionals go to the value-added seminars and become aware of the things they do well and then take steps to become even better in certain areas. Because they are true professionals, they fix any problems or address any deficiencies, and provide

even greater value to their clients, themselves and their firms.

### Assessing Your Practice and Practice Management Skills

Here is a series of "Yes/No" questions. (There will undoubtedly be a few gray areas, but most answers are either black or white.) Your answers can provide insight into how you are managing your practice and how your clients may perceive you. These questions are based upon industry best practices as taught at numerous industry conferences, presented in various books, courses and interviews with numerous mega producers (retail advisors who manage or advise over \$1 billion in assets). For the purposes of this exercise, answer each question based on your actual performance or current situation.

There are 25 questions. Each "Yes" means that you do or have done the basic items necessary for success in this category. Any "No" answers warrant your immediate attention and can be addressed by reading books/articles, taking e-learning courses, attending seminars, etc.

Important Note: Questions regarding team-building and staff development will be asked in a subsequent article. Here, the focus is on YOU.

1. Do you think of yourself as an entrepreneur and managing director of your own business franchise, even though you may be working for a larger firm? (This is an important mindset.)
2. Do you have a written business plan that details where you want your business practice to be in one, five and ten years?
3. Do you have a written mission statement?
4. Have you established your unique value proposition for use with your prospects and clients?
5. Have you objectively (that is, using a specific formula) analyzed your book to determine the present and future economic value of each client?
6. Do you devote a minimum of 70% of your time and efforts to the top 20% of your client base? (Most advisors spend an inordinate amount of time on the lesser valued clients to the detriment of both their top

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- clients and strategic objectives of the business.)
7. Have you culled (that is, reassigned) the bottom portion of your book to other advisors or to a registered sales associate?
  8. Have you done a comprehensive demographic study on your top tier clients to determine the common patterns among them? (This includes things like political affiliations, charities to which they contribute, universities/colleges attended, aspirations for children/grandchildren, age, profession, neighborhoods, etc.)
  9. After doing the demographic study, have you modified your marketing campaign to specifically target prospects who match an "ideal client profile"?
  10. Do you regularly obtain referrals from your top-tier clients?
  11. Can you precisely measure the results of your marketing efforts to the point where you can predict a specific response rate versus a particular cost?
  12. Do you set for yourself (and your team) specific, measurable goals?
  13. Are these goals written?
  14. Is your performance reviewed monthly relative to those goals?
  15. Do you invite peer and client evaluation of your performance? (That is, do you solicit feedback with the intent of becoming more efficient?)
  16. Have you done contingency planning to increase the probability that your business goals are met, even during unexpected market conditions?
  17. Do you have a succession plan (one form of contingency planning)?
  18. Is your business "systematized"? (Runs automatically, with or without you.)
  19. Do you have a written policies and procedures manual that spells out how you run your business? (This is essential should you could become ill. Perhaps a key assistant quits. What would you do? The policies and procedures manual allows others to jump in quickly and keep the business going. It's also very important if you ever want to sell your business.)
  20. Do you delegate responsibility (division of labor) to others and hold them accountable for their actions? (This allows you to concentrate on revenue-generating activities and prevents you from doing things that should logically be done by others. Remember the hourly value of your time.)
  21. Do you have a multi-disciplinary team of experts available to deal with complex client issues?
  22. Do you have, and enforce, specific quality control standards to maintain or develop a world-class business?

23. Do you send regular mailings (or e-mailings) to your clients?
  24. Do you send clients "items of special interest" to demonstrate you care?
  25. Can you go on vacation for two weeks and leave all the client service processes to others without concern or supervision?
- Obviously, there are many other questions in this topic that can be asked.\*

### Back to Your Goals

If one of your goals was to increase the value of your business in 2003 and beyond, then by taking the assessment test you have started to hone in on where you are right now with respect to key practices. Remember, the questions provided here and on our web site ([www.TheProgressCenter.com](http://www.TheProgressCenter.com)), were taken from numerous industry conferences, years of experience and hundreds of interviews. They represent what top-level financial advisors believe are important for business development. As you assess yourself, you will quickly become more aware of your strengths and weaknesses, and as a result, can more finely tune your professional development program.

### In Conclusion

Where are you relative to these benchmarks? More importantly, where will you be at this time next year? Will you have made significant strides? Will you have fallen behind? Let 2003 be the year where you take giant steps towards the accomplishment of all your personal and professional goals. Hopefully, by answering the questions in these articles and by personal reflection, you will advance your business to the next levels. ■

### Note

\*These questions were derived from a more comprehensive exam that will be made available at The Progress Center's web site in the future. The exam will not only cover additional benchmarks but will offer specific solutions for you to consider. If you would like to be notified of its availability, please complete our [Request for Information](#) form and add the comment, "Contact me for the assessment test."

### About the Author

Steven Drozdeck is president of [The Progress Center](#), a training company created to specifically further the professional development of financial professionals. Steven has been involved in the financial services industry since 1974, has trained over 60,000 financial professionals in all aspects of their professional growth and is author of nine books and numerous training courses. Steven may be contacted via phone (435-753-8848) or e-mail ([SDrozdeck@TheProgressCenter.com](mailto:SDrozdeck@TheProgressCenter.com)).

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