

SENIOR CONSULTANT

The Voice of the Investment Management Consultant

Leveraging Your Gray Matter

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You've heard the saying that we only use about 10% of our actual brain power. If you're at the top of your field, you may use 12% or perhaps more. But what if you could parlay that 12% into something like 20% or even 30%? Are there advantages to operating at such a level? Would it open your eyes to facets of your business of which you may not currently be aware? Would it streamline your business make it more effective than you thought possible? Would it create more personal time for yourself and your family?

Markets are never stagnant, and neither are practices. You're either gaining ground or losing it. Former President Bush's 1992 campaign is a prime example. He enjoyed exceptional approval ratings during the Gulf War, which he thought would easily carry him back into office for a second term, but his campaign reeked with the attitude of "I've already earned my re-election. I don't have to campaign or win people over; they're already on my side." And the resounding defeat totally baffled him.

If a president can make such a mistake, why should you be immune? Bush was so engrossed with his own view of his expertise and his "ivory tower" success that he failed to realize what was really going on around him. Do you really know what your constituents/clients think? These are the people who "re-elect" you every day, every month, every year to manage their financial futures. Yes, they're loyal. Yes, they have millions of dollars in assets with you. But are you really as connected with them as you need to be?

The Nature of Success

Success is not something that you attain once and have it automatically stay with you. It is something that must be nurtured every day, in good times as well as bad. We are currently experiencing one of those rare times in our industry, where just about every facet of what we do is changing. Sure, the industry has always morphed itself according to economic backdrops and investor demands, but rarely has there been the confluence of events that is occurring now. Here are some of the major forces at work.

- The affluent masses are demanding access to services formerly available only to the ultra affluent.
- Technology is making service capabilities more efficient, profitable and easier for a broader group of advisors to offer.
- The ultra affluent have become a more focused target market than ever before. Books and coaching programs targeting the ultra affluent flood bookshelves and internet pages.
- Commoditization of services and the Gramm-Leach-Bliley Financial Modernization Act have flung wide the competitive doors, requiring greater differentiation, even among the most successful advisors.

Undoubtedly, you've felt the effects of these forces at work in your own practice. Staying your course and being a steady hand for your clients in all market environments are the two anchors you have to secure your practice. As important as those two anchors are, will they continue to be enough to keep you sailing smoothly in today's increasingly competitive world? Investors are demanding broader ranges of service, more personal attention, and more focus on multi-generational planning, i.e., legacies. The two anchors you've always depended on are not enough to meet these

new client demands. The demands can be seen all through the marketplace: the compression of fees due to client demand for more services at a lower cost, the development of technology that is making a broader range of services feasible to offer and the increasing awareness and sophistication of today's investors.

The fall of IBM in the mid-90s and the outpacing of Apple by Microsoft clearly illustrate that no matter how big a business gets or how much success is attained, it can still falter. Those who are "comfortable" and are sticking with "what has always worked" are the most vulnerable. If there is any lesson to be learned from President Bush's failed campaign, IBM's near demise and Apple's refusal to license its software to clones, it's that success, like life, is an ever-evolving process that must be constantly re-evaluated, scrutinized, and of course, nourished and maintained.

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Adding Brain Power, Not Person Power

As a practice grows, the need to add staff increases, but there's a point where adding staff may cease to be feasible, especially in light of compressed fees and eroded assets. Even when the good times resume, making the most of your existing resources is prudent, innovative thinking. At what point in your practice's development does it make sense to leverage your technological and human capital by outsourcing? The ideal answer to that question lies in a different type of planning than what you may be accustomed to. This type of planning includes not only the integration of efficient processes as your success increases but also the integration of high level marketing.

Investment professionals are often notorious for confusing marketing with sales, causing the finer points of good marketing such as research, demographics, and monitoring results to be overlooked. How many advisors even have a strategic marketing plan for their practices? And how do you allocate your time and that of your staff to address those needs?

How can you use the resources you already have to more effectively keep your practice on top of the differentiation curve?

The demands on your time are already pushing the edge. Yet, incorporating leading edge marketing practices that also add efficiency and effectiveness is essential to the continued success of your practice. Few advisors hire full-time marketing people, and those who do typically combine the position with sales in a junior-partner type of arrangement. A better way to fill this need might be to outsource to a qualified marketing resource that can help you identify the areas that need the most work, that will get to know your practice from top to bottom and that will help you make the most effective and efficient use of the staff and resources you already have.

Outsourcing can leverage the talents, capabilities and resources that sit virtually untapped within your practice. You may already consider your practice a well-oiled machine, but no practice is immune to becoming even more streamlined. More importantly, streamlining, like success, is not a static condition. Just as comprehensive wealth management makes the

sum of your clients' portfolios more than its individual parts, so does prudent outsourcing as it increases the efficiency and effectiveness of collective brain power.

At what point in your practice's development do you need to add this type of resource? Ideally, this type of outsourced resource would be added as soon as your practice warrants an additional client associate. That's the point where the need to provide better client service becomes apparent; that's also the point where the need to increase efficiency and to market a practice more effectively becomes just as essential. Leveraging your resources in this manner creates a powerful, flexible and resilient structure to your practice that will serve you exponentially as you become more successful.

Leveraging Effectively

Prudent use of leverage can be applied to practices at any level of success. It's never too late. However, as with investing, leverage for the sake of leverage is not always the best idea, and not just any outsource resource will work

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for you. Your outsource resource needs to be well suited to your purposes. Finding one that meets your criteria may require a small time investment, but an investment like this can pay off handsomely. The resources you use will be able to provide the leverage you need only if they know and understand your business, almost as much as you do. Rather than hire a resource that *knows about* your business, it's significantly more effective to hire one that has *actual experience* in your business.

Since each advisor or firm has its own set of differentiating factors, the outsource resource needs to be able to clearly articulate yours and be able to use them to your advantage. The resource should be able to not only identify the differentiating factors in your practice, but it should also be able to spot other differentiating factors of which you may not be aware. The resource also needs to be cognizant of and have experience dealing with compliance requirements. Compliance hold-ups or stalemates can completely sabotage your leveraging efforts. If you have to spend time redoing the work so that it will get through your compliance department, you've negated any benefits that outsourcing may hold for you.

Another extremely important requirement is that the outsource resource has expertise in the services you require. You may think this is a no-brainer but, unfortunately, it isn't. What clues will indicate you have indeed found the level of quality and experience you need to accomplish your goals? You can gauge a lot about a resource in the initial conversation. Here are a few guidelines that will help you assess a qualified resource.

- Interview the resource just as you would interview a prospective employee. Ask for references or a list of clients.
- Ask to see examples of the resource's work. Look not only for expertise in one area of focus, but in a variety of areas in which you may need the resource to perform for you.
- Ask the resource about its own differentiating factors. Why should you hire this resource rather than another?
- Ask about performance expectations. What kind of turnaround can you expect for the finished work? What is the process for completing the work? How much of your time will be involved in that process?
- Ask about compensation expectations. What do you get for the money you pay? When is the money due? Does the resource operate on a contract basis? What are this person's operating and production policies? What specific services are included in the job?
- Pay attention to any questions the resource asks you. They should be intelligent, to the point and pertinent. If the resource fails to ask any questions, that's obviously not a good thing!

The initial assessment should take only a few minutes of your time, but the minutes are

well spent. Just as in the initial interviews with prospective clients, the time you invest upfront in interviewing a resource will be the best, most efficient part of the hiring process. But beware of red flags. For example, the resource does not seem to pick up on your needs and differentiating factors adeptly. No matter how complicated your practice or area of specialization, the resource should have the level of knowledge and expertise to help you effectively communicate that area of specialization to your audience. What benefit does the resource deliver if you have to spend an inordinate amount of time educating the resource about all aspects of your business?

Once you determine the appropriate outsource "fit" for your practice, take the ultimate advantage of the expertise by allowing it to educate you and your team. The right resource will do more than perform a service for you. It will advise and consult you in its areas of expertise, but you have to be willing to listen to that advice. Your clients look to you to advise them in investing their assets to reach their investment objectives. Your marketing resource can offer you the same expert guidance for practice growth and improvement.

How Leveraging Benefits Everyone

Leveraging your business properly adds confidence and productivity to each member of your practice. It's like building on success. By leveraging your team's effectiveness and productivity, you help each member feel he or she is contributing to the team's success on a larger scale. Team members feel more deeply integrated with the team's operations, helping the entire team to see results sooner.

Since we are a society that feeds on immediate gratification, a valuable tool such as leverage can assure the quality service you want to offer and simultaneously provide quicker rewards. This gives your team's productivity and service philosophy a sort of snowball effect: The more immediate reward makes us want to repeat the actions that will give us that reward again and again. Leveraging helps feed the growth of your practice in a natural way that is innate in all of us to grow and achieve.

About the Author

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