

The Best Practices of Fast-Growing Advisory Firms

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by Robert Huebscher

Lisa Salvi is a member of the Advisor Services leadership team and is responsible for Schwab's Business Consulting and Education offer. Her team develops and manages programs and one-on-one consulting engagements designed to help independent advisors make lasting and significant improvements within their firms by focusing on key business, technology, and cybersecurity issues. Salvi's team leads the annual RIA Benchmarking Study, the Compensation Study, and programs that support the development of advisor talent through executive education and student initiatives. They also provide insights and tools that help the Advisor Services sales and support teams deliver outstanding client service to independent advisors.



Salvi has more than 16 years of experience working with fee-based advisors. During her 11 years at Schwab, she has held several positions, including Chief of Staff to Bernie Clark, head of Advisor Services. Salvi holds a bachelor's degree from the University of California, Los Angeles, and the Series 7 and 24 licenses.

I spoke with Lisa at the Schwab IMPACT@ conference on October 29.

What is the role of the Business Consulting and Education team? How do you work with advisors?

Our team's vision is to help advisors make significant and lasting improvements within their firms on the things that matter to them. Through our consulting work, we help them on topics like developing a strategic business plan, growth strategies, creating a referral culture, transitions, cybersecurity and technology. We have a new program launching that will help them redesign a workflow within their firm using some design theory. Often a big topic is how to supercharge growth, but we also want to help advisors with day-to-day aspects of running their businesses.

What are Schwab's "Guiding Principles for Advisory Firm Success" and why did Schwab create those principles?

When we look at our Benchmarking data, we see that the median firm five years ago sat at about \$350 million in assets under management, and today they've grown at about 11% and they're sitting at \$587 million. But then there's a subset of firms at the top 20% of growth that are growing at a 16% rate. That \$350 million firm has now grown to over \$700 million. They've more than doubled in size. They've probably hired five or six people within just a five-year period. They're just growing at incredible rates.

Our advisors always ask us how those firms are doing it, and so we took a look, and we realized that there are five things firms are doing exceptionally well when they're growing at those incredible rates. Those are the guiding principles for an advisory firm's success, and they center on things like: (1) strategic planning is a leading indicator of success; (2) value is defined through your clients' eyes; and (3) operational excellence creates greater capacity for clients, meaning your compliance systems, cybersecurity systems and back-office operations. If you do those well, you have more time to spend on the client experience. The fourth principle is "your reputation is your brand" – all of your marketing, referrals and digital presence. The fifth principle is "people are your most important asset." None of these principles are revolutionary, but firms that do them well, commit to them and put planning and rigor around them, outperform.

I've read some of your research and saw that you've identified some traits and, perhaps, best practices, of advisory firms that have achieved higher-than-average asset growth. What were some of the surprises from that research?

The number one thing that stood out to me was when we looked at our Benchmarking data as it relates to ideal client persona and ideal client proposition. Firms that had defined both of those things had significantly better results. They were generating 26% more new clients and 41% more new client assets than firms that hadn't identified those things. That's a very powerful reminder that spending time to clearly define who you're trying to serve and understanding what's important to them can have a major impact for your firm.

One of the principles is "Value is defined through your clients' eyes." What does this mean and how does it work

in practice?

That relates to what I was just talking about. When you see a firm that is clear about who their ideal client is and who they're trying to serve, they can make such smart bets about the way they evolve their client experience. They can add services that are going to resonate for that client. They can add experiences that are going to give those clients something to tell their friends about; people tend to be in social circles with others like themselves. They can hire new talent who can help deliver that client experience they're trying to deliver. That's an important thing when you think about the future: how you evolve your business. Just make sure that where you invest your time and your resources is going to matter to the people you're trying to serve well and the types of clients you're trying to gain.

Another principle is “Your reputation is your brand.” How should fiduciary advisors leverage their brand, particularly in the context of a market that includes many non-fiduciary advisors whose reputations have been tarnished by scandals?

Highlighting what it means to be a fiduciary is a good idea, but it's not the only thing that a firm should do. Have a clear value proposition that resonates for your clients, tell compelling stories to your clients about the way you serve other clients and have a very clear and articulate origin story about the firm. Those are the top things people look at on your website.

You want to have those types of stories that you're telling clients that are going to be memorable and resonate. Your firm's staff must be able to tell those stories to people they know. They're worth repeating when your clients hear them.

Make sure that you're not forgetting about your digital presence. Your website matters now. It's going to matter more and more, and it isn't needed just to get cold new business. It means also that when someone gets a referral, they're going to go online and check you out. That's an opportunity to make sure you're telling a compelling story.

How can firms create a cycle of opportunity to attract and retain top talent?

A cycle of opportunity means that you're hiring great talent, you're developing that talent, you're rewarding that talent through your compensation plan – in many cases by sharing equity – and that you're incentivizing the behaviors you want to see that talent bring to the table to help the firm continue to grow. Growth attracts talent as well. A huge theme here at IMPACT has been the challenge firms are having in finding talent. We know that 73% of advisors are trying to hire talent. We have about 2,200 advisors here. Over a thousand of them said they're trying to hire university-age talent.

We have about 80 students joining us from 14 universities. It's the tightest labor market we've had in about 40 years. You have to have a strong employee-value proposition. You need to be clear about what the career path of the firm looks like so that you can get the top talent. I always tell advisors to look at their websites. If you're trying to hire diverse talent in terms of age, gender, race and ethnicity, then if the images you're putting out there don't feel like they're compelling or inclusive, you might be losing some of those candidates before they apply.

Do you have any other tips for growing firms that want to accelerate growth and stand apart from other firms?

The two things I would add is if you don't know where to start with the Guiding Principles, because sometimes they all sound like good things to focus on, start with having a good strategic plan. By that I mean a written-down purpose, values, visions, strengths, weaknesses, opportunities and threats (SWOT) analysis and goals. Get true alignment among your entire leadership team. Having an outside facilitator, like our business consultants, can be very powerful to break through, get alignment and execute well with that plan, assign people responsibility and check back in on it. That's incredibly important.

But never forget about the talent. If you have talented, committed people and you have a clear vision of where you're trying to go, you're going to do very, very well.