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# Introduction

As part of our ongoing commitment to provide the financial services industry with innovative educational content, Fox Financial Planning Network is pleased to introduce the second in a series of industry white papers that have been specifically developed for financial advisors and the institutions that serve them.

This report introduces the concept of The Integrated Practice™, a financial advisory business that is optimally integrating workflows, technology solutions, practice management strategies, and human capital to maximize firm efficiency to profitably deliver outstanding client service.

Developed in partnership with Nexus Strategy, LLC, a leading consulting firm to the wealth management industry, this report will highlight the systemic issues in many firms that are limiting growth, profitability, the ability to deliver a great, consistent client experience and positive firm working-environment. To provide a solution to these issues, the report details ways firms can integrate the right mix of systems, people and technology to build an efficient foundation for profitable growth.

By doing so, independent advisors will benefit from operational efficiencies, allowing them to spend more time focusing on serving their clients, while building a great enterprise that creates business value that can be monetized and easily transferred upon the owner's retirement.

We invite you to learn more about the industry's latest practice management issues by logging on to our web site at [www.FoxFinancialPlanningNetwork.com](http://www.FoxFinancialPlanningNetwork.com) or by calling 1-888-403-2328.

# Executive Summary

- Despite experiencing excellent growth over the past decade, the independent advisory industry is reaching a critical point in its evolution and is currently being challenged by inefficient operations and a lack of systems.
- Due to the lack of standard business practices being applied, independent firms are finding that they are not able to scale with growth, are becoming capacity constrained, are not delivering a consistent service model and ultimately, are becoming unprofitable.
- These issues are causing disruption in service delivery and are limiting firms' ability to manage growth and meet client demands.
- Leading firms, however, are finding solutions to these fundamental challenges by bringing a focus on business and process management and applying it to improve their firms.
- These firms are synthesizing and combining the optimal use of systems, workflows, technology, practice management and human capital to create a thriving business operation that is efficient, scales with growth and has a high level of profitability. They are creating The Integrated Practice™.
- Advisors can achieve these results by following the recommendations and ideas contained in this report. These actionable strategies and innovative approaches can be thoughtfully incorporated to transform the ways advisors operate today.
- By doing so, advisors are positioned to build a great business that delivers a high level of service, is profitable and increases in value that can later be monetized upon their retirement.

# Industry Issues

*“Many firms have not effectively thought through how they want to evolve beyond the above value proposition.”*

Despite the fact that the independent financial advisor industry is entering its fourth decade of existence, one could argue that the industry is still in its infancy when it comes to adopting and adhering to standard business practices. This would include the lack of a clear and evolving business plan, development of standardized systems for delivering their services, effective hiring and retention policies for staff and appropriate use and integration of available technology solutions.

Why is that? The answer lies in the fact that for many pioneers in the business, they started with a broad vision of providing an alternative to the employee/institutional model of delivering financial advice that was free of conflicts and client-focused. While this value proposition is still extremely valuable and continues to provide independent advisors with a competitive advantage today, as a stand-alone however, it does not create a long-term, sustainable business model that can grow efficiently and profitably.

Many firms have not effectively thought through how they want to evolve beyond the above value proposition. As a result, many independent firms are stuck in first gear, unable to gain scale in their businesses, provide a consistent client experience or operate at a high rate of profitability. Operationally this typically translates into members of a firm spending most of their day working reactively rather than proactively which ends up being the very obstacle to improving their systems and operations.

Evidence of this can be seen in many of the industry’s benchmarking and profitability studies. Referring back to our Economics 101 courses, as firms grow, overhead costs as a percentage of revenues should become an ever-decreasing cost due to the economies of scale garnered by spreading those costs over a larger number of end clients. The results, however, are surprisingly quite the opposite. Due to the inefficiencies and lack of focus inherent in many advisors’ businesses, these overhead costs remain linear (and in some cases actually go up) as firms grow, indicating that there is no scalability in the majority of advisory firms.

To solve this systemic issue, many industry experts are recommending a renewed focus on technology solutions, with many of the industry’s largest

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*“Ultimately, successful firms are integrating the right mix of systems, technology solutions, practice management strategies and people to create what we call The Integrated Practice™.”*

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custodians and broker-dealers leading the charge in bringing to market some impressive solutions. But adopting technology alone will not create systems, office efficiency or improved client services. Technology needs to be integrated with the firm’s well-defined client service offering, documented workflows and the duties and capabilities of staff members to ensure consistency and efficient implementation of business processes.

Despite the prevalence of these industry issues for the majority of firms, there are a number of firms that have recognized the tremendous business growth opportunity that exists today and have broken through. These leading firms have created dynamic, fast growing and profitable enterprises by finding a way to identify the cost drivers in their business and apply leverage in the form of an operational plan to develop a nimble and agile organization that delivers a consistent level of client service, scales with growth and returns a high level of profitability to the owners, while building business value.

How have they done that? What are these firms doing to set themselves apart?

Firms that have broken through the obstacles have all developed a clear vision of what they wanted to achieve along with a well thought out plan for how to do it. They have identified, specifically, which clients they want to serve so they can standardize their service offering. They are setting specific revenue targets along with desired profit margins they need to achieve. They are making hiring decisions based on a person’s skill set and matching those to what is required by the position they have defined. They are creating bonus and incentive programs to encourage the desired behavior and emphasize the right activities. They are deploying the right technology to the right processes that provides them with the most leverage and efficiencies. They are applying a disciplined approach to business processes to systematize their firms. But most importantly, they have figured out how to integrate all of the above so their practice is operating seamlessly.

Ultimately, successful firms are integrating the right mix of systems, technology solutions, practice management strategies and people to create what we call The Integrated Practice™.

The Integrated Practice™ approach can ultimately become your firm’s operating system, providing a strong foundation for growth and profitability.

# The Integrated Practice

*“The Integrated Practice™ connects all of the moving parts of a firm to create an efficient organization and bring it to life.”*

The Integrated Practice™ connects all of the moving parts of a firm to create an efficient organization and bring it to life. There are four main components that need to be thought through, planned, implemented and continuously updated.

- **Systems** with documented workflows need to be created to standardize the tasks both staff and advisors perform each day to run the practice and deliver excellent client services that are consistent and repeatable.
- **Technology** solutions need to be chosen that are appropriate for the firm’s business model. Technology should be deployed to improve productivity, efficiency, integrate various firm tasks and automate information gathering, monitoring, reporting and sharing.
- **Practice Management** is the overall process of managing all of the components required to run your practice on a daily basis. It should be noted that technology and human capital are also subsets of practice management, but we believe these two areas should be addressed separately due to their importance and relevance to the inner workings of a firm.
- **Human Capital** must be analyzed and idealized. Hiring decisions need to be made according to the skill sets needed to perform various daily tasks. A firm needs to seek out appropriate individuals to fill a firm’s most important and specific needs.

Traditionally, each of the areas above has been addressed as a silo, which results in a fragmented practice operating inefficiently and a staff that is often frustrated. By building connections between these four areas, firm members can be energized, serving clients better, maintain an improved work/life balance and experience an increased level of personal satisfaction. Working in an integrated environment also better positions firm members to implement the business plan and fulfill the company’s goals and objectives.



# Systems and Workflows

*“...well-designed systems and workflows that systematize the daily tasks of a practice should also be able to provide customization to serve each client’s specific needs.”*

Systems and workflows are the foundation of your practice. Unfortunately, most firms have neglected to deploy appropriate systems, which often causes staff to be mostly working reactively rather than proactively each day. In the first white paper we published, *The Rise of Automated Workflow in Financial Advisory Practices: Why Developing a “Starbucks” Client Experience is the Key to Sustainability, Profitability and Growth*, we provided insight into how advisors can design and automate client service workflows to systematize their business for a consistent level of service delivery to their clients. Note however, that well-designed systems and workflows that systematize the daily tasks of a practice should also be able to provide customization to serve each client’s specific needs.

Principals must create a vision, inspire others to develop and implement systems in the practice, and achieve buy-in from their staff. A COO, or substitute with the appropriate skill sets, should be the motivator and driver of the project. The objectives will not be accomplished if teamwork is lacking and every person in the firm doesn’t provide input about how to best develop the systems and specific workflows based on the daily tasks they personally perform.

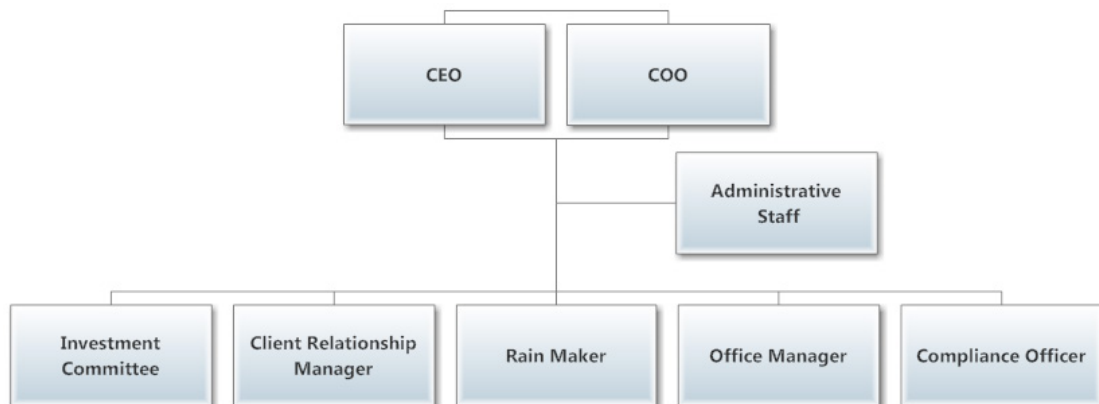
Additionally, if a firm experiences too much growth before making appropriate preparations, it can overwhelm staff, interrupt processes and the delivery of your client experience. This is why a master plan is critical. Objectives can vary widely by firm. While some firms want to grow, others just want to work more efficiently and increase their profits for a superior work/life balance. Some firms want to remain entrepreneurial while others want to add hierarchy and feel the need to become more bureaucratic.

Whichever business model is chosen, well thought out systems and specific workflows that document daily tasks are crucial for the consistent and compliant delivery of services, retaining employees as well as keeping them happy, working efficiently and establishing a foundation for growth and possibly succession.



However, without ongoing leadership, training, discussion, support, resources, incentives and accountability, most firm members, if not all, will go back to their former ways. Lacking purpose, motivation and commitment, the changes introduced will not stick. This is why a master plan or blueprint needs to be created at the onset of the project with all members of the firm involved.

So how do you begin to create a master plan? An organization chart and vision worksheet can be helpful tools to use. First create the hierarchy of roles in your firm and who will fill them. Identify any roles that are vacant to decide whether you will need to hire an additional staff member now or in the future, or if you would consider outsourcing that role. When filling a particular role, make sure the person being chosen has the appropriate skill sets and temperament to succeed in that role. Have a back up plan in case that person doesn't work out in that role.



Next, create a worksheet that assists you in getting the ideal vision of your firm on paper and where each staff member has an opportunity to add to and improve upon it. Here you will detail out such things as what characteristics do your ideal clients possess, what specific services will you provide, how will you charge clients, how will you get introduced to new prospective clients, how many clients do you want to ultimately serve, what service components will make up your client experience? Ultimately, it is hammering out the details of your grand vision up front that will allow you to more easily begin the efforts to get standardized processes in place. This preplanning can create a firm vision everyone embraces and lead to a cohesive working environment.

# Technology

*“It is extremely important to not build systems and add technology solutions based on a practice that is not operating the way it should be or, worse yet, has policies or systems that aren’t functioning well.”*

Technology solutions that have become available over the past few years have literally changed the advisory firm landscape. Costs have come way down and the number and sophistication of technology tools for financial advisory firms have gone way up. User interface is also rapidly improving. Small firms can now compete with the services provided by large firms and large firms can deliver their services more efficiently and at a lower cost. Financial advisory practices are moving to “the cloud” in droves, which is removing physical boundaries.

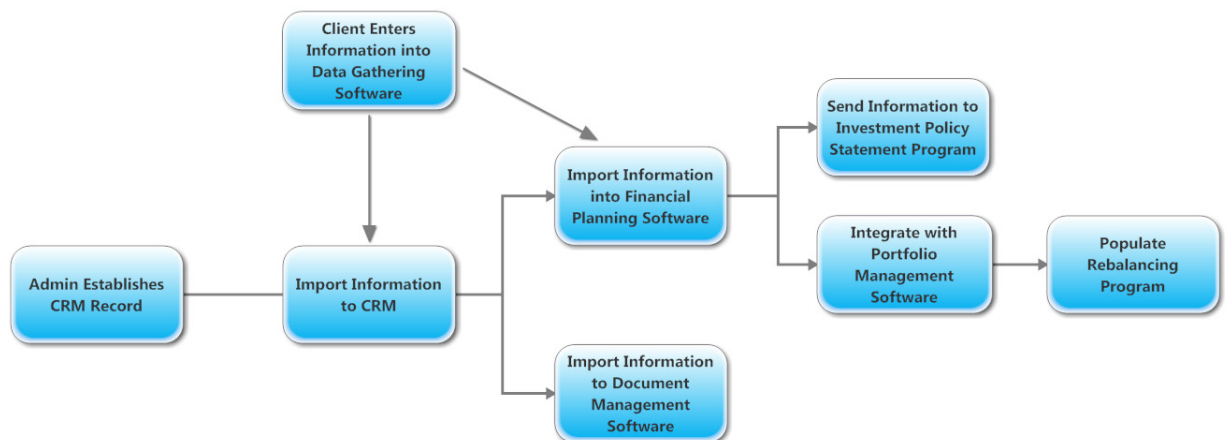
Well-chosen technology such as portfolio management system or electronic document management systems have the ability to shave off days or weeks worth of work that previously had to be done manually. A robust Client Relationship Management system (CRM), for instance, can significantly increase the level of service you provide to your clients by automating and systematizing daily tasks, providing reminders for client touches and sorting clients with tags or labels for easily communicating information that is relevant to a certain group of your clients that have specific characteristics in common. A communication task, such as informing clients about the upcoming Medicare open enrollment period or the need to take a Required Minimum Distribution, can be reduced from hours to minutes as the CRM can identify those clients who fall in that category and can also create a mail merge to automatically create the letters.

Technology that is deployed and integrated into your practice appropriately can empower you to provide a higher level of service to your clients while increasing your profit margins. Tasks that can now be handled by technology solutions need to be built into the systems and workflows for added efficiency which could mean saving time, needing less staff members or increasing the level of service provided without working harder.

Just as you want to develop a master operational plan you should also develop a technology plan. Here again you would begin with a master vision of how you want your firm ideally set up and running. It is extremely important to not build systems and add technology solutions based on a practice that is not operating the way it should be or, worse yet, has policies or systems that aren’t

functioning well. This is a mistake many firms are making. They are creating systems for a fragmented practice that is dysfunctional in various areas.

The next logical step is to identify the areas of your practice that are currently broken and determine what needs to be done to fix them. Technology solutions should be brought in to automate or enhance tasks and processes that are both efficient and necessary. Identify areas where technology can streamline your practice. Workflow should be idealized and built first for the critical areas of your practice so the right technology solutions can be chosen to fit your needs. The tasks that the tech solution takes over should be built right into your workflows.



Technology should be chosen with a bias towards usability and the user interface. Technology that has a huge learning curve and is not user-friendly has a much higher likelihood of not being adopted by staff, or not utilized for its full capabilities or, worse yet, not used at all. (We have witnessed firms that have spent thousands of dollars on a technology purchase that goes virtually unused due to its complexity.)

Investing in and integrating technology into your practice is not a one-time event. It is an ongoing process due to new innovations occurring all the time. One or two members of your firm who have a propensity for and interest in researching and performing due diligence, should be assigned to keep up-to-date on new technology advancements that might benefit the firm.

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*“Make sure staff receive the appropriate level of training to get them comfortable with adopting the technology into their workday.”*

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It is important to remember that most members of a firm will need to be brought up to speed on what particular tasks and efficiencies a particular technology can perform. Recognize that many staff members will not have a good concept of what new technology can do and what a positive impact it can make once the learning curve has been tackled. For example, they may be told that the new CRM will help them manage their workflows, yet they don't know what that means. The concept is abstract to them so it is difficult for them to be enthusiastic about making the effort to learn.

Patience is critical, especially for those who currently perform the majority of their daily duties manually. Older staff members who have built long-time habits will many times be hesitant to give up how they have been “succeeding” in the practice for many years. They will likely resist change until it can be demonstrated to them how their daily work can be completed significantly easier and more enjoyable by adopting new technology solutions. Younger members of the firm, especially Gen X and Gen Y employees will likely be enthusiastic about learning how to integrate new technology into their workday and will adapt quickly and easily.

Make sure staff receive the appropriate level of training to get them comfortable with adopting the technology into their workday. Incremental learning and live demos from patient tech-savvy team members can help them shorten their learning curve. Recorded demo videos targeted to people with different roles, skill sets and learning curves can be instrumental in ramping up adoption of the new technology. The recordings allow staff members in learning mode to go back and review demos for reinforcement and prevent someone who is training others from wasting time by having to repeat instructions over and over.

The first two technology solutions we recommend you adopt would be an appropriate CRM and electronic document management system that integrates with the CRM. Next would be a client portal, which enables you to collaborate online with your client, create a single view of the client's financial life and electronically store important documents so that you can provide easy access for both you and your client 24/7. A financial planning application to analyze and model your client's financial situations and outcomes would be next. Two additional solutions are a portfolio management system to provide portfolio accounting and a portfolio rebalancing solution to automatically rebalance

portfolios. Both of these have the ability to potentially save you the most man-hours and quickly provide a high return on investment.

Other more specialized tech solutions such as client data gathering, risk profiling and creation of investment policy statements can also be very helpful in saving time and creating more efficiency in a practice at a reasonable cost.

## Practice Management

So much has changed in such a short period of time, that disruption is occurring in many firms. Those that have embraced change have benefited from the disruptions; those that haven't are losing competitive advantage and are likely becoming more and more frustrated as they see their firm falling behind. It is critical to consistently improve your client value proposition and ensure it is better than your competition.

Giving attention to the areas of practice management that tie together with the other components of your practice is the answer to operating efficiently and growing your firm. As mentioned above, practice management is the overall process of managing all of the components required to run your practice on a daily basis.

Practice management encompasses how you are communicating with clients and prospective clients, how you communicate your value proposition and how you are different than other firms (both verbally and in your literature), how you are marketing and delivering your services, how you are keeping in touch with clients, generating referrals, conducting client social and educational events, the method you deliver financial advice, staying compliant and more.

It is fundamentally important to thoroughly think through and then plan out how all these components are built and handled so they can be idealized to your business model. They can subsequently be standardized, systematized and integrated into your systems and technology and then assigned to the suitable members of your staff.

*“Good practice management will take into account the positive attributes of each generation and combine them in a fashion that makes the firm stronger.”*

Recognize that there can be a clash between new practice management techniques and technology being adopted to an old way of doing business and new, younger staff members that work differently than the previous generations. Good practice management will take into account the positive attributes of each generation and combine them in a fashion that makes the firm stronger. Baby Boomers, for instance are used to working in a hierarchical structure where Gen X and Y enjoy working in teams that collaborate. The existence of both models can be very positive in a firm. The key is to figure out how to combine the two work styles for a more dynamic, modern, efficient practice.

Once the ideal path of the firm has been determined, it is important to stay consistent. If you constantly change, it is disruptive and you won't be able to get people to buy in or follow you. Principals must have and help others adopt a clear set of core values. With a compelling vision and stated higher purpose, members of the staff feel good about what they are doing and whom they are serving.

Principals must also create a set of strategies to achieve goals that are simple enough so they can be executed. Many firms make the mistake of communicating strategies one time and then think they're done. Strategies have to be aligned with all the practice management components. Incentives should also be put in place as benchmarks that are aligned with the strategies are achieved. To achieve success with practice management, it is important to have a team of good people with complimentary skill sets who understand and embrace the vision and core values of the firm. Lastly, it is essential to never allow complacency to infiltrate your organization. If your firm is not continuously evolving, you're dying. If you become complacent, it is typically just a matter of time until other firms that continue to evolve will eventually overtake you.

# Human Capital

*“The sum of the decisions you make in the human capital area will determine the level of success your firm will achieve and the work satisfaction level of both principals and staff.”*

The sum of the decisions you make in the human capital area will determine the level of success your firm will achieve and the work satisfaction level of both principals and staff. Human capital decisions begin with deciding who will be part of your firm and what roles will they fill.

To begin this process, design an organizational structure on paper that is comprehensive, with boxes for each role in the firm you need to have in order to provide your ideal services to your target clients. Right now you may not have a person that performs only one role. In fact, it is most likely multiple people will wear multiple hats, but your organizational design can serve as your roadmap to leverage your people. You'll also identify gaps in your business that you can outsource, such as an investment research/trading role that can be filled by an outsourced money manager or estate planning services that you can partner with an attorney to provide.

Staffing is an important decision because every firm needs at least one person who can fill the role of rain maker, client relationship manager, CEO, COO, compliance officer, administrative assistant, office manager, investment guru, etc.

Smaller firms have the greatest challenges in this area since this many times translates into a person having to wear multiple hats. Principals should keep in mind that specific tasks not well suited for current members of the staff to handle can potentially be outsourced. Tasks assigned to staff members that do not fall into their natural or developed skill sets can end up demotivating them and reduce their level of work satisfaction.

It is important to have people with opposite strengths. For instance, one person might be very creative while another may be analytical. One may easily learn and adopt new technology while another may be a great strategic thinker to come up with new ideas on how to improve the firm. The key is to match the appropriate person to a certain set of responsibilities and tasks. This will improve firm productivity, efficiency and the overall working environment since staff members will be more likely happy with their job.

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*“It is vitally important to create a great culture in the firm where both principals and staff alike enjoy their work environment and each other’s company.”*

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Hiring should be done methodically and carefully. In many well-functioning firms we have heard the philosophy, “hire slow, fire fast” to ensure that the right people are on board. Nothing can derail a small firm more than a bad fit, an unhappy or unproductive employee as they can easily poison the work environment or cause chaos to the other team members.

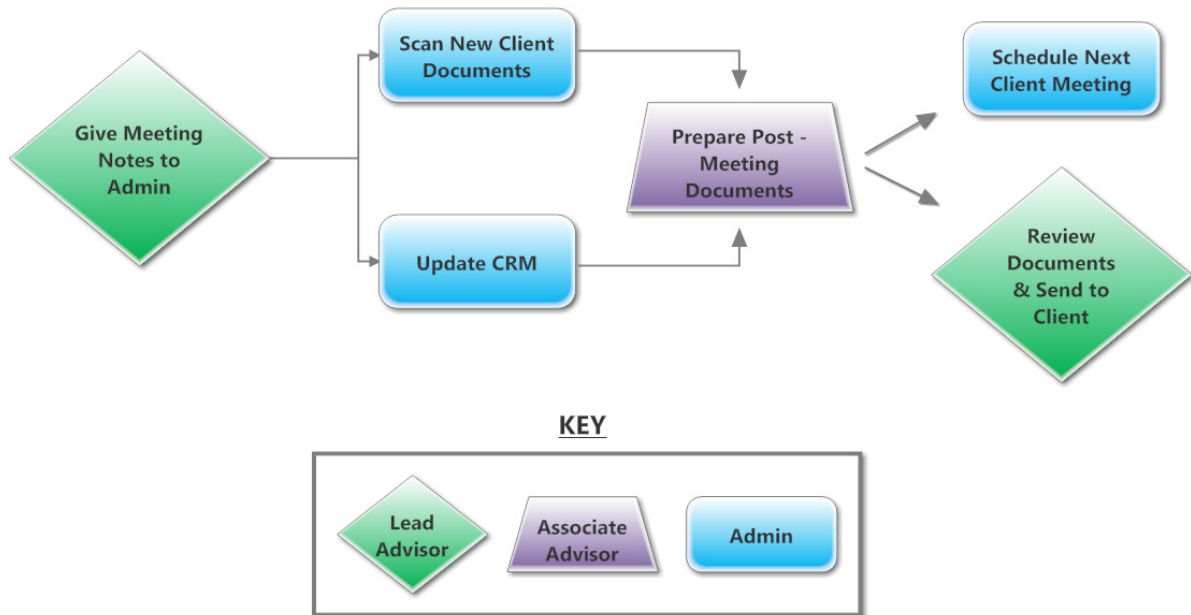
Structured interview questions, personality tests, skill assessments and standardized training should be utilized. A clear potential pathway in the firm should be communicated, especially to Gen X and Gen Y job applicants. For existing staff members, there should be open communication about generational differences. It is critical to get solicited feedback about the work environment and suggestions on how it can be improved.

It is vitally important to create a great culture in the firm where both principals and staff alike enjoy their work environment and each other’s company. There should be specific Employee Development programs in place, especially to address the graying of older advisors in the firm that are wanting to find replacements which will allow them to cut back their hours at some point and eventually leave the firm. It has been said that, “culture is what happens when no one is looking” so you need to really invest time and effort to developing a great culture to maximize your human capital.

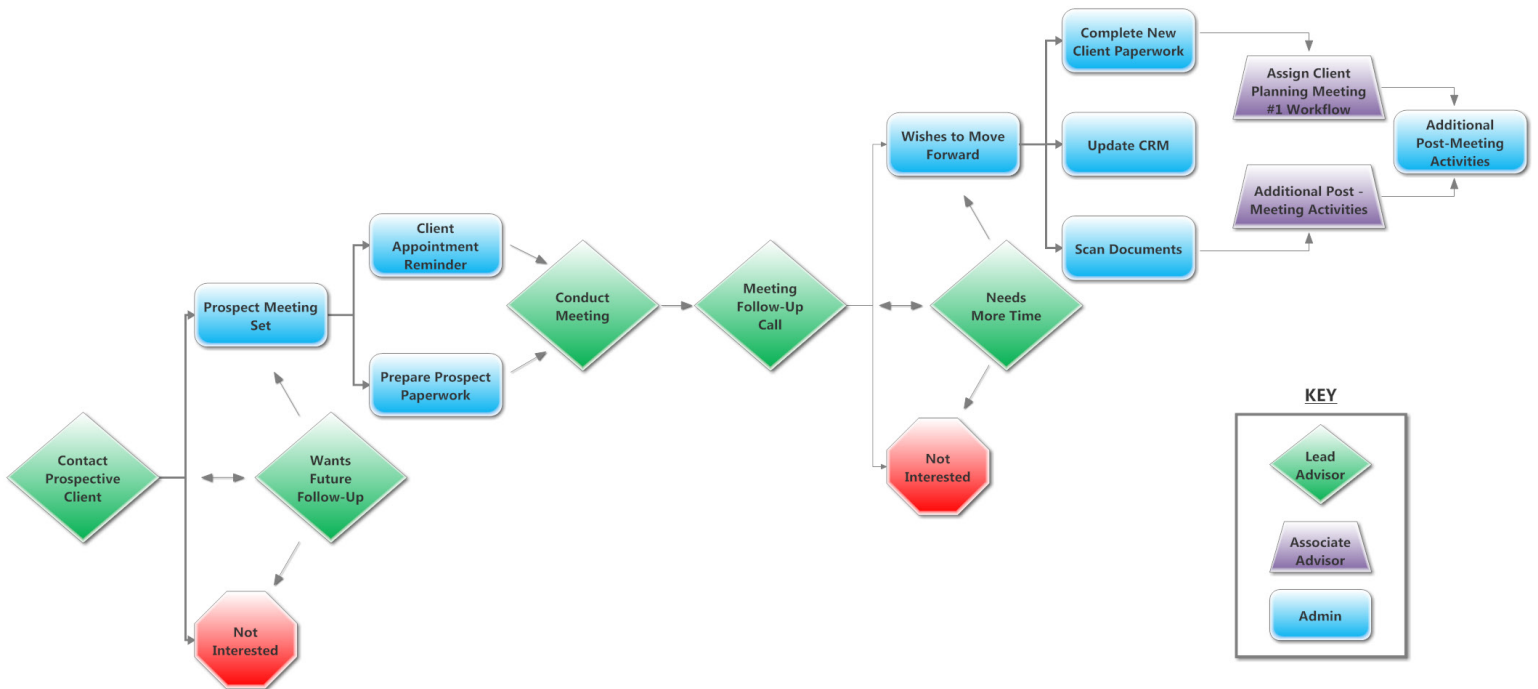
Incentives for each position in the firm should be created, ideally based on a percentage of gross revenues or pre-determined bonuses for achieving measurable benchmarks or the completion of certain well-defined tasks. Each staff member should also receive regular recognition (when appropriate) and reviews that highlight their strengths and point out areas that need improvement. Human capital is the living, breathing life of a firm. It is the beating heart that creates the pulse in your firm so your systems, technology solutions and practice management can work together and come alive.



## How to incorporate people into a workflow - Example 1:



## How to incorporate people into a workflow - Example 2:



# Conclusion

The simple, yet powerful strategies detailed in this report are available to advisors to adopt and start improving their businesses today. By integrating the key aspects of your business in the form of systems and workflows, technology, human capital and practice management you have the potential to revolutionize how you are running your business.

But advisors don't have to do this on their own. The industry is rapidly evolving to provide solutions to the issues raised in this report. As part of your business planning process, seek out industry experts, consultants and third-party service providers to help and guide you to reach your vision of success.

Advisors owe it to themselves, their employees and their clients to learn more how they can transform their businesses today into The Integrated Practice™.

## About Fox Financial Planning Network (FFPN)

FFPN is transforming the way advisors operate by providing the tools, templates, workflows and consulting to systematize the delivery of their client services. Created and led by Deborah Fox, a 28-year veteran financial advisor, FFPN provides a comprehensive set of resources enabling advisors to increase efficiency, profitability, automate the delivery services and compliance procedures, scale their practices, while growing their firms.

FFPN is a network of financial advisors and best-in-class technology providers, consultants and other financial industry resource providers that together, are improving the lives of financial advisors, their staff and their clients by helping them evolve their financial advisory businesses.

[www.FoxFinancialPlanningNetwork.com](http://www.FoxFinancialPlanningNetwork.com)

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