EXECUTION GUIDE

DEFINING ROLES AND SETTING GOALS FOR A MORE PRODUCTIVE TEAM

Most Financial Advisors (FAs) are familiar with the annual business planning exercise, but few engage with their plan as a living document that provides essential decision-making support and daily guidance for managing their business and improving performance.

This highly tactical program shows you how to create an Effective Business Plan that will be the practical cornerstone for managing your use of time, resources and personnel. Specific topics include differentiating between Destination Goals and Performance Goals, instructions for creating meaningful Goals in both categories, guidance for defining Roles and Methods, how to manage Methods with Metrics, and a model for three distinct types of team meetings to keep productivity on track.

AB **ADVISOR INSTITUTE**℠

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FOLLOWING A STRATEGIC BUSINESS MODEL (SBM) ALLOWS FAs TO MOVE FROM REACTING TO EVENTS AND DEMANDS AS THEY OCCUR (A REACTIONARY MODEL) TO INTENTIONALLY DEPLOYING THEIR TIME AND ENERGY EFFICIENTLY AND PRODUCTIVELY (A PROACTIVE MODEL).

THE “LIVING” BUSINESS PLAN

The key to an SBM is the Effective Business Plan, which teaches FAs how to move from the purely reactive “gotta get stuff done” to the proactive “gotta manage a business.”

CHANGE YOUR PERSPECTIVE

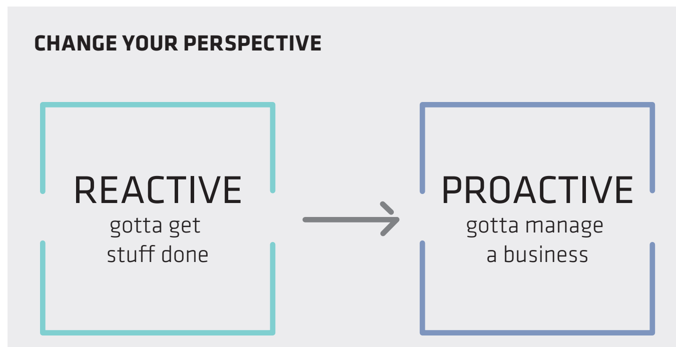
Most FAs approach their work from the perspective of “gotta get stuff done.” They may even build a multifunction team and base their approach to business on the assumption that “getting stuff done” is the top priority. This is pure reactivity.

The Effective Business Plan approach instills a different point of view: “gotta manage a business.” Here, the FA takes a broader view of building and running a successful practice, focusing on creating structures that assist the practice in making more efficient choices about how to spend time. This is especially true for non-client-focused activities such as business outreach and sales campaigns.

THE KEY TO PRODUCTIVITY: THE BUSINESS PLAN

The Effective Business Plan outlines your business Goals, Metrics and Roles. It should clearly describe what needs to be done, when a task needs to be finished and who is responsible. The Effective Business Plan functions as a *living document*. It’s the member of the team that holds everyone accountable to a vision of productivity and efficiency.

In simple, practical terms, an Effective Business Plan is nothing more than a list of Goals bound together by Roles that allow the FA and the team to work effectively. Each area of the business is controlled by specific Methods for performance within the area. And each Method is managed by Metrics—quantitative or qualitative data that allow the FA to measure how the Methods are working and if the Effective Business Plan’s expectations are being met.



REACT TO EXPECTATIONS OR INTENTIONALLY DEPLOY YOUR TIME

Managing an advisory practice presents this challenge: the more people you work with, the harder it is to perform efficiently. The only FA who has complete control over his choices is the one with no clients. Once you have a client, you are often forced to choose between *what you want to do and what your client wants from you*.

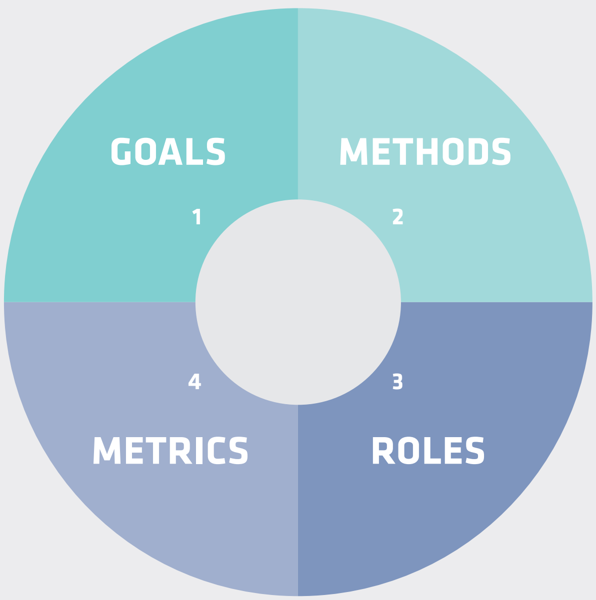
All FAs spend their time reacting to expectations. The strategic business model (SBM) presents you with an important choice: you can either react to your clients’ whims or use the “best practices” structures of the SBM to be proactive.

The SBM allows an FA to *intentionally* deploy her time, effort and energy in the most efficient and productive way, regardless if she is managing two people or a large, multifunction team.

UNDERSTANDING GOALS, METHODS, ROLES AND METRICS

An Effective Business Plan has four main components: Goals, Methods, Roles and Metrics. Each component should have a clear definition, a targeted completion date and a person assigned to it.

THE EFFECTIVE BUSINESS PLAN



1. GOALS

Goals are the basic building blocks of every part of the Effective Business Plan. There are two types: Destination Goals and Performance Goals. Destination Goals tell you where you want to be *in the future*, while Performance Goals tell you what you need to do *now*. Destination Goals function as targets and as confirmation of success. They are always set for a particular time in the future and consist of a numerical score. They are trailing indicators that reveal whether the Effective Business Plan is working well or poorly.

Destination Goals are the less important objectives for the business, as they do very little to help organize performance. In contrast, Performance Goals are leading indicators that function as prescriptions or directions for what each person on the team should do. While many forces may influence a Destination Goal, Performance Goals are fully in the control of the person responsible.

The Effective Business Plan establishes both Destination and Performance Goals and serves as a way to ensure that each member of the team is performing his Role successfully.

+ Examples of Destination Goals: assets under management, net new client relationships, total revenue generated
+ Examples of Performance Goals: first contacts with Centers of Influence (COIs) seeking a referral, completed annual reviews, meaningful contacts per client per month

2. METHODS

Methods are also basic building blocks of the Effective Business Plan. For every competency within the plan, a clearly defined Method that will be used to accomplish tasks should be in place. Defined Methods are specific processes—step-by-step activities that, linked together, lead to the achievement of a Destination Goal or Performance Goal.

+ Example of a Method: a seven-step process for delivering an effective client review

3. ROLES

A Role specifies what actions or behaviors are expected from each team member. Roles serve as assignments or responsibilities for fulfilling the Effective Business Plan. Each Role, in terms of responsibilities, is a cluster of Methods involved in managing the business. A Role is described by the Performance Goals expected, the Methods used to accomplish it and the Metrics reported to the team.

For example, let's consider the Role of new business outreach. On a large team, this may a member's sole responsibility. On a smaller team, a member may be expected to fulfill other responsibilities as well. To define the Role of new business outreach, the team member must know:

+ The Method that will be used
+ The Performance Goals that must be fulfilled
+ The Metrics that will be reported to the team

Let's look at the new business outreach Method being used by a team to engage with CPAs for referrals. The Method includes five activities:

+ Generating introductions to CPAs
+ Deciding what message to deliver
+ Choosing how to structure the message
+ Deciding how to close for the message
+ Planning a follow-up meeting

Performance Goals include:

+ How many messages are in place at any given time
+ How many introductions are expected per month
+ How many first meetings are expected per month
+ How many closing conversations are to be executed per month
+ How many follow-up engagements are expected per month

A Destination Goal would be:

+ How many referrals from CPAs are received per month

4. METRICS

Metrics provide a Dashboard for how well each person on the team is fulfilling her Role and performing according to the Methods. Metrics should include guidance for "good" performance and "superior" performance. Metrics are reported to the *entire team*, with all members of the team reporting on their Metrics to one another to ensure accountability. The Dashboard can be produced on a spreadsheet and should compare the Performance and Destination Goals with the current Metrics for each Role on the team. In the highly effective team, the Dashboard allows all members to demonstrate their engagement with the business and to hold other members accountable for their performance on the team. The Dashboard ensures full transparency of activities within the team so that all members know how the other members are contributing to the team.

GOALS, METHODS AND METRICS ARE INTERCONNECTED

A Goal may use multiple Methods to guide performance. Metrics are used to monitor performance.

Example:

+ The Destination Goal: five new client relationships per quarter.
+ The new business outreach Method: contacting CPAs, scheduling a meeting to discuss a business competency and then closing for a referral.
+ The Method: the script for the first call, guidance for the meeting and how to close for a referral.
+ The Performance Goals for the Method: 10 telephone calls to COIs per week, seven first appointments to share information and seven attempts to close for a referral.
+ The Metrics: once a month tell the team how many first calls were made, how many first appointments were set up, how many first meetings were conducted and how many attempts to close were made.
+ The Destination Goal: at the same time each month, tell the team how many new client relationships were established so far this quarter.

An Effective Business Plan requires that each Role report on the Metrics that describe a successful fulfillment of a Method.

MEETINGS AND COMMUNICATION

FAs who maintain a "getting stuff done" mind-set are reluctant to have meetings; they see meetings as a waste of time. But the right meetings are important for successfully managing a business.

When managing a business, it's important to work not just *in* the business but also *on* the business. Regular team meetings can help. By making a commitment to hold regular team meetings, of which there are three types, you can better manage the workflow of your business.

THREE-MEETING MODEL

1. **Weekly:** Hold a one-hour workflow discussion to check in about critical issues within the business.
2. **Monthly:** Conduct two-hour Dashboard discussions, with reviews of Performance Goals and accountability conversations.
3. **Quarterly:** Hold a four-hour planning meeting to review Destination Goals and to discuss refinements needed in your Methods and Performance Goals. This meeting ensures that the Effective Business Plan evolves based on failures, successes and experiences.

PROFITABILITY AND CLIENT SEGMENTATION

An FA *must* understand how to accurately calculate profitability and commit to focusing on those clients who are truly the most profitable. Not all clients are equally profitable to a business. Total assets under management is not an adequate assessment of a client's value to a business. Rather, profitability per client can be understood as assets under management multiplied by deployment of assets, divided by time and resources required to service that client.

$$\text{profitability} = \frac{\text{AUM} \times \text{deployment of assets}}{\text{time and resources}}$$

An important step toward managing a practice with intentionality is the ability to recognize low-productivity clients as liabilities rather than assets. Once this is done, the FA can reallocate time from managing these unprofitable clients to new business development.

According to research done by PriceMetrix, small households that generate less than $100 in annual revenue account for 24% or less of "outperforming" FAs' business engagements while representing 31% or more of lower-performing FAs' book of business.[1] The "outperforming" group that was studied consistently reduced the number of small households in their book of business—reducing their exposure to this group by 13% from 2010 to 2011. The problem of too many small clients and not enough time to pursue new business opportunities with larger, more productive clients was a primary concern of the group of superior performers studied. Use the exercise below to begin exploring the impact of small households on your business.

EXERCISE ON PROFITABILITY (80/20 EXERCISE)

1. List all clients on a spreadsheet in order of total revenue generated.
2. Draw a line at the point where 80% of the revenue of the practice will be above the line. This will probably be no farther down than half of the total list.
3. "Wash" the list below the line for three types of clients:
   a. Who are the clients related to those above the line that must be kept?
   b. Who are the clients below the line that have referred clients and are likely to do so again?
   c. Who are the clients you enjoy working with and want to keep regardless of their productivity? Limit this list to no more than 10.
4. Move these clients to above the line.
5. For all clients remaining below the line, write down a compelling reason to keep each one.
6. For any client whom you do not have a compelling reason to keep, refer out of the practice.

1 PriceMetrix, *Insights* vol. 5 (December 2011)

BUILDING THE EFFECTIVE BUSINESS PLAN

Build an Effective Business Plan by developing a series of repeatable steps to follow regularly. The steps outlined below offer clear, practical guidance for building a plan that will drive new, profitable business and help you deploy your time and other resources effectively.

STEP ONE: ESTABLISH DESTINATION GOALS

Select a period of time and a Destination Goal for each of these key elements of the practice:

Destination Goal	1-Year Goal	3-Year Goal	5-Year Goal
Assets Under Management			
Total Client Relationships			
New Clients Acquired–Net			
New Clients Acquired			
Annual Reviews Completed			
Other			
Other			
Other			

STEP TWO: ESTABLISH PERFORMANCE GOALS FOR EXISTING METHODS

Review the checklist of Methods. For those that are already installed and working within the practice, establish between one and three Performance Goals that will serve as Metrics to monitor performance:

Installed Method	Performance Goals (What actions will you track?)	Weekly Activity Goal	Monthly Activity Goal
Annual Client Review Process			
Standard of Care Servicing Plan			
Client Referral-Request Process			
Referral Advocate Communication Process			
Client Check-In Calls			
Investment Sleeve Review			
Client Referral Request During Annual Review			
New Business Outreach Process			
Staff Management/Meeting Process			
New Client Onboarding Process			
Team Meeting			
Client Communication Process			

STEP THREE: INSTALL TWO NEW METHODS

Review the checklist of Methods. For those Methods that are not installed, select two that will improve the value or effectiveness of the business. Set a date by which you will acquire coaching or guidance for each Method. Establish between one and three Performance Goals to monitor performance:

Uninstalled Method	Date for Installation	Performance Goals (What actions will you track?)
Annual Client Review Process		
Standard of Care Servicing Plan		
Client Referral-Request Process		
Referral Advocate Communication Process		
New Client Proposal Meeting Process		
Tracking and Reporting Process		
Annual Goal-Setting and Planning Process		
Investment Process		
New Client Discovery/Planning Process		
New Business Outreach Process		
Staff Management/Meeting Process		
New Client Onboarding Process		
New Staff Hiring Process		
Client Communication Process		
Contact Management Plan		

STEP FOUR: CREATE A MANAGEMENT DASHBOARD

Use the spreadsheet below as a way to monitor and track your Destination Goals. For example, an annual Destination Goal could be to have 24 new client relationships. That annual Goal can be broken down evenly into 12 sub-Goals of two per month, or less during certain months you know are slower. Use the right-hand column to track your progress:

Destination Goal (name of goal):	Annual Goal
Month 1: Annual Goal:	Month 1 Achieved Number: Total Achieved:
Month 2: Annual Goal:	Month 2 Achieved Number: Total Achieved:
Month 3: Annual Goal:	Month 3 Achieved Number: Total Achieved:
Month 4: Annual Goal:	Month 4 Achieved Number: Total Achieved:
Month 5: Annual Goal:	Month 5 Achieved Number: Total Achieved:
Month 6: Annual Goal:	Month 6 Achieved Number: Total Achieved:
Month 7: Annual Goal:	Month 7 Achieved Number: Total Achieved:
Month 8: Annual Goal:	Month 8 Achieved Number: Total Achieved:
Month 9: Annual Goal:	Month 9 Achieved Number: Total Achieved:
Month 10: Annual Goal:	Month 10 Achieved Number: Total Achieved:
Month 11: Annual Goal:	Month 11 Achieved Number: Total Achieved:
Month 12: Annual Goal:	Month 12 Achieved Number: Total Achieved:

Use the spreadsheet below as a way to monitor and track your Performance Goals. For example, a monthly Performance Goal could be to have five introduction meetings per month. Those monthly Goals add up to an annual Goal of 60. Use the right-hand column to track your progress:

Performance Goal (name of goal):	
Month 1:	Month 1 Achieved Number:
Month 2:	Month 2 Achieved Number:
Month 3:	Month 3 Achieved Number:
Month 4:	Month 4 Achieved Number:
Month 5:	Month 5 Achieved Number:
Month 6:	Month 6 Achieved Number:
Month 7:	Month 7 Achieved Number:
Month 8:	Month 8 Achieved Number:
Month 9:	Month 9 Achieved Number:
Month 10:	Month 10 Achieved Number:
Month 11:	Month 11 Achieved Number:
Month 12:	Month 12 Achieved Number:
Annual Goal:	Total Achieved:

STEP FIVE: ESTABLISH SET TIMES FOR MEETINGS

Set regular times for each of the meetings in the three-meeting model on your calendar. Use the Dashboard to monitor performance and provide feedback on the effectiveness of Methods.

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