

# Managing Your Practice for Maximum Results<sup>1</sup>

By Stephen A. Saenz, CIMA

*Author's Note: There is a myth that learning is for young people. But, as those of us that have been around for a while can attest, it's what you learn after you know it all that really counts. The purpose of this paper is to share what we have learned about building and managing a successful consulting (asset management) practice. We will begin by taking a look at the current business environment and conclude by offering some specific suggestions on how to manage a consulting practice for maximum results.*

## The Crisis That Won't Go Away

In 1993, Michael Hammer and James Champy published a book called, *Reengineering The Corporation: A Manifesto For Business Revolution*<sup>2</sup>. In this book, the authors described a threat that is looming ominously over the business landscape in America today. This threat, which they called *The Crisis That Will Not Go Away*, is being driven by three powerful forces— *Customers, Competition* and *Change*. Appropriately, they referred to these as, “The Three C’s.”

Most investment professionals are painfully aware of the fact that it is a *buyer's market* out there. Advisors no longer have the upper hand; their clients do. Investors, today, have more choices than ever before. They are better informed and expect more for their money. This is especially true when they find out they can get the same advice for *free* across the street (or across their modem line). Your business may not have felt the effects of the first “C” yet, but it will. Unless you're about to retire, you are probably getting a *little* bit concerned about the impact this trend could have on your business in the future.

Undoubtedly, the buyer's market that exists today is a direct result of increased *competition*. It seems that everyone on the planet now knows about the baby boom generation and their buying habits. Who can blame them for trying to get their piece of the action? The problem is that, in the future, the *real* competition may not be who we think it is. Imagine, for example, what it would be like to compete with someone like Bill Gates or Ted Turner. Don't laugh, it could happen to *you*!

It has often been said that the only constant in life is *change*. The problem is, they never told us that the *rate* of change was going to accelerate toward infinity! If you sometimes feel overwhelmed by the amount of change that is taking place, don't feel bad, you're in good company. Mr. Gates, himself, almost missed the Internet thing completely. Like all good visionaries, however, he made the necessary adjustments. In his case, he did a “one-eighty” with his \$10 billion company. Somehow, it seems ironic that most investment firms have been reluctant to follow his lead, but that's another story...

The bottom line is this: There *is* a crisis out there. No one knows, for sure, how bad it's going to get. What we do know is that it's probably going to get worse before it gets better.

## The Search for Solutions

As you might expect, Hammer and Champy did offer a solution for the crisis that will not go away; they called it *business reengineering*. This is a term that has been used (and misused) ad nauseum since the book was published. The formal definition of reengineering is, “The *fundamental*/rethinking and *radical*/redesign of business *processes* to achieve *dramatic* improvements in critical measures of performance such as cost, quality, service and speed<sup>3</sup>.” Simply put, it means *starting over*. If you are serious about achieving maximum results in your business, ask yourself this question: “If I were re-creating my business today, given what I now know and the technology that is currently available, what would it look like?”

In order to answer this question, you have to understand and apply a concept known as *discontinuous thinking*. This basically means identifying and abandoning the outdated rules and fundamental assumptions that underlie your *current* business model. It is not easy to abandon old rules and assumptions, but it is critical to the success of your business. This is *especially* true when you find yourself in a highly competitive and rapidly changing environment like the one you're in right now.

## A New Level of Thinking

Einstein once said, “The significant problems we face cannot be solved with the same level of thinking that created them.” In other words, we need to get to a *new level of thinking* before we can solve our problems. This is precisely what Gates did when he finally realized (or was convinced) that the Internet was the place to be. He changed his assumptions and, literally, redefined his vision for Microsoft overnight. We would all be well advised to take our queues from Messrs. Einstein and Gates. Even though we did not *create* the problems we face today, it is up to us to *solve* them. This is one of those lessons we learn after we know it all.

The key to getting to a new level of thinking is *letting go* of outdated rules and assumptions. This is very difficult to do, especially for those of us who have been operating under the old rules for a long time. Please note that this is not simply a case of learning new tricks; it's a matter of learning how to think like a *cat* when you've been a *dog* all your life!

# Managing Your Practice for Maximum Results<sup>1</sup>

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## Is Your Business Model Obsolete?

In order to think like a cat you must first *identify* what the outdated rules and assumptions are. While some of these will be obvious, others will not. Most brokerage firms, for example, have known for some time that the transactional business is a dying business. That is why they are desperately *trying* to get their advisors to do more fee-based “consulting” business. What is not as apparent is that the *business model* that was designed to support transactional business, does not work in a fee-based consulting environment. In essence, these firms are trying to play a new game with old rules. This explains why so many investment advisors are still getting paid on the “grid.” It also explains why new financial consultants are *still* sitting in “bullpens,” dialing for dollars and being supported by 1/6 or 1/8 of a *sales* assistant! These are examples of outdated rules and assumptions that don’t work anymore. Come to think of it, they haven’t worked for a long time, but that’s another story...

When you change the game without changing the underlying assumptions (rules) used to *play* the game, you’re asking for trouble. Imagine what would happen if the Packers showed up at the *World Series* and tried to play under NFL rules. Not a pretty picture, right? Well, my friends, it’s happening every day and it might be happening closer to home than you think. Under the best of circumstances, this type of “management” will perpetuate a business that continues to operate *below* its full potential. The most likely scenario is that you end up with a business model that eventually becomes obsolete!

## Don’t Let It Happen To You

Whatever you do, please don’t make the mistake of thinking, “This doesn’t apply to me.” Even if you’re not sitting in the bullpen anymore, you might be operating under some old assumptions. Worst of all, you may not even realize it! The problem with working *around* those who are still playing by the old rules is that their bad habits can rub off on you. Garfield once said, “If you go to bed with dogs, you wake up with fleas.” This is *not* conducive to thinking like a cat!

Failure to recognize these “blind spots” can severely limit your ability to build and manage your consulting practice. They may even be keeping you from enjoying a full and happy life. Listed below, are ten outdated assumptions that may be keeping you from reaching your full potential. If any of these sound familiar, you may want to take a hard look at your own business model. Your goal should be to determine what adjustments you need to make (like Gates) in order to get to that new level of thinking.

## 10 Outdated Assumptions That May Be Keeping You from Realizing Your Full Potential

1. Assuming that you have to become a zillion-dollar producer
2. Assuming that your business is totally dependent on you
3. Assuming that you can manage your consulting practice with the same old team
4. Assuming that you should wait until your revenues get to a certain level before hiring additional help
5. Assuming that your firm should pay for your additional help
6. Assuming that time is money
7. Assuming that your assistant(s) has(have) the necessary skills to excel in today’s high-tech world
8. Assuming that *you* don’t need to learn how to use a personal computer
9. Assuming that you can’t give up your smaller accounts
10. Assuming that your clients *really* understand what you do.

Let’s take a look at each of these assumptions...

### Assuming that you have to become a zillion-dollar producer

One of the great tragedies in life is waking up one day and suddenly realizing that you have been running so hard for so long that you forgot why you were running. Unfortunately, this realization often comes late in life, when it’s too late to do anything about it. This is *another* one of those lessons we learn after we know it all.

If you are one of those people who is driven to do more and more business every year, *please* stop right now and ask yourself three questions:

- Why am I running so hard?
- What kind of person have I become by pursuing success (money) so relentlessly?
- Is this the kind of person I *really* want to be?

# Managing Your Practice for Maximum Results<sup>1</sup>

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If, after answering these questions, you still feel compelled to become a zillion-dollar producer, just remember one thing— when you're dead and gone, no one that *really* cares about you will ever remember you for how much money you left them. They will only remember you for how much *time* you spent with them. You don't have to keep running! It's O.K. to build your business up to, say, half a zillion and call it a day. If that seems hard to swallow, you might want to reflect on something that Jim Whitaker, who climbed Mt. Everest, once said:

**“You never conquer the mountain;  
you only conquer yourself.”**

## **Assuming that your business is totally dependent on you**

A few years ago, you probably believed the old maxim that, “You're only as good as your last ticket.” Looking back on it, that was probably something your old sales manager learned in “management” training, but that's another story. You don't believe that anymore because, today, you're a consultant. Somewhere along the line you decided to give up *control* of the day-to-day decision-making and committed to using a *process* to manage the critical investment decisions for your clients<sup>4</sup>.

If this is the case, your business should *not* be totally dependent on you anymore. One of the nice things about using a process is that you can teach someone *else* to manage the work for you. This enables you to spend more time on *high value* activities, such as meeting with clients and prospects. If you are spending your time doing *anything* else, it is probably because you are still holding on to some of the outdated assumptions described below.

## **Assuming that you can manage your consulting practice with the same old team**

One of the costliest mistakes you can make is to assume that you can *effectively* manage your consulting practice with the same team you had when you were in the transaction business. It is also one of the toughest assumptions to let go of. This one dates back to when you really were only as good as your last ticket. In those days, the main objective was to “drop” as many tickets per day as possible. All you really needed was someone to run your BUY-SELL orders to the wire operator, answer your phone and post your books for you. The old *sales* assistant didn't even need to know how to type, but that's another story. If you are truly interested in managing your practice for maximum results, you have to let go of this one today.

## **Assuming that you should wait until your revenues get to a certain level before hiring some additional help**

Our friends in the insurance industry have an old adage that says, “If you can't afford insurance, you can't afford to be *without* it.” If you understand this concept, then you basically understand why you can't afford to wait until your revenues get to a certain level before hiring some additional help.

There are basically two ways to look at a hiring decision. The first is to wait until your revenues can *justify* the investment in additional personnel (some call this the prudent approach; I call it the dinosaur approach). The other is to make the investment *today* so that you can get to that revenue level faster. If you believe in yourself and your business vision, you should be confident enough to make this decision now, rather than later. If this makes you nervous, you might want to run a little calculation. First, figure out how much it would cost to hire a young college graduate to be your technical analyst; someone who can do all of your consulting work with the proper training. Then, calculate out how much (in new assets) you would have to bring in to cover this person's annual salary and benefits (remember that this is probably a tax-deductible expense). Finally, think about how long it would take you to go out and raise those assets with the extra time you would have on your hands. If your pay-back period is more than three months, you'll need to take a look at your marketing plan or your sales process.

## **Assuming that your firm should pay for additional help**

If you believe this, take a break. Yes, put this paper down right now and take a little walk around your office. If you work in a brokerage firm, take a good look around your “board room.” What do you see? Does this look like an environment that is conducive to building a consulting business? What kind of administrative support do you see out there? If, after taking your walk, you still think your firm should cover the cost of your additional help (or any other business development expenses) take the rest of the day off. You probably need some fresh air and a chance to clear your mind.

## **Assuming that time is money**

On a more serious note, *please* think carefully about this one. Most people operate under the assumption that time is money. Time is *not* money, time is *everything!* This, of course, assumes that you value other things in life more than money. If that is the case, the old rule of “time is money,” just doesn't do justice to the importance of time (see Assumption #1, above). If you're still perplexed, here's another exercise for you. First, calculate how much your time is worth on an hourly basis. Now, make a list of everything you do in your business. Yes, a *written* list.

# Managing Your Practice for Maximum Results<sup>1</sup>

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Now, let's say for the sake of argument that your time is worth \$500 per hour. Look at your list again. Would you pay someone \$500 an hour (in hard dollars) to do any of those things for you? Probably not, right? Well, guess what? You do; every day. Every time you pull up a stock quote or run an asset allocation proposal, you are paying someone \$500 per hour to do that work for you. Do you think a *cat* would do that? Think about it!

## Assuming that your assistant(s) has (have) the necessary skills to excel in today's high-tech world

At the risk of offending some of our colleagues (which is *not* the intention here) we would like to offer the following advice: It's almost the 21<sup>st</sup> century, do you know where your assistants' technical skills are? If you have reason to believe that your assistant is lacking the skills that are necessary to be as effective as they should be in today's high-tech world, you owe it to yourself and to them to get them the proper training. Please do not make the mistake of assuming that they know what they should know about personal computers and the software they use every day. For most of us, computers are like our brains. We only use about 5-10% of their true potential. This makes it very difficult to maximize the results in *any* business.

## Assuming that you don't need to learn how to use a personal computer

Speaking of computers, you may have heard that, "It's what you *don't* know that can hurt you?" If you are still hanging on to the outdated assumption that *you* don't need to learn how to use a personal computer, *please* go out and get some more fresh air. In the next year, or so, you'll be talking to your clients on your computer screen. But then, come to think of it, you might be all right on this one since you'll be able to *bark* commands at your computer pretty soon, instead of using a mouse.

## Assuming that you can't give up your smaller accounts

It wasn't too long ago that a decent IRA season could land you a trip to Maui, or some other exotic destination. Ahhh, the advantages of having a *deadline* to work against, but that's another story. If you're like many successful consultants, you probably have a pretty good size "book." The problem with large books is that they can be counter-productive to building and managing a successful consulting practice. If you are still hanging on to the assumption that you can't give up your smaller accounts, you may want to consider bringing on an "associate" consultant to handle them for you.

Please note that this is *not* a case of "purging" your book. If done properly, it can be one of the most empowering things you can do for your business. If you are going to maximize your results, you must learn to think in terms of fewer but larger accounts.

## Assuming that your clients understand what you do

"If a tree falls in the forest, but no one is around to hear it, does it make a sound?" To paraphrase this old philosophical question, I will close by asking, "If you are the best and most experienced investment professionals in the world, but no one knows about it, is it doing you (or anyone else) any good?"

*Please* do not assume that your clients (or anyone else, for that matter) *really* understand what you do. If you are not absolutely positive that your clients *and* their other professional advisors (e.g., accountants, attorneys, etc.) could tell others *exactly* what you do for them, you owe it to yourself and your business to begin meeting with these people right away. As a group, your clients represent your most valuable asset. They are also your best source of new business. If you aren't getting as many referrals as you'd like, it might be because your clients don't know what to say. Make it a habit to take a client out to lunch every day. When you get to the end of the list, start meeting with their professional advisors. Let the world know who you are and what you do. At the end of the year, you'll be very glad you did!

Managing your practice for maximum results is not easy, but it *can* be done. As you think about your business, please remember that time is everything and it's what you learn after you know it all that *really* counts.

## Notes

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<sup>1</sup> Much of the inspiration for this paper came from an article entitled *Self-Renewal*, by John Gardner which appeared in *The Futurist*; November, 1996.

<sup>2</sup> *Re-engineering The Corporation: A Manifesto For Business Revolution*; Michael Hammer & James Champy; Harper Collins, 1993.

<sup>3</sup> *Ibid.*

<sup>4</sup> The term *managing investment decisions* comes from a terrific book on consulting entitled, *The Management of Investment Decisions* by Trone, Allbright and Taylor; Business One Irwin, 1996.