As seen in the March 2016 issue of Investment Advisor — THE VOICE OF INDEPENDENTS

By Jon Henschen

How to Avoid Manager Absenteeism

Midsized broker-dealers are especially vulnerable as growth pulls managers in too many directions

In Jim Collins' book "*Good to Great,*" he presents a concept he calls the Flywheel Effect. The Flywheel Effect illustrates that businesses are like a heavy flywheel. Management's job is to get the flywheel moving as quickly as possible because its velocity generates superior results over time.

To get the flywheel to move from a standstill takes tremendous effort. With continuous hard pushing, the wheel starts to move slowly. Over time and with continuous pushing, the flywheel picks up momentum. You get to a point where the weight of the flywheel kicks in your favor. It spins faster and faster, with its own weight propelling it. You aren't pushing any harder, but the flywheel is accelerating, its momentum building.

Successful independent broker-dealers mirror the Flywheel Effect. They typically exert great time and effort in their early years, building out their infrastructure, systems and procedures. They expend significant effort to keep their advisors and potential recruits satisfied.

However, as a recruiting firm we've noticed a trend. When firms get to the midsized level ($75 million in revenue), the things that made them successful get crowded out by other activities, such as conferences and meetings. With the flywheel moving at a nice speed, it's easy to get complacent and think it doesn't need attention. However, management absence, or lack of "being there," can result in a slowing success rate as advisor satisfaction and recruiting decline.

Outside Management Activities Decrease Advisor Satisfaction

At the midsized broker-dealer level, when the flywheel needs less effort to keep spinning, activities such as industry conferences can take on new appeal. We've seen countless examples of broker-dealer managers spending more time out of the office attending various industry conferences than in the home office where they are available to their reps.

One successful midsized broker-dealer that has avoided the time-absorbing trappings of industry conferences is KMS Financial Services. Mark Hamby, president of KMS, said: "We try to avoid loading up on conferences that can potentially keep you away to the point where you are perceived as a visitor in your own home office. It's hard to predict when one of our advisors might really need to talk with one of the firm's decision makers, but when the need arises, it's almost certainly a higher priority than conference presentations that probably could be sourced online. For the handful of events we do find worthwhile, we try to take turns to avoid having several of us 'out of pocket' at the same time."

Hamby clearly understands that management needs to be present to keep the momentum of the flywheel going.

When Your Tee Time Takes Priority

It's at the midsized broker-dealer level that we also notice the dramatic increase in personal time away, with multiple week-long trips to Europe, frequent extended holidays and, of course, golf taking up much larger chunks of time than in the past. If you think the advisors don't notice your absence, think again. When switching firms, advisors give us this kind of feedback:

- At one time, it was easy to get in touch with management, but they're never around anymore.
- Management used to check in with us, but we never hear from them anymore.
- Management seems to care more about golf than they care about us.

The Madness Of Endless Meetings

During a recent family trip to London, I visited the Churchill War Rooms. A small placard at the museum told of a staff person whose sole duty was regulating the number and length of meetings held down in the underground war rooms. His job was to schedule only the number of meetings that were absolutely necessary and to run these meetings in as short a time as necessary. Part of the reason for that was the added urgency and burden of knowing that wasting time could cost lives. If only broker-dealers could schedule meetings with the same mentality.

In her 2013 New York Times article titled "*When You've Had One Meeting Too Many,*" workplace productivity expert and management consultant Carson Tate talked about the management dilemma. "A majority of executives spend a significant percentage of their workdays in meetings," she wrote. "The higher the rank, the worse the situation. Top executives bear the brunt of the burden, but our meeting-intensive culture affects employees at all levels. Just look around your office. Where is everybody?"

Tate recommends a meeting revolution. Instead of automatically accepting that next meeting request, pause and consider your return on investment. Will this meeting help you achieve your goals? Is attending this meeting the best use of your time right now? If not, revolt by declining the meeting request.

Tate gave additional suggestions to shorten meeting time or eliminate the need for them, including: "Can the topic be covered in a different format like email or instant messaging? Consider investing in technology that enables colleagues to share documents on their computer desktops without actually holding a meeting.

If you have to have in-person meetings, Tate suggested requiring everyone to stand up for the duration. "This is very effective because leg fatigue soon sets in and everyone has an incentive to keep the meeting short," she wrote. "By shortening a meeting, you automatically narrow its focus. You eliminate some of the meeting 'fluff,' including all the unnecessary chatter that veers off topic."

Wasted Time: The Monday Morning Ritual

In the '90s, when I was recruiting for an insurance-owned broker-dealer, our manager had a ritual of Monday morning phone meetings that droned on for one hour. The meetings were largely a waste of time, as the calls felt more like a justification of our manager's position than anything that helped us place advisors. Once, after an especially worthless meeting, I emailed my manager and expressed my feelings on the matter. A month later when visiting the home office, I was chastised for daring to question her meetings' worth. Ego over substance is far too common in management.

Advisors Need You To 'Be There'

For firms recruiting prospective advisors, making the potential recruit feel wanted is often the tipping point for which firm they choose to go with. Following up on advisor questions, spending quality time building relationships and getting to know the intricacies of the advisor's practice are time-consuming enterprises that can be quickly derailed by excessive meetings, frequent conferences and a general lack of being there for the prospect.

There are no shortcuts to proper due diligence and relationship building with potential recruits, so anything that gets in the way of this needs to be addressed. Once an advisor is on board, relationship building should not stop. If you are frequently in meetings or out of the office, that feeling of being wanted can quickly evaporate, making the advisor contemplate going to a firm that gives him or her the attention desired.

Even with the flywheel's momentum, it still needs a push here and there to sustain it. "Be there" for your advisors and you'll reduce the risk of losing the magic you created.

Find a Broker Dealer
HENSCHEN & ASSOCIATES, LLC.
Your Fast Track to a Better Independent BD
PO Box 56, Marine on St. Croix
MN 55047
TEL 888.820.8107 651.433.3501
jon@henschenassoc.com
www.FindABrokerDealer.com