

THOUGHT LEADERSHIP



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Merriam-Webster Dictionary

EFFICIENCY

- 1 the quality or degree of being efficient
- 2 **a** efficient operation
 - b** (1) effective operation as measured by a comparison of production with cost (as in energy, time, and money) (2) the ratio of the useful energy delivered by a dynamic system to the energy supplied to it

For the more than two decades, the concepts of “quality” and “efficiency” have been woven into the operational fabric of major global companies. Six Sigma and ISO 9000 have had profound impacts on several industries – most notably manufacturing and shipping/distribution. Leadership in Energy and Environmental Design (LEED) certification has become an international standard in large-scale commercial and residential construction.

Quality and efficiency improvement methodologies such as these have made their way into the large enterprise side of the financial services world. However, meaningful progress toward real operational efficiency has only begun to materially impact the lives of financial advisors and their firms. For most advisors, many significant changes are yet to come.

It's the Future...Finally

Industry thought leaders generally concur that the unique attention provided by a human financial advisor will not be replaced by machine technology anytime soon. Nonetheless, the robo-advisor world is here to stay. Technology innovation will continue to shape the way investors interact with their investments. Innovation will also continue to influence how advisors interact with their clients and their businesses – either by design or by default.

Embracing Efficiency

Failure to identify major opportunities for improved efficiency as you innovate to keep pace with the industry can be costly, but is harder to detect in the short run.

For instance, the introduction several years ago of Know Your Client (KYC) rules forced many broker-dealers and RIAs to update their recordkeeping systems. Those that seized this opportunity to improve legacy infrastructure benefitted most. Those that did not – because they were forced to comply on short notice – missed the opportunity to capitalize on the change.

While harnessing the right technology is a critical component of an efficient practice, managing efficiency is more than just ones and zeros. There are other significant elements, as well.

“I can't change the direction of the wind, but I can adjust my sails to always reach my destination.”

Jimmy Dean

Transformation: Learn to Love It

Change is a necessary part of doing business. As stated earlier, it occurs either by choice or by necessity. Transformation is a powerful concept, but fear of change often drives people away from its core benefits. And, creating efficiency in an intentional way is not possible without a willingness to transform how you run your business.

In a perfect world, business owners would always have the ability to see the future and adjust how they conduct business to maximize opportunities and avoid pitfalls that lie ahead. In reality, most reputable financial advisors are engaged in the full-time work of helping their clients succeed. Long-term, big-picture strategies for improving practice management often take second place – if they are noted at all.

The devil is in the details. And, the details are what matter when it comes to efficiency.

Think about it this way. Failure to embrace the necessity for operational efficiency as a key component of your practice development plan is a *de facto* commitment to obsolescence – and the gradual devaluation of your advisory practice as a business entity.

Stated positively, embracing transformation is a key component of positioning one's business to capture the potential opportunities in a timely manner without operational limitations getting in the way. This takes time and money...and expertise in the relevant field of operations or practice management (or the ability to engage third parties that have the required expertise).

Powering Efficiency Through Transformation

With a little training and the right strategic partners, advisors who want to embrace transformation and constantly work toward greater efficiency can stay at or near the forefront of the profession. It isn't easy, but the alternatives are not attractive.

TECHNOLOGY AND OPERATIONS

Is your technology up-to-date? All of it? There's a lot to think about: document management, trading and rebalancing, risk modeling, research and portfolio analysis, client reporting, CRM, financial planning, compliance/recordkeeping, billing and accounting, social media, your website, marketing tracking systems, etc. Is everything working in a nearly-seamless manner? Is it costing you more than it should? Are there major security concerns of which you are not aware? How often do you review your technology architecture to ensure it is current, functional, and an asset to your firm, not a liability?

Is your operations staff trained in effectively using the technology you have? Are they constantly having to apologize to you or your clients because of operational limitations? Are they regularly correcting errors made because of inadequate systems or a lack of streamlined policies and procedures? Are you demanding too much of them without considering the structural framework in which they are required to function? Is it possible the problem could be inefficient systems and processes and not the sensitive personality of the third operations team member you've had to take aside and calm down this quarter?

MARKETING AND COMMUNICATIONS STRATEGIES

Is your marketing strategy systematized? Are you communicating with the right leads on a regular basis? Are you communicating with clients in a consistent, personalized manner? Do you know when you should follow up with whom about what to capitalize on warm or hot lead opportunities? Are you getting referrals without having to ask for them verbally? Are your firm's communications reaching their intended audiences...or anyone at all? Do you even have the capability of answering these questions in an honest, informed manner?

TALENT

Are you leveraging the people in your firm to produce real value for your clients with minimum energy expended on the tasks that do not produce revenue? Are your advisors spending more time processing business or meeting with clients? Are your advisory and operations staff members communicating in an effective, automated manner which promotes and rewards accountability? Are your portfolio management resources being used to do manual research and select individual securities, or to leverage analytics and trading technology, meet with fund managers, and direct investment policy and strategy for the firm?

If much of this sounds like a foreign language to you, then perhaps it's time to consider partnering with another advisor, team, firm, or broker-dealer who can assist you in effectively and efficiently managing these aspects of your business. For more thoughts on that topic, refer back to the previous Thought Leadership piece, "[Simplify, Simplify.](#)"

Embracing change is important. Embracing transformation and constantly working toward greater efficiency in your business could be the difference between surviving and thriving in the new and brave world ahead. Having the right partners for that journey can be the difference between running freely and hiking uphill to school in both directions.

INSIGHT:

Here are three key areas for consideration.

- I. TECHNOLOGY AND OPERATIONS
- II. MARKETING AND COMMUNICATIONS STRATEGIES
- III. TALENT

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