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BEGINNINGS

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Power of the People

Employees are the most **valuable** assets you have

BY MAYA IVANOVA

YOU MAY NOT realize it, but at the end of each day some of your firm's most valuable assets disappear right out from under your nose, only to reappear the very next day. Those assets are your employees.

With the proper guidance, training, and nurturing, your employees can expand your firm's presence, networking opportunities, and pool of referrals and help you grow your firm.

One of the greatest concerns advisors reported in the most recent AdvisorBenchmarking survey of RIAs is the need to both work on their business and in their business simultaneously. This latest survey of 633 advisors was conducted in February and March 2006. More than half of respondents—57%—said that this dual role was a real threat to their business (*see chart on next page*). Advisors typically start a financial planning business to help people manage wealth and achieve financial goals. But to do that, they must also efficiently manage their own advisory business to ensure that it not only grows, but thrives.

The problem, according to survey results, is that advisors are spending considerably more time on the all-important tasks of client servicing and portfolio management with less time left to devote to growing the firm. Last year advisors in the survey spent only 15% of their time marketing their services and a mere 10% of their time on business strategy.

LOOK FOR WAYS TO DELEGATE

So how should advisors address these challenges? Most advisors enjoy the face time spent with clients. Time invested with clients translates into a healthier bottom line. Our previous research showed that advisors who spend more than 60% of their time with their clients are eight times more profitable than those who spend less.

Building a relationship of mutual respect with clients is critical to your firm's success. Our newest research shows that the top three reasons advisors believe their clients selected them was because of their perceived trustworthiness, personal rapport, and ability to understand clients' needs. One-on-one contact is the key ingredient in developing all of these.

However, because advisors must also squeeze in time to market their services and formulate strategic plans, why not delegate nonessential, non-client related tasks (and perhaps even a client meeting or two) to trusted employees? Although entrepreneurial advisors like to be involved in all tasks, some can be effectively handed off.

Newsletters are a popular form of client communication among 59% of advisors in the survey. But these don't necessarily have to be written by a firm's principal—as long as the information is accurate and the tone is in line with the firm's overall philosophy and communications style. Principals, however, should have topic input and final approval of all material.

You might also want to similarly delegate the task of responding to client e-mails to a reliable employee who is knowledgeable enough to answer questions, shares your values, understands the importance of flawless and prompt e-mail responses, and can become your stand-in when your attention is elsewhere.

Advisors may be far removed from the inner sanctum of big corporations, but they can emulate incentives and retention programs employed by them.

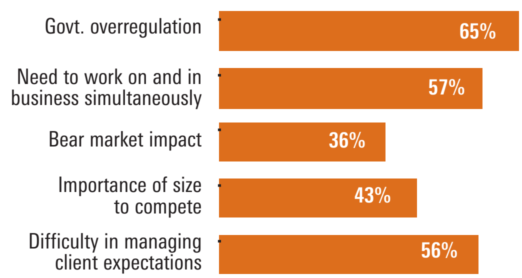
Consider a career track and professional development plan for key employees. A plan that includes opportunities for employees to upgrade their knowledge base and skills through continuing education or conference attendance can be an important retention tool.

In our most recent survey, less than one in four advisors (22%) said that they send their employees to seminars and nearly one-third (33%) admitted doing nothing to help employees grow professionally. Yet each respondent noted that they regularly upgrade their own skills. Employees who see no personal growth potential, career upgrade or clear path to promotion often wander. Moreover, a valued employee who upgrades skills can use those newly learned skills to benefit your business.

Advisors worry that although they invest time and money helping employees broaden their skills, other businesses become the beneficiaries because employees inevitably leave. If employees believe that you genuinely care about them and their personal growth, they may be more apt to stay put.

Moreover, happy employees are significantly more likely to recommend your services to friends, relatives, and a burgeoning network of other contacts. Since advisors told us that 97% of their new business comes from referrals, advisors would best be served by keeping loyal and valued employees satisfied.

TOP FIVE THREATS TO ADVISORS' BUSINESSES



Sources: Rydex AdvisorBenchmarking 2006 Survey

Of course, where key employees are concerned, a simple noncompete agreement that needn't be long and laborious can be useful. Most advisors (63%) currently have no such noncompetes in place, leaving them vulnerable.

Lastly, 79% of advisors said they don't offer equity ownership in their firm to employees. By granting even modest ownership, advisors are sending clear signals that trusted employees are an integral part of the success and future of the firm.

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