HUBLY

# STRUCTURE YOUR TEAM FOR SUCCESS

A guide for financial advisors looking to scale their business with less stress

# Structure Your Team for Success

## A guide for financial advisors looking to scale their business

The biggest trend in financial advisory firms today? It's all about people. For the first time in the report's history, in Schwab's *2022 RIA Benchmarking Study*, "recruiting staff to increase the firm's skill set and capacity ranked as the top strategic priority" for RIAs of all sizes.

The report found that "based on current growth rates and the number of RIAs, the industry will need to hire more than 70,000 new staff over the next five years" — a number that doesn't even account for attrition due to retirement, or to advisors who jump ship or leave to start their own firms.

Firm owners clearly see the need for quality staff. But do clients? Despite broad distrust of the financial services industry overall, "consumers trust their primary financial provider," according to a 2020 McKinsey report.

A 2022 Vanguard study echoed this, reporting that, compared to robo-advisors and other digital investing products, "human advisors increase investors' peace of mind by 56 percentage points."

In other words, for firms that want to expand, and advisors that want to grow their careers, people matter; relationships matter — perhaps more so than ever before.

**In a time of perceived economic uncertainty, there is nothing more valuable than the reassurance of working with someone who can take the time to understand a client's needs and deliver excellent upfront service.**

This is an important consideration when hiring for both the back and front office. Highly capable operational staff, empowered with tools that make their jobs easier, will free up advisors to offer the high-touch service clients desire.

## WHAT'S INSIDE?

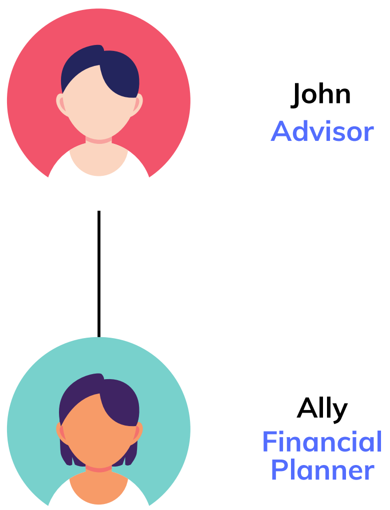
# The Problem of Complexity

## Why 'people power' doesn't always translate to sustainable growth

One thing financial advisors discover is that growth doesn't necessarily scale linearly as more people are added to their team; double the HR costs doesn't translate to double the revenue, at least not overnight. New staff still need to be integrated into existing processes — and if those processes can't support an increased workload, the transition will come with significant growing pains.

To understand why this is, we need to look at the typical progression of a financial services firm.

In many cases, this starts with a single person — you. In a 2021 report, IBISWorld estimates that 75.4% of industry operators are sole proprietorships (ie, single-advisor firms). For these firms, the first hire is often a financial planner:

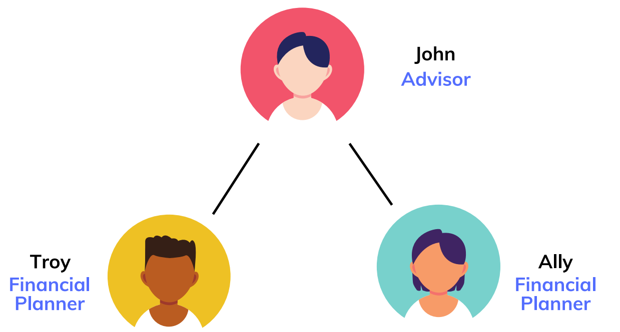



In a two-person shop, organizing work and managing client tasks is simply a case of delegation; you'll need to be adept at handling one-off tasks and confident that your employee can manage them, too.

> **As a good rule of thumb for an advisory firm, for every $325,000 in new revenue, add one new role."**
>
> *- Lisa Salvi, Schwab Advisor Services*

The complexity comes when a second planner or a back office team member is brought on board.

At this point, we begin to see specialized roles emerging in the back office — here, Troy is responsible for one set of clients, Ally is responsible for another.




This arrangement is generally manageable, though issues may arise when, say, one planner calls in sick or goes on leave; reassigning tasks while still maintaining the same level of client care can prove a challenge unless clear policies and process documents have been established beforehand.

# Building Your Book

## When to bring on a second advisor

Most solo firms generally don't grow beyond a few supporting employees; this, as the IBIS report concludes, "limits the amount of work any one establishment can handle, as there is only so much scalability in workload an employee can achieve."

So the next step for ambitious, advisors is to bring on a partner, along with ops staff to support them. This is where things really start to get complex.

In the example below, multiple team members are juggling multiple responsibilities and competing priorities; operational staff are shared between advisors, leading to confusion, lack of accountability and an increased risk of things falling through the cracks.

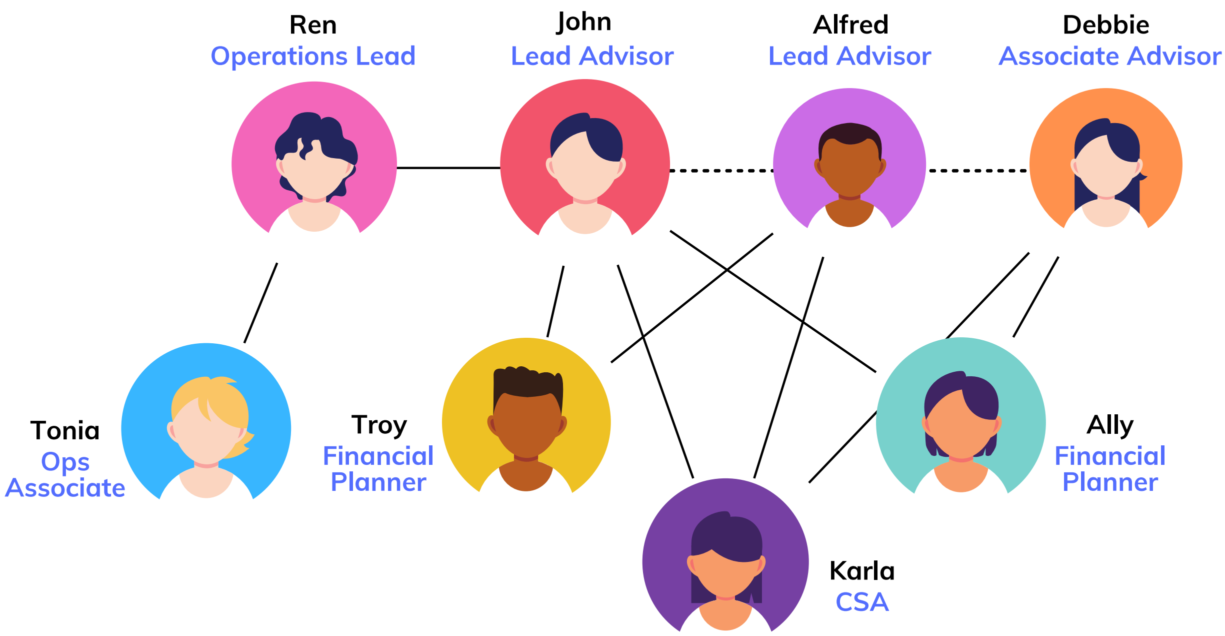
Assigning work becomes its own job; without someone to match the task/project with the right person to complete it, ops teams will struggle to keep up and client service will suffer as a result.

**Did You Know?**

***In 2022, 44% of firms over $250M AUM were actively looking to bring on an advisor with a book of business.***

2022 Schwab RIA Benchmarking Study

And when client satisfaction drops, the firm finds itself unable to maintain the pace of growth it wants, no matter how many additional resources are thrown at the problem.

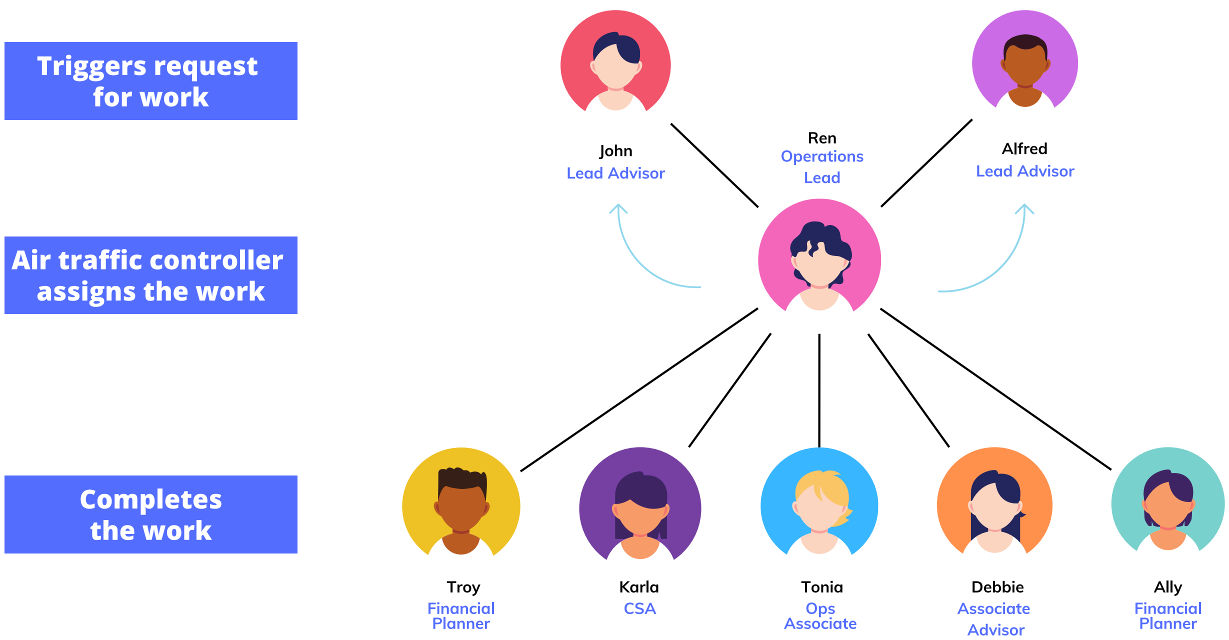


# What Does a Well-Organized Team Look Like?

## Two models for two stages of growth

The most common workaround to the complexity problem we see above is that one person in the firm will become the 'air traffic controller' — the person, typically an operations manager, responsible for making sure the right tasks are routed to the right person.

This gives us a team structure that looks like this:




This setup may work for some firms, but we can see that there's a clear bottleneck in the way work moves through the organization — all client tasks go through the air traffic controller.

Often, the firm's processes and best practices live in the air traffic controller's head. Work is tracked by spreadsheets and back-and-forth emails, and overall visibility is poor — on a day-to-day basis, it isn't clear who is working on what to anyone but the air traffic controller.

And if the air traffic controller changes jobs or goes on extended leave, the firm is forced to rebuild the way it works from the ground up — a time-consuming process that brings growth to a standstill.

**Ultimately, when too much responsibility falls to one person, it leads to increased risk and reduced ability to scale.**

So what's the answer? At Hubly, we have found, in working with hundreds of firms that have successfully made the transition from a sole proprietorship to a multi-advisor shop, that the most effective next step in scalable growth is to create what we call '**service teams.**'

# Service Teams

## The 'client-first' firm

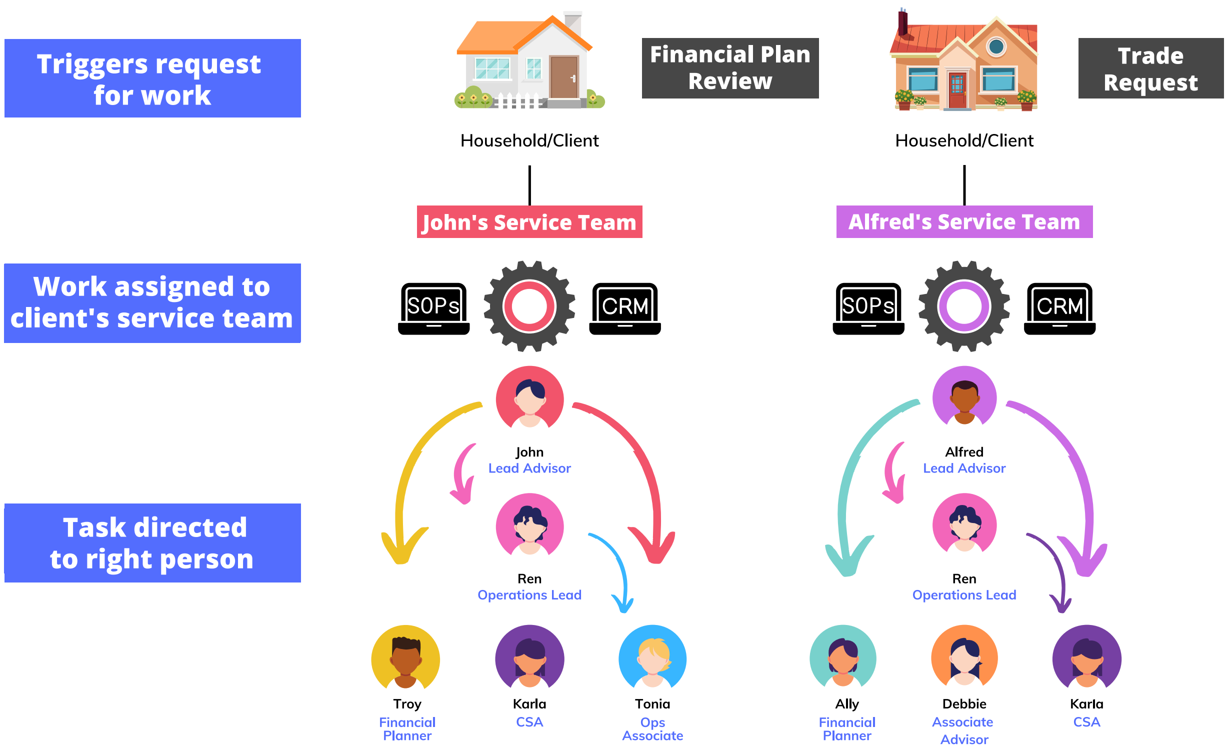
Whereas a traditional firm centers around the advisor, **service teams center around the end client.**

Client data from your CRM, or a workflow management system like Hubly, triggers the request for work — an action item coming out of a review, an approaching milestone, or an annual requirement for tax prep or retirement planning, for example.

Then, based on standard operating procedures (SOPs) you've set out, that work is then routed to the appropriate team member to be completed on the appropriate timeline.

Critically, in a service team, accountability no longer rolls up to either the lead advisor or through the 'air traffic controller.' Instead, everyone knows what their responsibilities are and receives the appropriate alerts when they have a new action item assigned to them.

Well-designed service teams can eliminate common bottlenecks, minimize key person risk and ensure things don't fall through the cracks. As the firm grows, more teams can be added without individual team members being spread too thin.



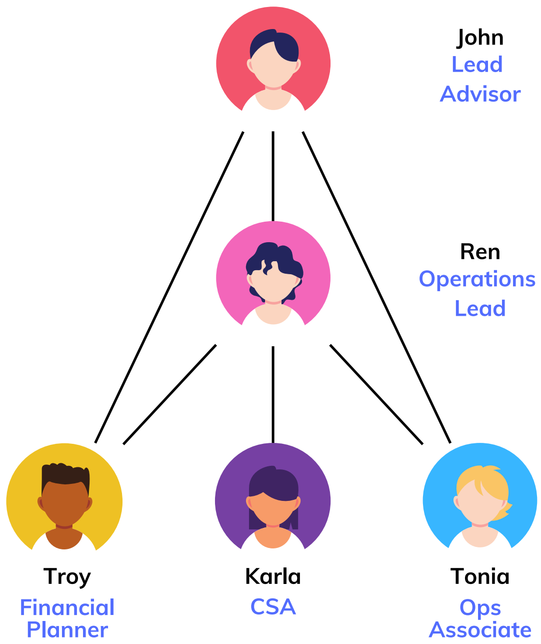

As we can see from the above diagram, a firm's tech stack takes on a key role in automating SOPs and building repeatable, process-driven workflows in the service teams model. Skip ahead to the **Back Office Automation** section of this ebook for a more in-depth discussion of this — and a look at the role software like Hubly can play in scalable practice management.

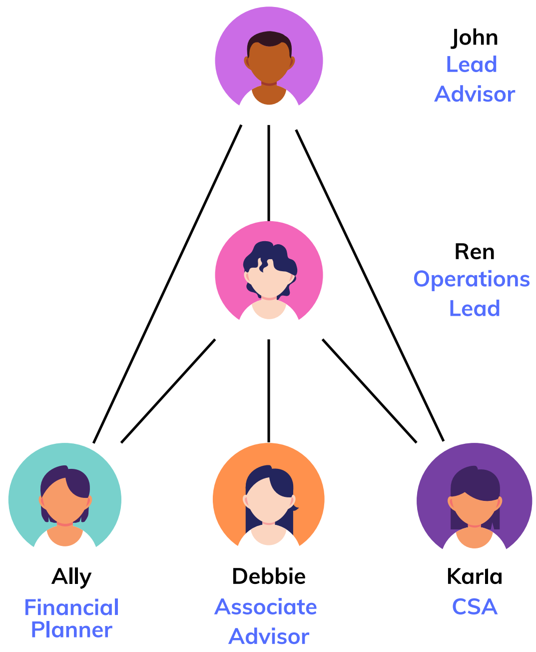
## How do service teams work in practice?

In the service teams model, each client has a lead advisor and a back office support team (in a more straightforward configuration, a financial planner and a CSA). Each member of the team has clearly defined roles and responsibilities for that client.

We saw previsouly how, in a typical growing firm, the 'air traffic controller' delegates tasks between planners and other back office staff, more or less at random. With a service team, team members form distinct groups centered around specific clients; tasks are no longer assigned randomly — it's always clear who is responsible for what, and there is much less of a chance that things will fall through the cracks.

These distinctions may seem subtle in a small office, but once things start to scale and more advisors come onboard, the benefits become obvious. Here's what an org chart looks like for a multi-advisor firm organized into service teams :




## Benefits of service teams

### Accountability

In a service teams model, everyone knows what their role is and what's expected of them — there is no confusion and less randomness in how tasks are assigned.

### Transparency

Organizing your practice into service teams creates high-level visibility that makes it easy to keep clients updated and prevent things from falling through the cracks.

### Scalability

Service teams eliminate common admin bottlenecks. Advisors can take on more clients without overburdening any one person; ops teams can add staff with less friction.

### Empowered team members

Advisors can dedicate more of their time to client service, and ops professionals have greater clarity into their responsibilities and can carry out their work with less distraction.

# The Ensemble Practice

## Moving past the 'lone wolf' mentality

In our experience, service teams work best in RIAs with up to 10 employees. Beyond that, growing firms would do well to adopt a shared ownership model, commonly known as an 'ensemble practice.'

Ensemble practices are highly integrated, often with a degree of a shared bottom line — which can mean different things to different advisors. For some it's the complete share of revenue. For others it's shared infrastructure, resources, strategy, or all of the above.

In one common arrangement, a multi-advisor firm will have one advisor who specializes in retirement, one in tax planning, one in insurance, etc., with additional staff available to support them all; this allows for the sharing of expertise and helps deliver a more comprehensive experience for the client, without referring outside of the firm.

Not everyone in an ensemble firm will specialize, of course, but it's not unusual for team members to lean more on one advisor for certain subjects of expertise.

> *In order to grow, a firm needs to involve more people. With the arrival of more and more professionals, old structures become inadequate, and new forms of organization structure must emerge... Familial structures can support 20 to 25 people at the most, before they lose their force of gravity and become problematic.*
>
> *- Philip Palaveev, author of* The Ensemble Practice

## Key features of an ensemble practice

An ensemble practice requires a shared vision, and a broad strategy for bringing that vision to life. Advisors follow the firm's methodology and best practices, rather than vice versa.

As we mentioned above, in many cases this centralizes various specialized tasks and functions — one advisor will be the resident expert for tax planning across the firm, while another handles investment planning. Meanwhile, the back office triages corresponding client tasks based on expertise, workflow and availability.

Making sure all this works requires clear leadership; in a small ensemble practice, this typically involves one person serving as a CEO or COO; in a more mature practice, individual departments dedicated to operations, marketing, planning, etc., emerge.

Often, compensation frameworks change to align with this model. A successful ensemble practice requires incentives for advisors to prioritize the success and profitability of the firm over their own interests. Leadership and advisors may receive a salary, or salary plus a percent of profit sharing, or other variable compensation.

Finally, the move to an ensemble practice requires standardized workflows. When these processes live in a centralized hub instead of an advisor or ops person's mind, the organization can accommodate growth more easily — whether it's training new staff or a larger expansion/acquisition.

## Benefits of the ensemble model

| | |
|---|---|
| **Pooled resources**<br><br>Pooled resources make it possible to employ specialized roles, centralize processes and build out departments, which allows firms to be more efficient in delivering a deeper client experience. | **Scalability**<br><br>When every element is working in harmony — when the ensemble team is truly an ensemble — firms will find it much easier to scale and grow. If, for example, an advisor leaves, the handoff to a new advisor will be frictionless. |
| **Standardized processes**<br><br>Centralized roles and departments require centralized processes, which helps advisors automate repetitive tasks, reach a higher level of efficiency and leverage automated tools to enhance productivity across their team. | **Improved client service**<br><br>Clients will feel the downstream effects of standardization through an improved level of service — advisors can step into conversations with minimal prep, while ops can fulfill requests quicker and with fewer errors/NIGO docs. |

As we can see, an ensemble practice is more of an operating philosophy than a concrete definition. Some firms, often those with over $1B AUM, find it easiest to run a hybrid between service teams and the ensemble model, with a lead advisor/assistant/CSA/tax planner operating as a discrete unit, and a shared pool of operational resources in the back office.

# Key Process Flows

## Map your business – and prep for growth

Moving from a solo firm to a service teams or ensemble practice model requires looking carefully at how your business works and mapping out key process flows. A key process flow map is, as the name implies, a visual representation of how work moves through the various functions/departments of your organization.

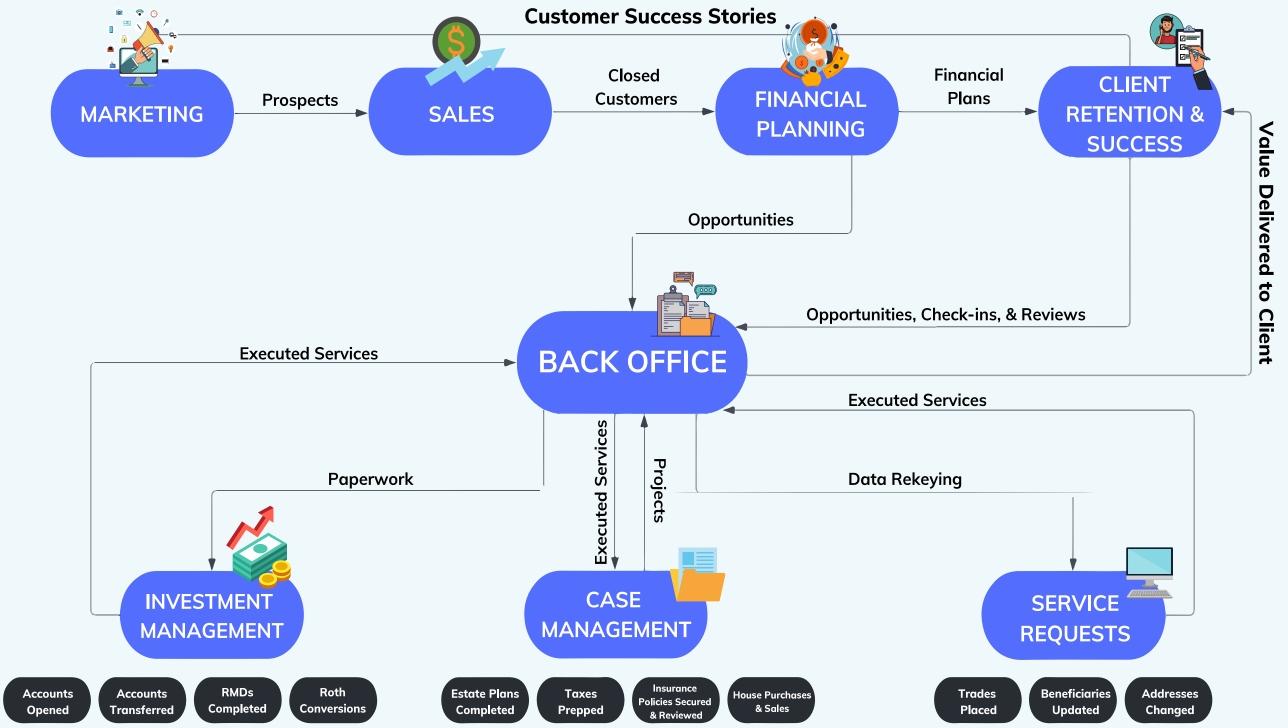
Taking the time to map out key process flows will help you do three things, each of which is critical to long-term organizational growth:

- **Understand inputs and outputs**
- **Identify bottlenecks and optimize processes**
- **Improve ownership and accountability**

# A typical key process map for a growing firm

Key process maps are both an investigative tool — they tell you about how your business works today — and a blueprint — they help you define how it should work in the future. And while every firm and every advisor is different, we've found that the most successful generally organize themselves in a similar way.

Here's what a key process flow map looks like for an ambitious finanical advisory firm with between $500M and $1B in AUM. (You can download your own copy at [bit.ly/hubly-kpf](bit.ly/hubly-kpf))




In this model, business starts with the marketing function, which is responsible for bringing leads and referrals into the funnel. These leads move into the sales process to see if there's a fit between the potential client and your firm. In many smaller organizations, an advisor handles both of these functions; as you grow and scale, look towards building them out with dedicated staff and resources.

After the client signs a contract, financial planning begins; here, an advisor will work with the client, gathering data to understand their goals and building out a plan to achieve them. With that done, work branches off in two directions: the back office starts to execute on that plan, while the advisor moves into 'retention mode' — ongoing client service and regular reviews, which in turn creates more tasks for the back office.

In an ensemble practice, specialized tasks emerge in the back office. One team of staff may handle investment management, taking care of the paperwork around opening and transferring accounts, RMDs, Roth conversions, etc. Another team may handle ongoing case management for taxes, estate planning, etc, while still another may be dedicated to ongoing service requests, such as trades, money movement, account updates and other admin work.

When the back office is working efficiently, using standardized processes to handle volume and keep things from falling through the cracks, it will deliver value across the organization — clients will enjoy a seamless experience and advisors will have more time to dedicate to clients, which will increase retention and create referrals, case studies and social proof that feeds back into sales and marketing.

# Back Office Automation

## Getting the most out of your ops team

Your back office ops team is critical to your success as you grow. This is obvious from looking at a key process map, but it's also something we've seen in practice in working with quickly scaling firms.

So what prevents back office staff from working effectively as a team?

1. **Lack of structure** — undefined roles and lack of clarity around who is responsible for what

2. **Convoluted processes** — too much back and forth required to complete what should be simple tasks

3. **Inability to delegate** — individual team members who don't want to give up control and take on too much as a result

4. **Imperfect technology** — systems that are too complex, or that don't make it easy to follow up on tasks/projects

Solving these problems will put your firm in an excellent position for growth. #1 should be resolved by creating key process flows — in the process of doing so, you'll need to assign roles and clarify responsibilities. Addressing #2-4 requires leveraging technology to your advantage.

The fact is that much of the work back office teams do is manual, repetitive and prone to error. And much of it can be automated with workflows, which is where Hubly comes in.

## Automated workflows with Hubly

We created Hubly to address the automation problem faced by growing financial service firms. Hubly leverages data from your CRM and allows you to build customized, automated workflows around key back office and client service tasks.

Hubly's best-practice workflow templates make back office tasks simple, transparent and repeatable; from there, team members can delegate with confidence, since these workflows will contain in them the institutional knowledge required to complete a task. This, in turn, will enable your growth, as it will make it possible to bring on new staff with less training and a faster onboarding time.

> Hubly has been a game changer for our team. Having the capability to automatically assign our team members to specific tasks and workflows means we don't have to worry about unassigned action items and can spend more time building stronger relationships with our clients.
>
> *-Mack Nesbit,*
> *Davis Financial Planning*

While it's possible to maintain a service teams or ensemble practice model in your firm without Hubly (many operational professionals call this method the dreaded 'spreadsheet from hell,') our software, synced up to your CRM, automates some of the most time-consuming parts of the process, and provides built-in checks and balances that keep things from falling through the cracks.

**See it in action at [myhubly.com](myhubly.com).**

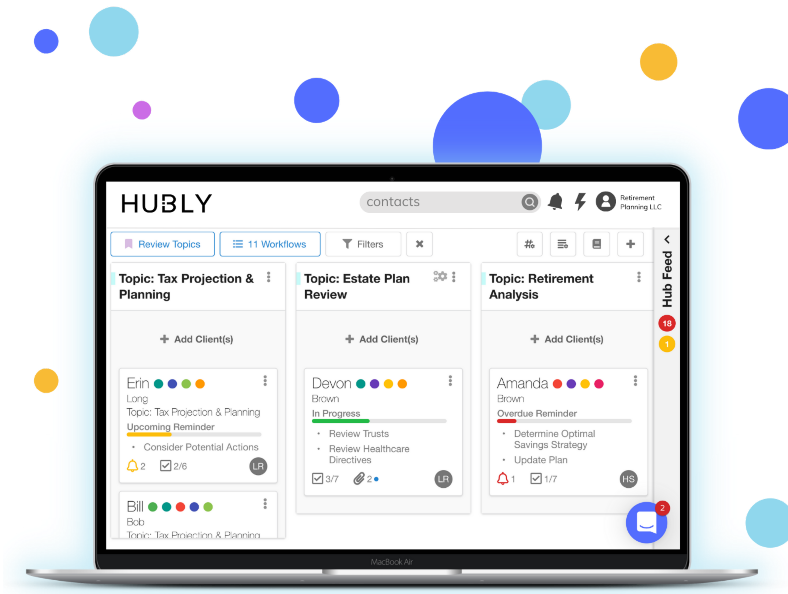
# What's Next?

## Start building future-proof processes today

Moving from a solo shop to a growing practice requires a lot of things: you'll need to think about your business in terms of positions, not people. You'll need to map out those positions in terms of how work flows through your organization. And you'll need to invest in technology that will enable that work to flow in a way that is efficient, transparent and scalable.

Beyond that, what comes next? Federal accreditation? A board of directors? Growing your business with an acquisition?

Whatever the future holds for your organization, by focusing on the fundamentals we've covered in this paper, you'll be in an excellent position to grow on your own terms.




## Resources

https://www.myhubly.com

https://www.youtube.com/watch?v=BR7nuGR2FkQ&t=90s

https://content.schwab.com/web/retail/public/about-schwab/schwab_ria_benchmmarking_study_2022_deck.pdf

https://www.mckinsey.com/~/media/mckinsey/industries/financial%20services/banking%20blog/on%20the%20cusp%20of%20change%20north%20american%20wealth%20management%20in%202030/on-the-cusp-of-change-north-american-wealth_management-in-2030.ashx

https://www.vanguardmexico.com/content/dam/intl/americas/documents/mexico/en/2022/02/mx-sa-2056467-quantifying-the-investors-view-on-the-value-of-human-and-robo-advice.pdf

https://www.investmentnews.com/nextgen-investors-require-advisers-adopt-new-classifications-63754

https://www.ibisworld.com/united-states/market-research-reports/financial-planning-advice-industry/

https://cdn.foleon.com/upload/3941/nextwave_cfs_research_report_final_april_2019.67be3d331ef6.pdf

https://digitaledition.investmentnews.com/articles/rias-must-up-their-staffing-and-compensation-game-schwab

https://www.kitces.com/blog/org-chart-advisory-firm-hiring-departments-directors-executives-milestones/