Regardless of any potential delay to the Department of Labor’s (DOL) Fiduciary Rule, the financial services industry is already responding. Firms are moving forward with changes to address the complexities the fiduciary rule is expected to bring. Without a doubt, advisors will be required to devote more time to managing client assets, client relationships, and their practices as a whole. Forming financial advisor teams is a strategy that may help advisors adapt and thrive in this evolving environment.

Components of this strategy include: identifying financial advisors who would work well on a team; coaching existing teams about structure, function, and growth; and helping advisors and teams create succession strategies to ensure they are prepared for retirement or practice continuity.

**Why Teams?**

Many advisors ask, “Why teams?” A 2015 PriceMetrix study regarding team effectiveness found that teams that included both men and women who were within 10 years in age and were related in some way made the most effective teams. Teams within these parameters outperformed sole practitioners in revenue, growth, assets under advisement, and key client retention (see figures 1–4). These findings are a large component of the drive toward teams.

Specifically, PriceMetrix found that teams grew revenue 17 percent faster than sole practitioners, and they had 11-percent faster asset growth and 17-percent greater household size than sole practitioners. But not all teams are created equal. The top quartile of teams analyzed by PriceMetrix grew by 22 percent and the bottom quartile of teams shrunk by 3 percent.

**Feature | Creating a Sustainable and Successful Team**

By Julie Hanson

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**Figure 1: Median Revenue Growth—Gender of Team Members**

- Male Only Teams: 8.9%
- Female Only Teams: 8.4%
- Mixed Gender Teams: 9.9%


**Figure 2: Median Revenue Growth—Age of Team Members**

- <10 Year Age Separation of Team Members: 9.6%
- 10–20 Year Age Separation of Team Members: 8.6%
- 20+ Year Age Separation of Team Members: 8.6%


**Figure 3: Median Revenue Growth—Non-Family vs. Siblings or Couple Teams**

- Non-Family Teams: 9.2%
- Siblings or Couple Teams: 11.4%

Not everyone belongs on a team, so structuring teams effectively is critical. Adhering to a process creates higher-functioning, lasting teams.

Gone are the days of finding a partner in your office who is exactly like you and teaming up. Many teams of the past formed for this very reason—“You remind me of me and I really, really like me.” Unfortunately, this isn’t the most successful model for a team. It is more effective to partner advisors with different but complementary skill sets. The reason? Leverage. In a successful team, each team member has different talents to leverage. If each team member acts and thinks alike, there isn’t much to leverage. In today’s regulatory environment, financial advisors and teams must have broad and deep knowledge. If each team member has similar expertise, team members may need to reach outside their comfort zones to get that depth and breadth. Statistically, stepping too far outside your comfort zone can lead to burnout or failure. It’s true that teams of people with similar behavior styles tend to have minimal conflict, but these teams are void of the benefits that arise from differing opinions. Healthy conflict is an important component of successful teams. When everyone on the team thinks and acts the same, harmony exists but the team isn’t challenged. Teams with healthy conflict welcome differing opinions, ideas, and processes to the team and challenge one another to always be getting better.

With this in mind, we have created a process to develop, support, and grow high-performing teams.

**Forming a Team**

Before a new team is formed, the candidate financial advisors (and staff members, at certain points) must participate in a series of activities to ensure the team members are in alignment. The first activity is a behavioral test called DISC assessment, which is based on psychologist William Moulton Marston’s theory about four different behavioral traits: dominance, influence, steadiness, and compliance. DISC assessment can help team members understand how to best leverage their talents to create a high-functioning team.

The DISC assessment analyzes two different areas of behavior: how we do things and why we do them. The “how” piece involves the traits represented by the term “DISC”:

- Dominance—the desire to drive activity
- Influence—the desire to persuade
- Steadiness—the desire for harmony
- Compliance—the desire to analyze

Each team member gets a personalized report that explains that person’s ideal work environment, communication strategies, strengths, and areas for improvement.

The second component of the DISC assessment focuses on the “why” behind behavior. It explains the motivators that drive us to action, using the following six categories:

1. Utilitarian—need for return on investment
2. Theoretical—desire to learn
3. Individualistic—need for acknowledgment
4. Social—desire to be helpful
5. Traditional—desire for order
6. Aesthetic—desire for form and harmony

We have found both the how and why extremely important when creating high-functioning teams. Helping team members play to their strengths, develop their weaknesses, and develop communication skills across behavioral styles contributes to creating healthy and productive teams. Understanding each team member’s motivators—those things that drive them to action—also has increased our ability to best utilize all team members and help them feel engaged and valued in the process. These tools also allow us to address potential red flags or conflicts that may arise and give the team tools it needs to address them if needed.

The outcomes of the DISC assessment provide insight into structuring the teams by role. We align each team member with a role that the member is inherently suited to. When this is not possible, we work with the team member to implement strategies, use technologies, and create processes that will contribute to the individual’s success in the role and on the team. When people are well-suited to the roles they play, they are naturally better at their jobs and they have higher job satisfaction. Both these results contribute to high-functioning teams.

**Team Structures**

At our firm, we acknowledge two structures of teams: horizontal and vertical. Although there is little difference in revenue growth between the two structures, personality styles greatly dictate how a team should be structured for success. After completing the DISC assessment, the prospective team meets with a teams consultant to review the findings. Based on the outcome, the team is advised on the best strategy for structuring...
Inattention to results
Avoidance of accountability
Fear of conflict
Lack of commitment

...ing issues that may arise on existing teams.

Horizontal Teams
Horizontal teams are those that include more than one business owner. Each horizontal team may include a minimum of two financial advisors and any number of staff. This structure allows for more than one decision-maker on the team, although the revenue sharing may not be equal for all business owners. Typically, this structure is most successful with personality styles that are interested in sharing responsibility for chief-executive-officer-type activities including setting the culture, creating the vision, and executing the team strategy. Often, the financial advisors on horizontal teams have different and complementary skill sets. For example, one financial advisor may be analytical and enjoy financial planning and investment oversight and another financial advisor may be more of an influencer who enjoys the sales and marketing aspects of the business. Creating horizontal teams is usually very exciting at the onset due to the complementary skills brought to the table, and this often leads to quick growth and additional depth in the practice. The downside to this type of structure is the potential for conflict. Any time people with differing strengths and behaviors work together, the potential for conflict arises. Teams with healthy conflict—that is, those with team members who all feel comfortable voicing differing viewpoints yet maintain an atmosphere of respect—tend to function and grow well. However, teams that experience conflict in the form of differing opinions without a safe environment to discuss opposing views tend to have difficulty growing and functioning in the long term. It is critically important to create an environment that nurtures the team members’ differences.

Vertical Teams
Vertical teams are composed of one financial advisor and various other staff and team members. Similar to horizontal teams, vertical teams can take many different forms. Unlike horizontal teams, a vertical team has only one chief executive officer (CEO).

Financial advisors who feel the need to be in control of most aspects of the practice tend to function better in a vertical team. These advisors prefer creating and maintaining the culture and strategy of the team without the need to get additional input. Specific DISC behavior styles typically are best-suited for vertical teams. Vertical teams still have the opportunity to be holistic financial practices, but the roles of planner, analyst, or marketer may be played by someone who is not the team’s business owner. Vertical teams find success through strong leadership and carefully selected team members who understand their roles and responsibilities. The most prevalent dysfunction on a vertical team is one or more team members feeling stifled due to the perception that one person is making decisions for the entire team. The key to creating a high-functioning vertical team is to ensure that everyone on the team feels valued and important to the success of the practice.

Establishing a Healthy, High-Functioning Team
When putting together teams or working with established teams, we use Patrick Lencioni’s The Five Dysfunctions of a Team (2002) to guide our approach. When working with an established team, a team health assessment is the first step to identify any dysfunctions within the team. The five dysfunctions addressed are:

- Absence of trust
- Fear of conflict
- Lack of commitment
- Avoidance of accountability
- Inattention to results

Most teams, regardless of how long they have been together, experience some dysfunction. The dysfunctions within each team are then identified and customized solutions are created to eliminate the issues.

With newly forming teams, it is important to work through team exercises and provide the members with tools to establish a healthy, high-functioning team (see table 1). The process begins by creating an environment of trust by using the DISC assessment and other tools to address potential personality or communication conflict in a healthy, productive manner. Both new and established teams should create a unified vision for the practice, in which all team members have a voice, regardless of team structure. Specific and trackable responsibilities are assigned to each team member directly related to the vision and mission of the team. Teams must meet often to track progress, discuss issues, and course correct when necessary. These exercises are valuable action items for teams in the process of formation and for established teams.

Table 1: Steps to Establishing a High-Functioning Team

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<th>Step</th>
<th>Activity</th>
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| 1.   | Complete DISC Assessment  
|      | a. Assists in determining team structure  
|      | b. Assists in roles and responsibilities  
|      | i. Helps team members play to their strengths  
|      | ii. Develops team-member weaknesses  
|      | iii. Develops communication skills across behavioral styles |
| 2.   | Complete team health assessment |
| 3.   | Refine or create the team vision, mission, and value statement |
| 4.   | Define specific team metrics and goals |
| 5.   | Define team investment strategy |
| 6.   | Develop budget and team-member compensation |
| 7.   | Play out various structure and compensation scenarios (expected hours worked vs. compensation paid, retirement of a team member, etc.) |
| 8.   | Define client interactions (segmentation, service models, reviews, etc.) |
| 9.   | Determine team accountability structure |
| 10.  | Determine a team name, marketing strategy, and timing |
| 11.  | Create a succession strategy (business continuity plan and retirement plan) |
Next, the team should continue to refine its vision, mission, and value statement. Often all potential team members are included in this process. The goal is to create a team with a unified vision, mission, and value statement that effectively reflects each member of the team. It is important to establish this base before moving on, because this is often a truly defining moment for the team, but sometimes it can be the end of the formation process if all of the stakeholders are not in alignment. All key goals and strategies in the business plan will directly relate to this exercise.

The next step is to define specific metrics and goals for the team. With an established team, goals and metrics are reviewed on an annual basis to continue momentum. Once the baseline metrics are determined, the team creates challenging but achievable goals. When the goals have been set, strategies to achieve the goals must be determined. Each strategy is broken into detailed tactics, including measurable activities and accountabilities for each member of the team. Defining specific roles from the earlier DISC exercise is integral to creating individual responsibilities and accountabilities that drive toward the team goals.

The process continues with a discussion of the investment strategy. Often, teams are created with experienced financial advisors who have established books of business. The current investment process of each practice should be defined and discussed to determine an effective investment process for the unified team. This may involve detailed discussions about how to transition current portfolios to the new model in light of products, tools, and services that can ensure efficient transitions for clients. Each facet of the process should be linked to a team member who is responsible for it and to steps that will be used to track progress. The desired outcome is a unified investment process with a plan to transition investments to the new model when suitable.

A discussion of budgets is the next step. All team members need to participate in this conversation because they will be determining the reinvestment strategy for the practice each year. Topics to be discussed include business spending accounts, marketing materials, sponsorships, advertising, client events, retention activities, and acknowledgment gifts.

After defining the team budget, compensation should be discussed. The team CEO(s) need to agree on the following compensation components:

- Percentage of compensation from book revenue for each financial advisor
- Trajectory for each stakeholder to determine how the compensation structure will evolve over time
- How other team members will be compensated
- When to add another team member
- Whether any changes to the team are needed

If a team is forming, scenario planning is strongly recommended. Many teams eventually run into issues regarding trust, time, communication, or money. The compensation discussion should address future situations and determine which certain events or activities would require a change to the compensation structure.

For example, a team can set the expectation that each financial advisor will work 40 hours a week, 48 weeks a year. If one financial advisor begins to deviate from the expected work schedule, the team must clearly define if the compensation structure would change. Another example involves the addition of another financial advisor and determining the impact to the compensation structure. Many of these situations may seem far-fetched or unimportant to a newly forming team, but many teams split over these types of issues. Preparing for these potential obstacles from the team’s inception can prevent major conflicts.

Once the team is aligned with the compensation structure, client interaction must be defined. Aspects to be addressed include segmenting clients, clients who differ from the team’s standard investment model, client service models, review process, and client coverage. The entire team must be in agreement with these client interaction functions.

At this point, the team has defined goals, created specific strategies and accountabilities, developed an investment and service model, discussed compensation and business reinvestment, and created a basic set of rules for the team. Now a structure must be designed to keep each member of the team accountable and to keep the team focused on achieving the defined goals. We recommend holding team meetings on a daily, weekly, and monthly basis. The daily huddle is a 5–10-minute meeting involving all team members and includes a summary of everything accomplished the day before, a quick overview of the day’s calendar, and a listing of any fires taking place. The weekly team meeting is 30 minutes dedicated to looking forward to the next week to review the team calendar, the status of meeting preparation for upcoming client meetings, and a quick review of the service model to ensure all team members are engaged. The monthly team meeting is 15 minutes focused on bigger-picture items such as goal tracking, project updates, event/activity/gift planning, budget updates, and team acknowledgments. Once the team has agreed on a time, place, and agenda for each of these three meetings, it is important to define each meeting as mandatory for all team members.

With team structure, goal setting, process, and tracking defined, the final team-forming steps must be completed. This includes determining a team name, the mechanics of moving client accounts from one rep number to another, physically moving the team into a joint space, and settling on marketing strategy and timing.

Once a team is fully formed and functioning day-to-day, the team must ensure that its process for tracking is analyzed for effectiveness. Issues that tend to arise in the future include growth plateaus, personnel issues, compliance issues, missed goals, updates to the business plan and business goals, adding team members, acquiring a book, and retirement.

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Succession Planning

When a financial advisor gets to within 5–7 years of retirement, it is critical to create a succession plan. This time frame allows departing advisors to prepare their books of business to transfer to other advisors efficiently and effectively, and maintain the highest value of business upon departure. Aligning a departing financial advisor with a growing or established financial advisor requires a successful match both ideologically and based on personality style.

Before turning over a book of business, a departing financial advisor strives to make it as valuable as possible. This may take many forms including reaching out to the next generation, logging personal and relevant information into a contact management system, segmenting the book, creating a financial plan for specific relationships, adding products and services, streamlining the investments, and clearing out unproductive relationships. Many of these strategies can be time-consuming, so it is important to ensure plenty of time before the transition. A departing advisor who is working on book health also must begin looking for a successor. Tools such as the DISC assessment can help identify potential successors. Once the successor has been identified, all involved financial advisors should work together to streamline the succession. This involves many of the aspects required to create a new team: investment strategy, client service, marketing plan, compensation structure, and team makeup.

Financial advisors who engage in the succession process early typically have excellent successor retention. Many departing financial advisors also enjoy the camaraderie of the partnership with the receiving financial advisor during the transition to retirement. For many, a newfound excitement due to these partnerships and mentorships makes their final years in the business some of the best of their careers. The goal is to have the retiring financial advisor feel optimistic and confident that clients are in trusted and capable hands, fostered by the partnership the departing financial advisor creates with the successor.

As the industry continues to evolve, especially in the wake of regulatory changes, best practices for financial advisors continue to evolve. Developing, supporting, and growing teams will be a valuable strategy in this environment.

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