

## Even Michael Jordan Needs a Coach

### *Motivated advisors turn to coaches and consultants*

*Advisors looking to increase revenue and create more efficient practices are turning to coaches and consultants for guidance.*

#### KEY IMPLICATIONS

- ◆ While the overwhelming majority (90%) of advisors who have worked with coaches and consultants report being satisfied, these services are not suitable for every advisor. They cannot, for example, bail out a failing advisor. But they will help a motivated advisor improve.
- ◆ While 54% of advisors reported improved profitability as the result of working with a coach or a consultant, not all hire coaches to increase revenue. Of advisors who had used such services, many (75%) report that it impacted operational efficiency more than any other part of their practice.
- ◆ Broker/dealer firms offering coaching and consulting services as part of their practice-management arsenal of tools are finding that the payoff more than justifies the cost. In addition to more productive advisors and increased revenue, these services can also supplement recruitment and retention strategies.

**L**ike Michael Jordan, who employed a private coach to supplement his training, many of the best athletes use coaches. Advisors, however, until quite recently, have been reluctant to admit they were working with a coach or consultant (see definition on page 4). In their view, seeking guidance signified weakness or underperformance. An already successful advisor did not need help.

In the last few years, though, the image of coaching and consulting has changed, along with the broader category of practice management. Driven by advisor word of mouth, the services are becoming widely accepted by advisors in all channels. Now, many advisors wear their coaching or consulting relationship as a badge of honor.

A recent Cerulli survey revealed that almost half of advisors have worked with a coach or consultant. With growing pop-

ularity among both B/D firms and advisors, the coaching and consulting industry, although still small, has blossomed.

The overwhelming majority (87%) of advisors report being satisfied with the experience. Nearly half of these advisors reported being highly satisfied with their coaching or consulting experience, and another 38% reported being satisfied. Only 2% of advisors were dissatisfied with the experience, and the remaining 11% of advisors were neutral. In addition, 70% of advisors are likely to recommend their coach or consultant to their peers.

But while more widespread, consulting and coaching are not for every advisor. A resounding theme among the coaches and consultants with whom Cerulli spoke was the need for the advisor to be self-motivated. B/D firms, too, have found that requiring poorly performing advisors to work with a coach or

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## Coaching and Consulting

Cerulli distinguishes between coaching and consulting services based on the core competencies of the professional and the mode of implementation of the service.

**Consultants:** Analyze an advisor's practice and provide recommendations for changes and improvements. Consultants typically start with a practice's balance sheet to identify problems the advisor needs to address. Consulting engagements tend to be short and intensive, usually lasting no more than six months.

**Coaches:** Ask an advisor to self-identify problems and set performance goals around topics to be covered. A coach provides accountability as advisors work to meet their goals. Coaching engagements typically last longer than consulting arrangements, usually six months to a year, allowing advisors time to make changes in their practice. Many of these arrangements are ongoing, without a specific end date.

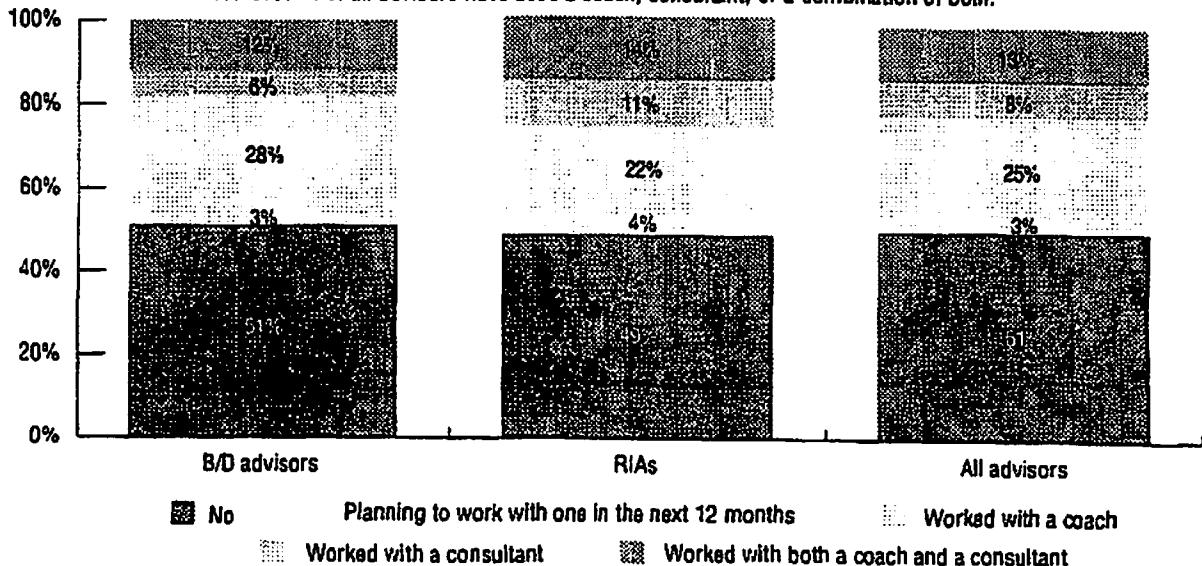
consultant to improve production is rarely a successful endeavor.

The relationship requires advisors to make changes and step out of comfort zones. Advisors who drop out of coaching or consulting programs are often those who are unwilling to change or devote the necessary time and effort. Advisors who are successful in achieving results with a coach or consultant are those who had the natural desire and motivation to succeed. Coaching and consulting shape talent—

they do not create it.

Although professionals brand themselves as coaches or consultants, their approaches overlap frequently and are often interchangeable. A coach often initially works in a consultant's capacity to identify problems, establish progress goals, and craft a plan for change. Along the same lines, a consultant who sticks around to help an advisor implement recommended changes is now acting as a coach. Depending on the diagnosed needs

**ADVISOR USAGE OF COACHES AND CONSULTANTS**  
 Almost half of all advisors have used a coach, consultant, or a combination of both.



Sources: Financial Planning Association, Cerulli Associates

of the advisor. sample topics covered by both coaches and consultants include operational efficiency, team dynamics, business development, transitioning to fee-based business, and technology.

*Who's using one?*

Cerulli's recent survey found that one-quarter of advisors have hired a coach, 8% had worked with a consultant, and another 13% had used both a coach and a consultant. Those motivated advisors who seek the services of a coach or consultant often do so at three distinct points in their careers.

The first situation is that of an experienced advisor whose production growth is slowing. This advisor seeks the services to break out of his production resistance level. The second situation is that of the advisor who brings a specific problem to the coach or consultant. Such an advisor may be looking to make the leap from commissions to fees or may be creating an advisor team. The final situation is that of the peak performer who is looking for an edge.

Employing a coach or consultant comes at a price, however. The services can range anywhere from \$50 per hour when subsidized by a B/D firm to around \$300 per hour at full cost. Most engagements last the course of a year, although some advisors hire consultants on a shorter-term basis of a couple weeks.

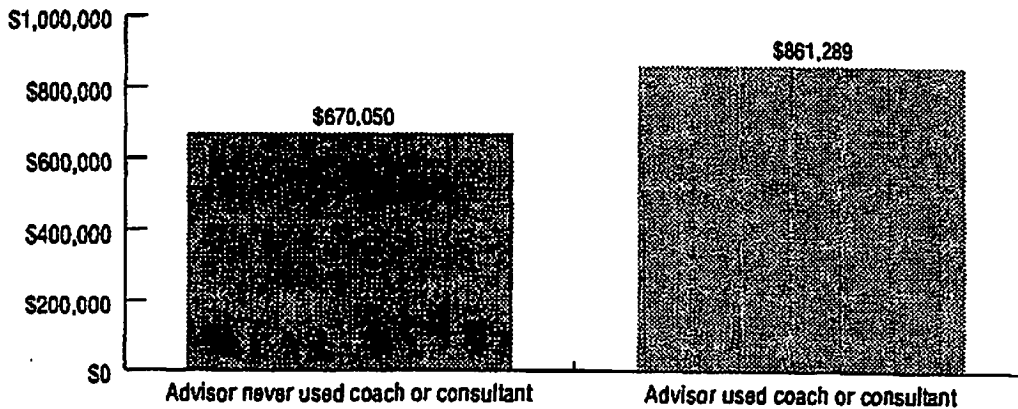
**Advisor practices that have employed a coach or a consultant generated \$861,289 in average annual revenue, compared with average revenue of \$670,050 among advisors' practices that have not used the services.**

Advisors typically speak with the coach or consultant weekly or biweekly, and most work is conducted over the phone after an initial onsite visit. Additional contact between the advisor and the coach or consultant comes in the form

of e-mails or short phone conversations. Often, there is additional work for the advisor when engaging with a coach or consultant. Consultants require documentation of business operations and coaches often assign homework. The cost and time involved can eat into the advisor's resources.

The money and time commitments act as barriers to entry for undermotivated advisors seeking the services of a coach or

**ADVISOR AVERAGE ANNUAL REVENUE COMPARISON**  
 Advisors who have used a coach or consultant generate higher average annual revenue than advisors who have not used a coach or consultant.

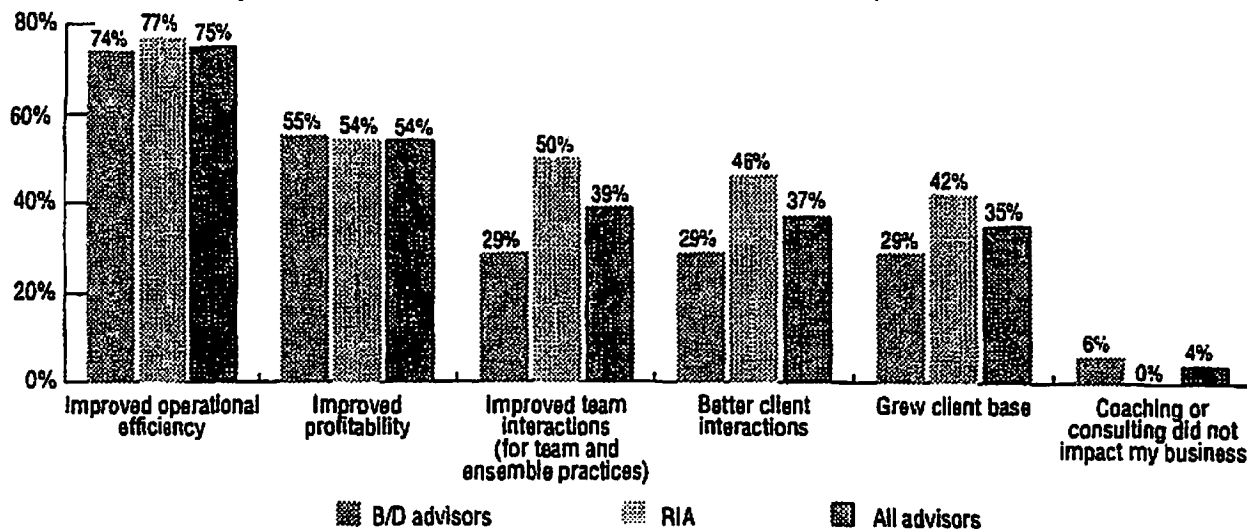


Sources: Financial Planning Association, Cerulli Associates



**IMPACT OF COACHING AND CONSULTING**

Three-quarters of all advisors report that the coach or consultant improved the operational efficiency of their practice. Only 4% of all advisors indicate that the coach or consultant did not impact their business.



Sources: Financial Planning Association, Cerulli Associates

consultant. Unanimously, the coaching and consulting professionals with whom Cerulli spoke agreed that advisors need to have "skin in the game" to make the services worthwhile. Indeed, a B/D firm Cerulli contacted that had offered its consulting services on a complimentary basis to advisors found that a free service warranted little extra effort on the part of the advisor. The advisors valued the services based on what they paid for them. The firm has since resumed charging advisors, although it supplements the cost.

**Show me the money!**

Although the services require an initial time and dollar commitment, advisors report receiving great benefit on completion of an engagement. A recent Cerulli survey of advisors showed that those advisor practices that have employed a coach or a consultant generated \$861,289 in average annual revenue, compared with average revenue of \$670,050 among advisors' practices that have not used the services.

Admittedly, the higher revenue among advisors does not demonstrate causation;

yet advisors, coaches, consultants, and B/D firms all reported similar results. And 54% of advisors reported improved profitability as a result of working with a coach or a consultant. Anecdotally, one coach estimated that advisor production increased 25% in 12 months as a result of his coaching. More formally, a 2005 study conducted by Securities America found that advisors increased their revenue by 35% in 12 months after participating in the consulting program offered by the firm.

Certainly, not every advisor seeks coaching and consulting services to increase revenue. Surprisingly, assets under management among advisors who had undertaken coaching or consulting roughly equaled that of the non-coaching or consulting group. According to advisors, coaches and consultants impacted operational efficiency more than any other part of the practice. Of advisors who had used coaching and consulting services, 75% saw an increase in operational efficiency within their practice.

Cerulli analysis reveals that those advisors who generated increased revenue did

so through streamlining their books of clients—essentially right-sizing their business by serving a niche group of clients. Those advisors who had used coaching or consultants were more likely to focus on a niche group of clients compared with those who had not used the services. Focusing on a niche group of clients allows an advisor to generate maximum revenue per client relationship. Within the niche, the advisor can develop a deep understanding of the particular needs of a type of client and be ready to cross-sell the appropriate services.

Coaches and consultants impacted other areas of advisor practices, albeit not as broadly. Better client interactions, a larger client base, and improved team dynamics were each reported by slightly more than one-third of advisors. Fewer than 5% of advisors indicated the coach or consultant had no positive impact on their business.

#### *B/D firm implications*

Based on a growing focus on practice management and the positive results advisors have experienced through coaching and consulting, some B/D firms have adopted the services as part of their practice-management tools for advisors.

B/D firms looking to develop coaching or consulting programs should keep in mind some best practices. It remains critical, for instance, for B/D firms to demonstrate flexibility in offering practice-management tools. Advisors shy away from home-office mandated programs. As such, B/D firms should advertise the services as tools for interested advisors, not make-or-break career requirements.

In allowing advisors to self-select into programs, B/D firms find more than ade-

quate interest among their advisors. Advisors hear a presentation, witness a peer having success with the services, or simply recognize that they have reached critical mass in their practice and need help to jump to the next level. In addition to offering internal services, most B/D firms also allow advisors to seek coaches or consultants outside of their programs.

For a B/D firm, the payoff from offering the services can more than justify the cost. Increasing advisor revenues clearly benefits the firm. Not only can coaching and consulting services make for more productive advisors, they serve as both a retention and a recruiting strategy. High-end advisors ask about practice-management tools during the recruiting process. They demand a higher level of support and resources.

As vanguards in practice management, Securities America and Commonwealth Financial Network<sup>2</sup> have the most developed coaching and consulting programs. Both firms have been offering the services for many years, and have devoted resources to maintaining robust practice-management groups.

Ultimately, Cerulli analysts conclude that motivated, ready-to-grow, business-minded advisors are the ones who hire coaches and consultants. Based on their drive and mindset, they are also the advisors likely to succeed regardless of whether or not they employ a coach or consultant. Likely, the tools, analysis, and accountability provided by a coach or consultant will enable advisors to meet their goals faster and more effectively. B/D firms are best served to provide ready access to coaches or consultants for advisors who are motivated to improve. ♦

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