

## ATTRIBUTES OF A TOP-PERFORMING ADVISORY TEAM

# Why Some Advisory Teams Do More Business than Others

By John L. Evans, Jr., EdD

**W**ith the new fiduciary environment comes new challenges and opportunities for you and your practice. As a result, Janus Henderson Investors has partnered with Investments & Wealth Institute and Cerulli Associates to substantiate the qualities that define the most successful teams and identify specific areas for opportunities. The study analyzed 2,800 advisor practices to pinpoint the key elements that elevate an advisory team from ordinary to elite.

Teams were ranked based on the following three factors and then segmented into quartiles based on overall performance.

**Assets under management (AUM) per producing advisor:** Represents the advisor's ability to attract and retain clients.

**AUM per total head count:** Represents the team's overall efficiency and ability to scale its practice when considering the contributions of advisor and staff roles collectively.

**Average client size:** Represents the team's ability to attract high-net-worth (HNW) investors with complex needs and higher asset levels.

We learned that how elite teams manage more assets matters. The data show that elite teams work with higher AUM clients and focus on true HNW clients rather than trying to build assets

through the sum of a large collection of smaller clients. The top-performing financial advisory teams within our study manage 4.2 times, or \$213.1 million, more in funds compared to their lower-performing peers, and on average they serve 90 clients versus the lower-performers' 126.

Elite teams often access these coveted clients by offering more HNW-focused services. So how does an already strained team find the time and resources to offer more of these services?

### ESTABLISH MORE WITH PROCESS

A key opportunity revealed by the study is that top-performing teams have an increased focus on process and specialization to free up capacity. For example, 32 percent of top-quartile teams have at least one investment research resource versus 13 percent for other teams. An emphasized process and specialization solves for the most commonly reported challenges among non-elite teams, which include a lack of time, high costs, and an excess of operational responsibilities.

Systemization to connect people, process, and technology was shown to be a key performance driver. As practices grow in scale, working together to build end-to-end processes, documentation, checklists, and technology integration ensures consistent and accurate execution—improving not only efficiency but the overall client experience. The key is

to involve both advisors and staff. Teams should start by focusing on their most critical processes. Examples of processes include conducting client review meetings, new client onboarding, hosting client appreciation events, conducting due diligence on a new product, and portfolio rebalancing.

Among top-performing advisory teams, nearly half employ at least one nonproducing junior advisor to help build capacity, compared to 28 percent of peers. More than half of elite teams hire producing junior advisors to pursue future growth, as opposed to 39 percent of lower-quartile teams. The bottom line: A sound mix of skills, credentials, experience, and thought diversity makes for a stronger team, and including a new generation of advisors on a team also creates less uncertainty around succession and allows senior advisors to ensure a more cohesive legacy.

Once an efficient process is achieved, teams can work smart in addition to working hard, thus creating the extra capacity to add value that attracts HNW clients. Whether you are forming a new team or working in an established team and want to strive toward top-quartile performance, there are some critical items to consider.

### FORMING A NEW TEAM

Teams offer many potential benefits to advisors, but forming a new team should be evaluated carefully to ensure that all

possible partners are aligned, expectations are set appropriately, and potential future issues are addressed in advance to maximize odds of success. When forming a new partnership, it is also helpful to consider what could challenge the strength of a team. These defining moments help to gauge how each possible partner will respond during difficult situations.

Sample critical planning questions include the following:

- Why does each advisor want to form a partnership? What are the key motivations?
- What unique strengths and interests does each advisor contribute to the new team?
- What is the team's long-term vision for a shared practice?
- Will clients interact with more than one advisor?
- How will specific responsibilities be divided across the team such as investment management, operations, marketing, and other non-advisory tasks?
- What is the portfolio management philosophy and process for the new team? How will the team select investments? Who makes the final decisions? How are decisions implemented in client portfolios?

Consider potential scenarios that could challenge the strength of a team. These defining moments help to gauge how each potential partner will respond during difficult situations. Scenarios include:

- If the market experiences a correction, who is responsible for responding and what is the team's protocol?
- If one partner grows at a faster rate, how does that impact compensation and expense sharing?
- If a partner decides to scale back on work hours, how does it impact the practice and is there any change to compensation?
- If a partner is spending a disproportionately large amount of time on

operations or other non-advisory responsibilities compared to another partner, does that impact compensation and is readjustment necessary?

## REACHING TOP-QUARTILE PERFORMANCE

Ongoing business planning and discussions can help advisors in established teams move forward in a deliberate and productive manner. An annual business planning and process meeting is an ideal time to reassess the team's strengths and opportunities for continuous improvement.

Sample critical business planning questions for a team include the following:

- Which new professional development and credential opportunities would help the team deepen or broaden service offerings?
- Does the team have a well-defined process for client review meetings on a recurring basis?
- Is the practice's marketing proactive or reactive? Does the team have a written marketing plan?
- Has the team defined a holistic and cohesive value proposition for the overall practice?
- Is there an opportunity to hire a junior nonproducing advisor to free time for senior advisors to focus on ideal clients and prospecting?
- Does the team have a formal continuity and succession plan?

A truly elite practice does not stop once top-quartile goals are achieved. Advisors looking to refine their focus may choose to increase asset levels by targeting ultra-high-net-worth (UHNW) clients. Once operational efficiency is achieved, advisors can offer additional UHNW services, such as lifestyle and concierge opportunities and other white-glove services, that help practices add even more value for select clients. 🟡

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Whether you are forming a new team or working in an established team and want to strive toward top-quartile performance, leverage Janus Henderson's Elements of Extraordinary Teamwork (ExT) curriculum to help guide the process. Resources include educational content, step-by-step planning tools, and one-on-one consulting from practice management specialists. The curriculum emphasizes the elements of building great chemistry that is the key to teams that work, helping advisors discover compelling catalysts, self-awareness, and focus discipline.

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