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A Transition Brokers White Paper

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The Wall of Opportunity

Understanding cycles and developing the ideal practice in the 21st Century

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Introduction – Cycles of Life

The financial services sector is in a constant state of flux. As we have seen recently, some companies such as Lehman Brothers and Washington Mutual have come to the end of their life cycle, while others have been able to adjust to circumstances, but are struggling. Some financial services professionals (FSPs) are entering the later stages of their careers and need to think about succession planning. Some company leaders and FSPs have a vision of where they should move, but are not taking the initiative to get there. The financial services sector needs leadership; doing the correct things on purpose.

The real competitive advantage of the future will lie in the ability to execute correctly.

The average age of the FSP is in the mid 50s. Subsequently, some of these FSPs and their practices are moving from the maturity stage to the declining stage. Attracting, recruiting and developing a new generation of financial FSPs to take their place is one of the challenges of the day. What does the next generation of FSPs look like? How can we match them up with the appropriate organizations to insure that we have a reasonable amount of growth and stability going forward?

As far as sales cycles are concerned, we have been slowly shifting from a transactional based system to a relationship based system. In the 1950's we started with **the presenter**. The FSP was the presenter/closer. He/she had a script and learned how to close prospects. In the 1970s we were introduced to programs such as Larry Wilson's Counselor Selling and from that point on selling was about **helping people solve problems**. In the 1990's there was a shift on two fronts. First, at the FSP level, there was more emphasis on practice management, shortening sales cycles and thinking more like a business person. Secondly, at the client level, the FSP learned how to partner with customers to learn more about their business strategies and processes to help them solve business

problems. The FSP's real value became his/her knowledge, skills and wisdom rather than just promoting products. It was no longer just about the FSP acting as a messenger for the provider to deliver a message and a product or service.

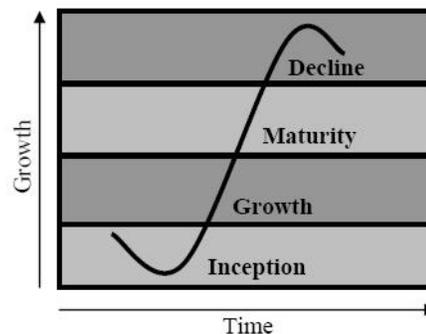
In the 21st Century we are entering the next cycle of sales and relationship building with the introduction of the **internet and social networking**. It will become less important to conduct sales meetings face-to-face, except for older clients. The sales process itself will not change much, but the way business is conducted will be significantly different. Sales cycles will be shorter and communication between the customer and the FSP will be much more frequent and more rapid. The timing of this transition will depend first on the providers to develop technology that connects more effectively with the customer and his/her life and the ability of FSPs to adapt to technology, social networking and just-in-time solutions. The FSP will know more about what is going on in their clients' lives and help them make better connections between their lives and the product and services that are being offered. FSPs will have to learn how to balance short, controlled communication, (similar to email, texting and tweets), and meaningful, heart to heart, in depth client conversations.

You may come up with more cycles of your own as you think through the last 60 years. However, we will start here with three other cycles that merit more thought and discussion:

- First, the impact of technology on cycles.
- Second, the impact of generational differences.
- Third, the ongoing search to find the right providers and resources to meet FSP and client needs.

The Sigmoid Curve

The **Sigmoid Curve** is the graph of life. It applies to most things in nature, including ourselves, business and government. The Curve has four stages: **inception, growth, maturity and decline**. Over the past 60 years we have seen a number of Sigmoid Curves that have run their course. The purpose of this white paper is to apply the Sigmoid Curve to practice management issues.



The Curve is so named due to the sigmoid shape of its graph (S- shaped). It has a base building/introduction phase (**Inception**), followed by a **growth** phase, then a **maturing** phase, and finally a **declining** phase. It is the story of a product's life cycle or a business life cycle; it depicts their rise and their decline. In simple terms you can apply the curve to almost anything in nature, for example, the four seasons: Spring, Summer Fall, and Winter.

You need to understand that life and your financial services practice are a chain of continuous Sigmoid Curves; one ends and a new one begins. You need to understand where you are on the Curve so that you can react appropriately and begin a new Sigmoid Curve before it's too late. For most situations, it is time to begin work on a new Sigmoid Curve while you are still in the Growth Stage. As you can see, there is a dip in the Curve when new processes are implemented; most things don't work as expected the first few tries. Some people are impatient and give up before the change has time to take hold. The Sigmoid Curve applies to most everything including your product providers and your services, broker dealers, resources, sales applications, technology, your competition and even your client relationships. We have ebb and we have flow; sometimes things are in the growth stage and sometimes they reach the decline stage; it is all part of the rules of nature. Keeping your eye on these internal and external cycles can

make all the difference in how you run your business and service your clients.

Two Concepts

- **If it works, don't fix it.** Reality suggests that this is not an accurate statement. The correct approach is to evaluate your plans and processes in the Growth stage and begin working on your next new idea. How are these systems currently working for you: referrals, service model, sales process, case development, time management and client communication?
- **Plan ahead.** The heart and soul of a successful practice is the business plan. A business plan should be reviewed and updated regularly. It should include a clear mission, vision and value statement; a clear focus on internal and external factors that will impact your business; a concise analysis of your strengths, weaknesses, opportunities and threats (SWOT Analysis) and a clear strategic and tactical plan.

Unfortunately, many FSPs work in streaks and avoid formal planning, they prospect, then they open new business, present and close, but eventually the cycle ends and they find themselves out of new prospects. FSPs should devote more time and energy to systems and the Sigmoid Curve. Systems are an important part of the Sigmoid Curve; they create interdependencies that are key to breaking through the **Wall of Opportunity** which will be discussed in more detail below.

Generational Cycles

The industrial revolution changed the way we think and work. Just as significant is the introduction of the personal computer and the internet. The revolution started in the early 1980's. Technology is part of the business and social fabric, including smartphones, tablet computers, flat screen TVs and social networking via the internet. Some people actually have more advanced personal technology than they have at work which creates gaps and frustration. What impact will this have on the way we work and do business in the future?

William Strauss and Neil Howe in their book, *Generations, The History of America's Future, 1584 to 2069*, would argue that every four generations completes one cycle with each generational cycle lasting 22 years. According to the authors, the four generational types are: Idealist, Reactive, Civic, and Adaptive. The authors also argue that the current baby boomers are the Idealists and the Generation X (Xers) are the Reactives and the Ys / (a.k.a. Millennials) are the Civics. At this point we will not go into the details of the authors' work. The point to be made is that generational cycles need to be included in any discussion about leadership, FSP development and technology.

Depending on which generation is at the helm, there will be a distinct difference in vision, values, systems and expectations (V.V.S.E). We all intuitively see some differences among the generations. For example, the Boomers (1946-1964) are optimists, team players, service oriented and workaholics. Xers (1965-1980) are creative, pragmatists, self-reliant and adaptable. The Y's (1981-2002) are street smart, coachable, collaborative, multi-taskers and they are technology savvy. At any given time there are five generations in play; the more we understand them, the more successful we will be in our business and personal relationships.

Rob Salkowitz, in his book, *Generation Blend* helps us take a look at the impact of technology and how each generation is dealing with it. He also gives us some insight as to how we should interact with each generation. For more information, go to the Generation Blend website at <http://generationblend.com>.

Going back to our original comments about cycles and the financial services sector, we need to create leaders who do the correct things on purpose and successfully bring new people into the business while helping the mature FSP transition into the next phase of their lives. This is why it is critical to understand the generations and also to pursue the integration of technology into learning and business systems.

The best place to start is with a vision about teams. We have many mature FSPs who are highly knowledgeable and skilled in the financial services business. However, in general, these FSPs have not embraced technology. They have some appreciation about the value of technology, but they have not been willing to take the time to learn how to integrate it into their business. Their attitude about technology will probably not change much over time.

Fortunately, since many of these mature FSPs also plan to stay in the business for a number of years, there is time to develop solutions to common succession planning problems. Most companies have not done a very good job of extracting knowledge from these mature FSPs and building systems to store it. FSPs have not done a good job within their own practices of transferring their knowledge about their clients into systems. Without these systems, the knowledge will disappear when the FSP dies, becomes disabled, or retires. As a result, the real value of the FSP's business may be limited. Unless there are people, systems, and processes in place, a practice may be perceived as just a "rolodex" to a potential buyer.

Generational Cycles ...continued

On the other end of the generation cycle we have the Ys. These are the street smart kids who have tremendous computer skills and have learned how to socially network better than any previous generation. They don't need manuals; they just hit any key to continue and work out their problems. In many cases learning is just a "game."

Therein lies the opportunity for our business: marrying the younger generations (Xers and Ys) with the older Traditionalist and Boomers.

For the Mature FSP, the marriage of generations is a good way to expand service to clients. It is a way to expand the use of financial planning and technology. It is a way to add specialization to a team, create joint work opportunities and develop a succession plan. It is a good way to reenergize mature FSPs, or help them improve their practices by implementing new technologies with the help of the new, or junior FSP.

Rather than teach the "old dog new tricks", add another "dog." This will make a powerful combination. It will re-energize the mature FSP by adding new capabilities to his/her practice and help better differentiate them in the marketplace. For those FSPs who have been transactionally focused for most of their careers, it will give them an opportunity to go deeper in their relationship building and allow them to focus on the higher end of their clientele and leave the middle clients with the new associate to uncover more assets, cross sell and improve the relationships between the clients and the FSPs. Improving the durability of client relationships will increase the value of the practice.

But with every opportunity there are problems

First of all, we have a number of mature, brilliant training people who could teach the younger generation the business, but they have

not figured out the best way to train and develop new FSPs using technology in a way that meets the needs of the student. Younger people are not as well read as older generations, they are not into books and manuals. They find most current online learning sterile and boring. They are used to interactivity and games. They are used to "just in time" learning; when they need information, they *Google* for it.

Second, many mature FSPs see the advantage of adding "new blood" to their practices, but they do not have the time to train a new associate and they are not willing to spend the money to get the new associate up to speed.

Third, as we change to the next generation of Field leadership, the Xers have a different perspective. As we mentioned above, Xers are creative, pragmatists, self-reliant and adaptable. But additionally, they are interested in balancing their lives between work and home and they are not the workaholic type that we experienced with the early Boomers. They are less attached to process and can be impatient with structure. They tend to distrust authority and are somewhat skeptical about commitments. So for all you Boomers and Traditionalists, who are reading this, how does this assessment fit with your definition of a "good manager" and what impact will it have on the vision, values, systems and expectations of your company?"

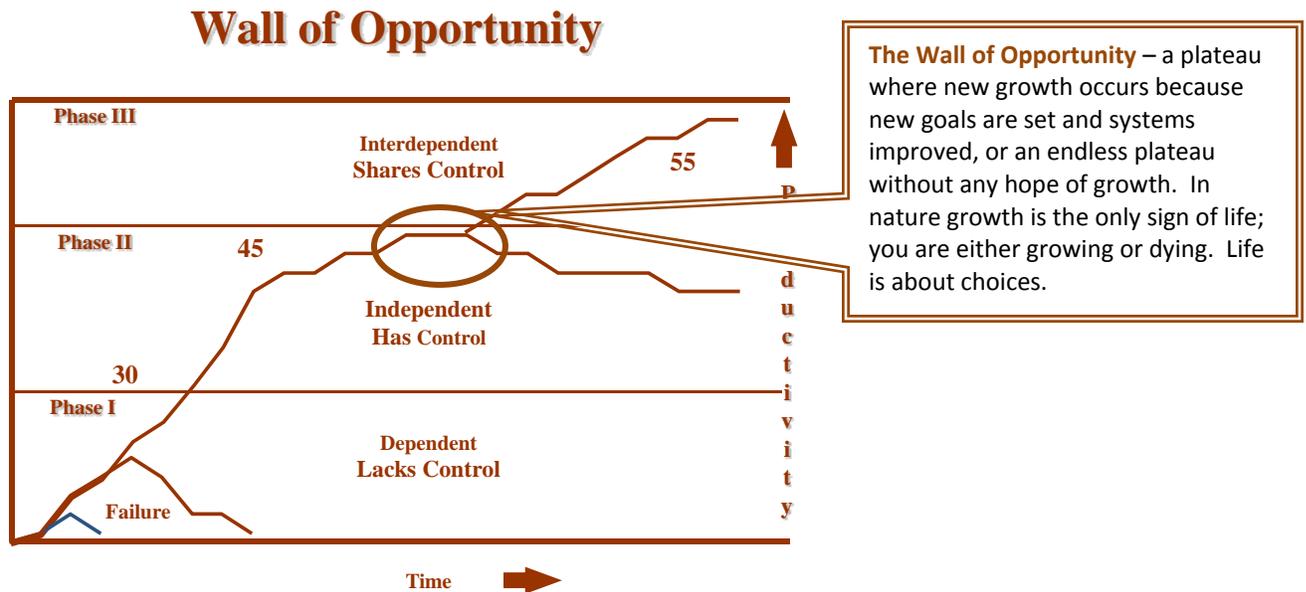
Fourth, we have compliance issues. The Ys are steeped in technology. The systems they use at home are more powerful than most of the systems at work. Since, unlike the Xers, who want to balance their work and home life, the Ys want to integrate it. They want to be able to connect to their social networks at work and they want to connect to their work at home. They will want to use the tools they are used to, but for legitimate security issues, they will be at odds with IT and Compliance.

The Career Development Path and the Sigmoid Curve

The **Three Phases** of a FSP's practice are based on the **Sigmoid Curve**. Being aware of the curve is the first step; getting ahead of the curve is the challenge and the opportunity.

The graph below is a representation of the three phases; the line on the graph is actually a continuous link of Sigmoid Curves. **Phase I** represents the learning years. **Phase II** represents the Growth and Maturity years. It is during the **Phase II** period where most FSPs eventually hit a wall that is called the **Wall of Opportunity**. This is the point where their practice plateaus. During this plateau, the FSPs must reset goals and make some changes in the way they think and do business, or they will continue the plateau indefinitely and eventually migrate to, as Al Granum, one of the great General Agents of all time said: "*the dark, dingy office at the end of the hall.*" They can't get to **Phase III**.

Phase III is the Ideal Practice; a practice based on teamwork (shared control), interdependence (effective resource utilization) and a focus on relationships by helping people connect their money with their lives.



Let's look at each phase in more detail. The chart below describes the characteristics and behaviors of the FSPs during each phase.

Operant	Phase I	Phase II	Phase III
Goal:	Survival	Success	Fulfillment
Focus:	Inward	In/Outward	Outward
Mode:	Competitive	Creative	Synergized
Status:	Dependent	Independent	Interdependent
Style:	Lacks Control	Takes Control	Shares Control
Process:	Mechanical	Technical	Conceptual
Orientation:	Processes	Products	People

The Career Development Path and the Sigmoid Curve (continued)

Phase I is called The Survival Phase. About 20% of FSPs fall into this category. This is the early stage of development. At the beginning enthusiasm is high, but the knowledge and skill levels are weak. The new FSP is just trying to survive and learn the business. They are all about themselves. They are busy learning the processes and the products. Everything is about mechanics. It seems that they are always in competition. Some of these people make it to **Phase II** and some move on to other careers. There are no set timelines between Phases; each person progresses at his/her own pace.

Sales managers need to help the new FSA get off to a fast start to leverage the new hires enthusiasm. The first 90 days are critical in setting activity habits and holding people accountable. The habits that are set in the first year usually prevail over an entire career.

People who make it to **Phase II** (roughly 60% of FSPs) tend to be more in control of themselves and their time than they were in **Phase I**. They have developed good product and sales application knowledge and they have a solid skill base. They are also getting better at developing long-term relationships. They are building a good client base. But sooner or later they hit a wall (**Wall of Opportunity**), plateau and have difficulty breaking through to the next level. They are working hard, but growth seems to be elusive. Some don't understand interdependence and never have a breakthrough and subsequently they stay in **Phase II** for the rest of their career.

Phase II requires good coaching. It is about helping the FSP think about the possibilities and facilitate a continuous discussion about what is working, what is not working, what is missing and what needs to change. The onus to make the adjustments is placed on the FSP.

A few FSPs make it to **Phase III**. About 20% of FSPs make it to this level. In this Phase, FSPs have learned to leverage their resources and their time. They are working at a very efficient level. They have more time for personal things; instead of balancing their lives they have learned how to blend personal and business time. Typically they have narrowed their customer base and have an ideal customer profile. The client relationships are deeper and broader. They work primarily on a referral based system. They usually have a solid sales support staff and/or a marketing person. Some FSPs add a paraplanner, or team up with others to form partnerships.

Phase III FSPs need to have conversations with sales management about blending their personal and business lives; effective teamwork and delegation; improving client relationships and developing their legacy.

Clarity Focus and Execution

Working through all three of these Phases takes knowledge, skills, resources and patience. FSPs in Phase III have learned to be good business owners and have solid business plans.

Phase III FSPs are clear about what they want both personally and professionally (**Clarity**). They know how to leverage their resources and depend on their team to make decisions and get things done. There is a high level of accountability. They are very good at blending their personal and business lives; they are organized and manage their time effectively (**Focus**). They are clear about where they are with regard to the Sigmoid Curve and the Three Phases of a FSP. Phase III FSPs are focused on organizational and coaching systems. They have a solid mission and vision and can **execute** on it. **They just do it right - on purpose.**

Alignment

Another key growth concept is Alignment. This is about making everything work in parallel. Alignment is about **The Four Aces**: Awareness, Attitude, Action and Accountability. First, you need to be aware of who you are and where you are. Next, you need to have a positive attitude and be an optimist. Third, you need to take action on the things you know will help you prosper and finally, you need to have someone hold you accountable. The same holds true for your team; it is about keeping everything in alignment and accountable.

In order to behave more like a business owner, you must have a business plan. This is the Awareness step. Who are you? Where are you? Where do you want to go? The business plan should include items such as a **SWOT Analysis** (your Strengths, Weaknesses, Opportunities and Threats), your mission, vision and objectives for the coming year or quarter. Eventually you should develop a five year or longer plan. What plans do you have with your family? What level of cash flow will you need to get everything done that you want to get done?

Your business plan should include an analysis of your marketplace. What is changing? What are your competitors doing or not doing? What new regulations are on the horizon that you need to build into your plan? What new technology will help or hinder your progress? What new products or sales applications do you need to know more about? What is changing in the economy, or in tax regulations? What new competition, government or compliance regulations will you need to deal with?

What is changing in the way your clients think or react to changes in the world economy? What educational programs do you and your team need to complete to keep up and be relevant? What additional licenses are needed by you or your staff? What needs to change in your

practice and your staffing to help you deliver the best possible, products, service and wisdom to your clients?

What is your capacity to get more done without adding more time to your business life? How much business will you generate from your existing clients? What is the rate of client attrition? How many net new clients and how much net new revenue will you need to replace what you lose so that you can reach your revenue goal? What will your practice look like when everything is running perfectly?

What changes in your practice do you need to make to reach your goals? Will you need to replace a staff member or a resource in the coming months, or deal with a leave of absence? Do you plan to change your service model, add new products or services? Are you leveraging all your strengths? Are you working in the right markets? What can you do to improve your marketing capabilities?

Query: Are you in the right place, working with people you really care about, doing what you really love to do with a purpose?

Action Items:

- Where is your career and your practice on the **Sigmoid Curve**?
- Think about **The Three Phases** of an FSP and determine where you are on the chart. Where should you be?
- Review **The Four Aces** and take the steps you need to take to get to the next higher level or **Phase III**.
- Create a **formal business plan** and find someone who can hold you accountable to get to the next level of success.

Summary and Conclusion

The **Sigmoid Curve** and **The Three Phases** of a FSP are key concepts. They cannot be ignored. The impact of technology and generations on leadership capability is huge. Having an appreciation for each generation, their strengths and weaknesses, will be important as to what is trained, how it is trained, and how people are managed and developed. In some ways, inter-generational communication is like learning a new language. Will the leaders of today force the generations below them to adapt to their style, or will they learn the language of the younger folks. How much give and take will there be?

Solving the succession planning problem is critical. There is a window of opportunity here and at first glance, the answer lies with the Xers and Ys. First with the Xers, because they are going to be the leaders who help us through the mature FSP transition and it will be the Ys who can make it happen. As in any battle, there must be good leaders and their must be good soldiers. What do the Xers need to know about their troops? How effective will they be as leaders? How good are the product providers and broker dealers at understanding the Sigmoid Curve, training issues and providing the leadership and resources that FSPs will need to improve their practices? Will their vision, values, systems and expectations align with the troops and senior management? Will they be able to recruit the right talent for the job?

Will the veteran soldier accept the new recruit and help them transition into the business and subsequently, at some point in the future transfer the business to the younger associate? Will the veteran FSP be able to work part time to maintain client relationships as well as provide some balance between work and the other aspects of life? Will production requirements be adjusted to reflect part-time status? Will the FSP adapt to new ways of doing

business, or will he /she stay stuck in “the way they always did it?” Herein lies another challenge for Field Leaders – bridging the gap between Boomers and Ys.

How well will the new recruit be trained and who will be trained to train them? How much technology will be available to help them learn the way they like to learn? In some cases they will be trained on state of the art technology and in some cases they may be restricted to what may be considered old fashioned or old school. Will the new soldier respond to leadership? Will they march to the beat of the Xer’s drum?

The sweet spot for financial services distribution recruiting is in the five to fifteen years of experience FSP market; FSPs who are nearing the **Wall of Opportunity**. These FSPs know they need to make changes and find the right resources to help them get to **Phase III**. Companies that are able to address the issues discussed above will be able to capitalize. If the FSP’s current firm or resources can help get them through the wall, retention will improve; if not, the FSP will have to move on. FSPs know they need to become interdependent to get to **Phase III**. They realize they need help.

FSPs may realize that it is more efficient to look for viable practices to buy than to look for new individual client prospects. Organic growth is wonderful, but some deliberate acquisitive growth can accelerate practice development. Companies that can assist in these buyouts will also be big winners.

The task is huge, but the solution is in sight. As one observer pointed out, the competitive advantage of the future will not only be the knowledge, skills and wisdom of people, but also in the ability to execute. As the text messengers of today would say: “GID – Get it Done!”

The Three Phases of Practice Development Survey

Are you in Phase I, II or III? Circle the item below that you think best describes you and your business. Add up your score and compare it to the table at the end of the survey. It is time to get some help?

Category	Point Value = 1	Point Value = 2	Point Value = 3
Column 1	Column 2	Column 3	Column 4
Client Communication Systems. (Which methods do you use?)	Face to Face, Regular mail, telephone (cell and landlines), vmail and FAX	Face to Face, regular mail, telephone cell and landlines), vmail, FAX and social networking	Face to Face, regular mail, telephone (cell and landlines), vmail, FAX, social networking and other web-based Applications
Client Segmentation	No formal segmentation	Basic segmentation (e.g. A, B, C, D)	Formal segmentation and integrated into service model
Coaching	No formal coaching	Used coaching in past	Have current coach
Do you have a Formal Business Plan	None or minimal plan	Yes, but I infrequently review it during the year	I have a formal business plan and I review, monitor and adjust it regularly
Last Two-Years Annual Revenue Growth Rate	0-20% increase	21-30% Increase	Over 31% increase
Last year's Client Growth	0-10 net new clients	11-15 net new clients	16 or more net new clients
My client Relationships are mostly	Transactional	I know my clients reasonable well on a personal level.	I know what is going on in the lives of my top client/families.
Number of Centers of Influence	0 – 5	6 – 10	11 or More
Number of Clients	1-50	51-150	151 or more
Number of Licenses	1-2	3-4	5 or more
Number of Professional Associations	None to 1	2-3	4 or more
Number of Professional Designations	0-1	2-3	4 or more

The Three Phases of Practice Development Survey (continued)

Point Value = 1	Point Value = 1	Point Value = 2	Point Value = 3
Column 1	Column 2	Column 3	Column 4
Number of Professional Outside Resources/relationships (CPA, Attorneys, wholesalers, etc.)	None to 2	3-6	7 or more
Product Knowledge	Basic	Intermediate	Advanced
Sigmoid Curve Stage	Inception/Growth	Growth	Growth/Maturity
Staffing	No staff or part-time	One staff person	Two or more staff people
Study Groups	None	Involved in past	Currently involved
Technology Use	Basic	Moderate	Advanced
Work/Personal Life Balance	No Balance	Some balance - work usually priority	Good balance between work and personal life
Years in Financial Services Sales	0-2 years	3-5 years	6 or more years
Points in each column (Enter total in next row)	Number of items circled in this column X 1	Number of items circled in this column X 2	Number of items circled in this column X 3
Total Score*			

Scoring

*Your total Score (Sum of Total Scores in columns 2 -4 above) _____

If your score is 20 -30 you are probably in Phase I

If your score is 31 to 45, you are likely in Phase II

If your score is 46 to 60, you are likely in Phase III

Biography:

Edward L Howat, Jr., CLU, ChFC, LUTCF, RCC



Ed Howat has been a sales trainer and coach for the past 16 years. His primary focus today is coaching financial advisors, internal and external wholesalers, and sales managers.

Ed started his career with Northwestern Mutual as a Special Agent and then moved to sales management as a District Agent.

After 12 years with Northwestern Mutual, Ed became a financial advisor and was associated with Planners Financial Services, Inc.

After two years as a Financial Advisor, Ed joined Manulife Financial, holding positions as an Agency Manager, Wholesaler and Sales Training Director.

He later moved to Nationwide Financial as Field Sales Training Manager and worked with wholesalers and sales managers.

Ed believes that it is important for experienced, successful people to mentor the next generation of financial planners by passing on knowledge and skills.

Experienced people need to take on the role of "elder" and help people succeed. It is up to those who have enjoyed and prospered from their careers as financial professionals to pass on their wisdom, knowledge, experiences and insights.

Ralph Steiner, CLU, ChFC



For over four decades, Ralph Steiner built an outstanding financial services practice in Minnesota's Minneapolis and St. Paul communities. Year after year, Ralph's refined business skills and strong work ethic consistently placed him among the elite producers of his industry and his broker dealer. Ralph's sales ideas have been published in industry magazines and he continues to be a featured presenter at broker dealer marketing events.

When the time came to transfer his practice to a new owner, Ralph followed the same advice he gave to all his business owner clients; create a succession plan that works for the buyer, the seller and the clients. After researching the industry literature in depth and carefully applying what he learned, Ralph located the right buyer for his practice and established a transition plan that assured customers would remain with the new owner.

His own experience set the stage for Ralph to launch Transition Brokers, a niche business that helps financial services professionals sell their practices at retirement, death or disability.