Podcast Transcript
Synergize: Unscripted Conversations to Help Guide Advisor Growth
Episode 19: Carolyn Armitage: Competing for Talent in a Shrinking Advisor Pool

INTRO:
Welcome to Synergize, unscripted conversations where we explore the evolving role of the financial advisor in an emerging AI-driven world. Join us as we bring together thought leaders across a range of disciplines and industry experts, sharing insights designed to help RIAs thrive in the industry of tomorrow.

BILL COPPEL:
Hi, I'm Bill Coppel, Chief Client Growth Officer at TradePMR.

RYAN NEAL:
And I'm Ryan Neal, Senior Editor at TradePMR, and welcome to the Synergize podcast.

BILL COPPEL:
Today we're welcoming Carolyn Armitage back to the podcast. We had a great conversation with her earlier about leadership and business growth.

RYAN NEAL:
That's right, Bill, and we're bringing Carolyn back today to talk this time about building and leading high-performing teams. It's no secret that there's a shortage of financial advisors out there, at least relative to the amount of demand for advice among retail investors. There's also increased competition to recruit and retain that top talent[2].

So, what do RIAs have to do to assemble that team and retain them if they want to capitalize on all of the growth opportunities that lie ahead?

BILL COPPEL:
That's right, Ryan. As a leader of an RIA, or an independent practice for that matter, the team you build around you plays a key role in your ability to grow and sustain your business.

I don't think anyone would argue that having a quality team isn't important. The real issue is what does it take to achieve this goal of building that quality team and the fact that failure to execute upon this could be a problem for a firm regardless of their size.

But there are ways to maintain focus on this important driver of growth, as our guest, Carolyn Armitage, is here to share with us.

CAROLYN ARMITAGE CLIP:
Knowing why the firm is there and what they're driving for…their "why," as Simon Sinek says. Having a strategy to get there and having guiding values or your non-negotiables for the

process and path along the way. These elements, while you don't think of that necessarily from a hiring perspective, are absolutely important in bringing on and retaining employees. They want to know there's a purpose beyond just processing whatever business they're doing. Why are we doing this? Where are we headed? So that they can follow along and be fully committed.

BILL COPPEL:
As a reminder, Carolyn is an industry veteran and a wealth management consultant providing a range of services including strategic planning, leadership development, and talent management. Carolyn, it's great to have you back.

CAROLYN ARMITAGE:
Thank you, Bill. Thank you, Ryan. I appreciate being here.

BILL COPPEL:
Let me start here, Carolyn. You've been in the industry for a while. What have you seen change in the last decade or so with regard to attracting and retaining top talent? I don't suppose it's getting easier.

CAROLYN ARMITAGE:
No, in fact, it's just the opposite. It's getting so much more competitive than it was in the past. And part of that is because of the growth of our industry. We're moving away from this cottage, individual, solo practitioner model into ensembles and full-blown enterprises with dramatic scale that we've never seen before.

And that is taking advisors into the CEO role, and sometimes CEOs of very large organizations where the people management needs to be front and center as much as the vision and the strategy of their organization because after all, we are in a service business. We're not making widgets. We provide services, and those services are provided by people, for the most part, beyond the technology.

BILL COPPEL:
Yeah, and in addition to that, I recently saw a report from Cerulli that suggests about 37% of financial advisors are going to be leaving the industry or retiring, controlling 10.4 trillion in assets, which are going to move.

And that represents about 40% of the industry assets at play here.[1] So, in addition to the point you made in terms of attracting talent, we're actually seeing the talent pool shrink, if you will.

CAROLYN ARMITAGE:
Yeah, absolutely. And that's forcing us to take a look at how you train employees. And maybe you don't bring somebody in already experienced. Maybe you need to coach them up, hire people with terrific characteristics and the ability to learn rapidly and have terrific attitudes, customer service work, where they can excel into the organization quickly and move up the chain, as well as we're seeing a lot of M&A, specifically for the talent acquisition or to fill some gaps that the organization may have.

RYAN NEAL:
Well, awesome. Carolyn, again, it's great to have you back. Congrats on being, I think, our first repeat guest. The reason we're having you back is you gave us a lot of great stuff last time. So, this time, I'd love to get down at some of the nuts and bolts here of what does it take to build a high-performing team? What do leaders need to go out and do? What do they need to look for? What does that process look like?

CAROLYN ARMITAGE:
Yeah, that's a great question. And it's hard to give some generalities without specifics. But I do know one common thread that goes throughout all of the hiring elements. And that is really knowing what you're hiring for. And I know that sounds really elemental, but it's super important, right?

So that is having a job description. You'd be amazed at how many firms try to hire without a complete job description. Yeah, so really honing in on the skills that you need for a role as opposed to just hiring the first person that you like.

It's helpful to like the person and enjoy working with them. More important is that they have the right skill set and the right attitude to be able to collaborate with the other team members and execute on whatever you need them to execute on.

And it's so easy for folks to hire people that they like, and it's really hard for them to get rid of people that they like, even if they don't really fit the bill for what they needed for the organization. So, if you can really hone in on what you're looking to achieve and what are the skill sets to get there, that will help you define more of a niche for the people for you to recruit and retain.

And so, as you go through that hiring process, when you bring in a person, hopefully the organization has several people that will be interviewing them. Super particular, if they're going to be working on a leadership or a management team or supervising employees, it's really critical to get the others on the leadership team to also interview with them, get their perspective.

Usually in each one of those interviews, somebody will pick up on a clue that somebody else didn't that will either be a positive or maybe a detractor for their candidacy to work in your organization. And so, to have several different meetings with the employees I think is crucial. If there's any type of client-facing or business development work and really just kind of the teamwork element, I highly recommend that you have a meal with the employee in a separate location. Don't just bring a lunch into the office because it's convenient. Spend a little more time with them.

Get out of the element. Go to a restaurant, ideally dinner, if you only have time for lunch, okay. But break some bread, have a meal, see how they treat strangers, see how their mannerisms are.

Sometimes in these other different environments, people will let their guard down a little bit more and you might be able to find more of their real self. They might feel more relaxed and feel comfortable being more authentic so that you can really understand who they are and whether or not they will fit in with the team.

RYAN NEAL:
I love that because I firmly believe you can tell a lot about a person by how they treat a waitstaff at a restaurant.

BILL COPPEL:
Absolutely, Ryan. I couldn't agree with you more. You know, I want to pull on a little bit of a thread there, Carolyn, because what I'm hearing here kind of ties back to one of the five things that you identified when we spoke in our last podcast, and I want to talk about this in terms of that idea of the job description.

If you don't have a clear vision of where you want to get and if you haven't identified the right skill sets ahead of time, filling this role becomes challenging because a lot of times it's around, oh, we need another person.

CAROLYN ARMITAGE:
Right.

BILL COPPEL:
We're really busy, we need another person. I think of it in the context of actually two roles, right? There's the role you need today and then there's the role you need tomorrow from that same individual.

Talk to us a little about how you would advise a leader of a firm, what would be the kind of right way to think about a hiring strategy, if you will, in order to not only achieve your immediate needs, but also position the firm for growth?

CAROLYN ARMITAGE:
Yeah, that is one of the largest challenges of managing individual development and the firm growth is that you need some individuals that are bread and butter, day in, day out, love to do a certain type of work, and they don't have the desire to climb up the corporate ladder, so to speak.

And there are others that very much want to see that career path from the get go. So I would encourage owners and CEOS to design a career path for those that want to do more and more and more and more and are hungry for growth at both personal and professional development, as well as it's okay if somebody doesn't want that growth.

A good example here would be servicing advisors versus business development advisors. Growing organizations need both, very much so. And those two types of advisors have very different skill sets and motivators. And so, you need to build your organization to support both types.

And I would say that oftentimes, folks are underutilized in organizations. So, for employees, I will find employees in organizations who are really not utilized to their full capability because perhaps the firm isn't growing large enough, or fast enough I should say, to support a promotion for them. That employee is at risk to leave and go elsewhere where they can have a faster growth process.

There may be an employee who's more of a servicing type employee and comfortable doing the same thing over again, you know, for many years. And if they're being forced to change and evolve too quickly, that might be uncomfortable for them. And they may do a lateral move to another organization. Still, oftentimes, because it's a new position, they will get a bump up in compensation. But they're looking for that change of environment.

If the change-management process isn't being handled smoothly enough, if it's too chunky, if everybody's running around every day like their hair's on fire and there's confusion, that's not going to be comfortable for a lot of personality types. So, the ideal leader will embrace all the different types of personalities. Organizations are really strengthened when you have a variety of personality types in the firm. You just need to understand where they're coming from and how to communicate with them.

And really organizations can only go as the slowest person on the team. So, you need to have the right personality fit as well as the right job description for the organization type that you're trying to lead.

BILL COPPEL:
You've hit on a bunch of very important issues, Carolyn, with that. Let me ask this question as a follow-up. You've done a good job of hiring a team. You've identified the right roles, the right skills, but you just hit on something that's critically important. How do you keep that team in place?

You mentioned a couple of things, but talk a little bit more about, as a leader, what should I be doing? What should I be thinking about in order to keep my key people in place so that we have stability and are in a better position and continue to grow?

RYAN NEAL:
Free snacks, free snacks in the lunchroom. That's the answer.

CAROLYN ARMITAGE:
Free snacks are great. Employees love that. Now, if you're operating a virtual organization or some of your folks are hybrid, then you'll need to send those snacks out to where they live, right?

BILL COPPEL:
Yeah, it's one of the downsides.

CAROLYN ARMITAGE:
Yeah, absolutely. And so, I think what we're seeing today is that managing employees is more complex than it ever has been, especially the larger your organization becomes, the more sensitive folks are to this environment. If you're an organization of five people or less, you can

get away with a lot more in that environment. As you have 20, 30, 40, 50, 100 employees, you've got to have a lot of systemic processes in place to support those employees.

For example, I do a lot of compensation work throughout the industry, and having a intentional compensation program for all of your team members can really help avoid conflicts.

Today's employee oftentimes will share what they're making with other employees, which didn't happen back in the day. I'm one of the old veterans in the industry, been in the industry for 35 years. That never would have happened 20 years ago.

Today's employee understands that they can gain a competitive edge by sharing out that information. And if an owner has a haphazard way of compensating folks without a systemic design for the organization, you're going to find some vulnerabilities there and some feelings will be hurt, and you'll probably have some turnover because of it.

Additionally, compensation isn't everything by any means. It is an important element and to have alignment between what your compensation incentives are, and the mission of the organization is really critical.

The higher up folks go within the organization, the more crucial or key they are to the success of the organization, the more likely they will expect equity incentives. So, equity incentives are very commonplace for executives, especially at larger firms in our industry.

And oftentimes, firms will come to me for advice and an equity sharing program to implement for the organization after they have lost a key person or two. And then they realize, okay, this is really a big deal. I need to put in place an equity sharing program. My phantom plan didn't work. A bonus program wasn't sufficient. It's because the employees aren't feeling valued. They're not feeling seen, heard, and there's really that mismanagement or the lack of sharing of the economics that can lead to a lot of resentment.

So, what I'm, long story short, trying to say is that as you have a larger, more scaled organization, the more complex managing your human capital will be.

And the earlier you can get ahead of that with a systemic approach, soup-to-nuts of job description, specific hiring process of who they meet with, a specific goal intention for year-over-year for both corporate goals as well as individual goals, and then a performance management system and a perfectly aligned compensation system, as well as a great culture. It's a complex model to have success here. And that's why you're seeing people being very specifically hired as chief people officer to help with that employee experience.

BILL COPPEL:
Right, let me just add this one thought here real quick, which is, Carolyn, I think that the way you describe that is spot on. And I think that it isn't necessarily only for the larger firms that we're talking about here. That whether you're a firm with five people or 50 people, the principles of what you're talking about should be there.

RYAN NEAL:
Yeah, well, so now on the flip side, talking about hiring, what can firms do to avoid hiring the wrong people? Because we all know what that looks like. All of us at some point have worked

somewhere with a person who just really did not fit for one reason or the other and there's a cost associated with it, right? If that person has to move on, you've got to fill in for them and it's just not great. Not to be too negative, but what can firms do to avoid getting in that situation in the first place?

CAROLYN ARMITAGE:
Yeah, that's a great, great comment, Ryan. So, I would say that the optimal situation is for a firm to be proactive or to hire ahead of the curve. So more often, firms are, oh my gosh, we've got so much business development, new clients coming in, new assets coming in, new programs that we're implementing. I need another body, right? So, they're hiring after the curve and it creates stressors on everybody, the current team, the owners or the executives running the organization, and pressure to get kind of almost anybody in to help relieve the pressure.

And obviously that can lead to poor decision-making. So, the ideal firm would hire ahead of the curve of, okay, we're going to go into this growth mode, here. Who are we going to need to support the growth?

You have to dip into your pocket a little bit there because you're hiring this person before that new revenue is on board and that can be painful and thus most advisors hire after the fact.

So, if you are hiring after the fact, going back to some of my earlier comments of making sure you have a good review of the candidate and have many individuals provide their input on the person. Every interaction from the receptionist when they come in to peers, to people they'll be supervising, to folks that will be managing them.

Have as many eyeballs and meetings with this person as possible. Don't just bring them in once, at least see them in three different occasions. So, hiring slow and thoughtful, anybody can show up once or twice, well.

I'll show you one of my, my foibles. Over time there was an employee that I hired, gosh, this was like 20 years ago. It was for a marketing position, and she gave the best answers. She brought materials that she had developed before, like she was amazing. When she actually showed up to work a few weeks later, I swear it was somebody else.

Like it was a completely different person. And what I ended up finding out by digging in more is that the person had had somebody else, actually her sister, create the marketing materials for them, for their interview.

And so, I was able to, through answering some questions and some work that was assigned and some honest, difficult conversations with the individual, she did have a quick early exit, but it was really a miss on my part in that I needed to go a little slower, a little more thoughtful with her.

So, I've implemented that process ever since.

BILL COPPEL:

You know, you're absolutely right. One of the things I wanted to pull on before I ask my next question is that notion that I've seen this myself in the work that I've done consulting with firms. There’s a tendency to want to wait to hire until the revenue’s there is there because of the belief that it's going to cost more.

And the real answer is, it's going to cost you a multiple of more when you don't hire in anticipation of growth. Either you believe you're going to grow or you're not going to grow. One or the other. You can't sit in the middle.

And I've consulted with a number of firms on this front. I said, if you know you've got a plan in place and this is what needs to get done and this is where you expect to be, hire now. In a lot of positions, it takes them six months to just get comfortable in the role where you then can depend on them to make the right decisions and do what they need to do. That's a great point you raised.

I want to shift gears for a moment and draw on your experience from the M&A world for a moment. When you think about the value of a firm, how does the quality of the team, and I know this sounds simple and obvious. Obviously, it matters, but when you really start to crunch the numbers and assign value, how much value can you assign to the quality of a team in valuing the firm?

CAROLYN ARMITAGE:
Yeah, the team members are sometimes the motivator for acquisitions in today's marketplace, where instead of trying to bring somebody in and train them, or to try to hire in such a competitive market and having to pay outsized numbers.

It can be a really good play to merge with or acquire a firm that has some really competent individuals. And certainly, it's absolutely critical when somebody is doing an internal succession. Also, for external successions, the firm that is acquiring the firm is also not just looking at the number one rainmaker, they're looking at the bench strength.

So that number one rainmaker typically has the best relationships with the clients because they convince the clients to come with the firm. Sometimes they're servicing those clients.

What happens when that person retires? Whether it's one year later, two years later, five years later, you need to have bench strength for the team. So, this is where building up your team, while it can cost you in the short run, actually is a strength and adds value to the organization when it comes time to selling.

BILL COPPEL:
So it can possibly affect the value of your firm.

CAROLYN ARMITAGE:
Absolutely. As well as if you have gaps and not enough team members will hurt the value of your organization as well as you probably have a lot of inefficiencies that you weren't able to capitalize on the optimal profitability for the organization as well.

BILL COPPEL:
Makes sense. Makes sense.

RYAN NEAL:
Great. Well, Carolyn, I'm going to start wrapping up our conversation. You're a veteran of the podcast. You know how this works, but we like to leave our listeners with three actionable items, something they can implement and start working on today, whether it's building a team or retaining a team. What are three things to help them gain that competitive edge?

CAROLYN ARMITAGE:
Nice question. So, I would say the first one, starting with the most important one, is having a vision for the organization, vision or mission, whatever you want to call it, but knowing why the firm is there and what they're driving for, their why, as Simon Sinek says. Having a strategy to get there and having guiding values or your non-negotiables for the process and path along the way.

These elements, while you don't think of that necessarily from a hiring perspective, are absolutely important in bringing on and retaining employees. They want to know there's a purpose beyond just processing whatever business they're doing. Why are we doing this? Where are we headed? So that they can follow along and be fully committed. So that's number one.

Number two, I would say is to best utilize your resources. This is on the people side as well as technology. So, from the people side this is both your employees as well as your centers of influence making sure you have the right alignment and you're fully leveraging them to have full employment. Oftentimes organizations may have people with a lot of capacity, and that isn't necessarily intentional. It isn't because they're hiring ahead of the curve. It's just because they're underutilized.

And when you look at that element of waste with technology, instead of just buying the latest, greatest technology tool out there, make sure there's alignment with your purpose and that you're fully utilizing technology tools. Oftentimes I'll see firms having a couple of CRMs for example and neither one of them are being used to their full extent.

And then thirdly, I would say is to really know yourself as a leader, as the CEO, and I know that might be strange but as a CEO the more authentic you are, the more self-aware you are, the more you'll be able to appreciate others' differences and the value that they bring to the organization, and that you will intentionally hire others that don't have your skill set.

Instead of just hiring people that you like or people that are just like you, you actually need differentiation to maximize the value and the optimization of your organization. The last thing you want is to be like the emperor who has no clothes. You don't want to surround yourself with “yes” people, you want to surround yourself with a variety of thoughts and opinions to be able to have all perspectives in place to be able to make the best decisions for your organization moving forward.

RYAN NEAL:
Fantastic, so to sum up, I believe I've got, have a vision for the organization, utilize your resources and know yourself and I'll tweak it a little bit, be honest with yourself, sounds like.

CAROLYN ARMITAGE:
Which is harder than it sounds like.

RYAN NEAL:
Yeah, absolutely.

Well, once again, Carolyn, thank you so much for joining us.

We hope you enjoyed today's conversation. If you like what you heard, please take a minute to like and subscribe wherever you're getting this podcast. Please follow us on social media and thank you for listening.

BILL COPPEL:
And I want to add my thanks, Carolyn, for being with us today. Great insights, and we appreciate you sharing your thinking.

And to our listeners, I say thank you. And watch out for our next episode, where we'll bring you even more insights and actionable ideas to help you grow your business. And remember, the challenge is yours to capitalize on what the future offers.

OUTRO:
If you want to join the conversation or connect with us, please visit us at synergizepodcast.com.

[1] 40% of Advisory Assets Will Transition in 10 Years, According to Cerulli, Cerulli Associates, Published June 13, 2022.

[2] The Financial Advisor Industry Has a Headcount Problem, Cerulli. Published Jan.16, 2024.