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G2: Building the Next Generation

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Who Are G2?

- Not founders
- Have professional experience
- Occupy key positions in their firms
- Considered as future owners or are already owners
- Seen as successors
- Self-identify as future leaders of the firm

What G2 Need

- Opportunity to lead
- Permission to make mistakes
- A chance to take over client relationships
- Training to become better business developers
- Coaching on how to be better mentors
- Encouragement to be leaders

Why A Career Track is Needed

- Inspire confidence in the process
- Create and manage expectations
- Brings a sense of progress to a long development process
- Fosters a sense of fairness

What Careers Look Like

Associate

- Level 3
- Technical focus
- Work with software and data
- CFP® candidate
- 1–3 years

Service Advisor

- Level 2
- Client service focus
- Work with clients
- CFP®/Series 7
- 3–6 years

Lead Advisor

- Relationship focus
- Manage relationship
- CFP®
- 6–10 Years

Partner/Owner

- Business focus
- Manage a team
- 10+ years
- Invested in the company

Non-Advisory Career Track

Operations Specialist
- CSA or Admin
- Technical focus
- Supports a team
- 1–3 years

Senior Specialist
- Higher level of experience
- Trains specialists
- Works on more complex cases
- 3–6 years

Team Leader or Director
- Manages employees
- Responsible for a service area
- e.g. Office Manager, Director of CSA, Human Resources Manager, etc.

Department Leader
- COO, CCO, CTO, et
- Management position
- Usually owner
- Invested in the company

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The Speed of Progress

Top Performers

- Should receive more opportunity
- Training and development
- Exposure to top clients and interesting cases
- Chances to participate in leadership

Not Developing

- Are they blocking the road?
- Are expectations clear and reasonable?
- Is performance truly on par with expectations?
- Are they good teammates?

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The "Lead" Test

- Has responsibility for the client relationship
- Manages the client service team
- Can make changes to the engagement and communicate them to the client
- Accepted by the client as the ultimate authority
- Clients confide in the lead
- Can create additional opportunities with the client

The Qualities of a Lead

- Credibility
- Knowledge
- Professional experience
- Specialization
- Presence
- Hierarchical recognition

Taking Over Client Relationships

- Setting the foundation
  - Always promote the skills and talents of your team
  - Never meet with clients alone
  - Never set an expectation that the client will only work with you
- Identify the right clients
  - Connect well with the G2 professional
  - Are open to giving G2 a chance
  - DO NOT just think of the smallest accounts
- Push the envelope
  - Increase the role and prominence of G2 in meetings
  - Step out of meetings
  - Don’t take them back

Source of New Clients

Source	Industry Benchmark
Client Referrals	**52%**
Professional Referrals	**36%**
Prospecting and Networking	5%
PR, Radio, Articles	3%
Seminars and Events	2%
Direct Mail	1%
Advertising	1%

89% from Referrals

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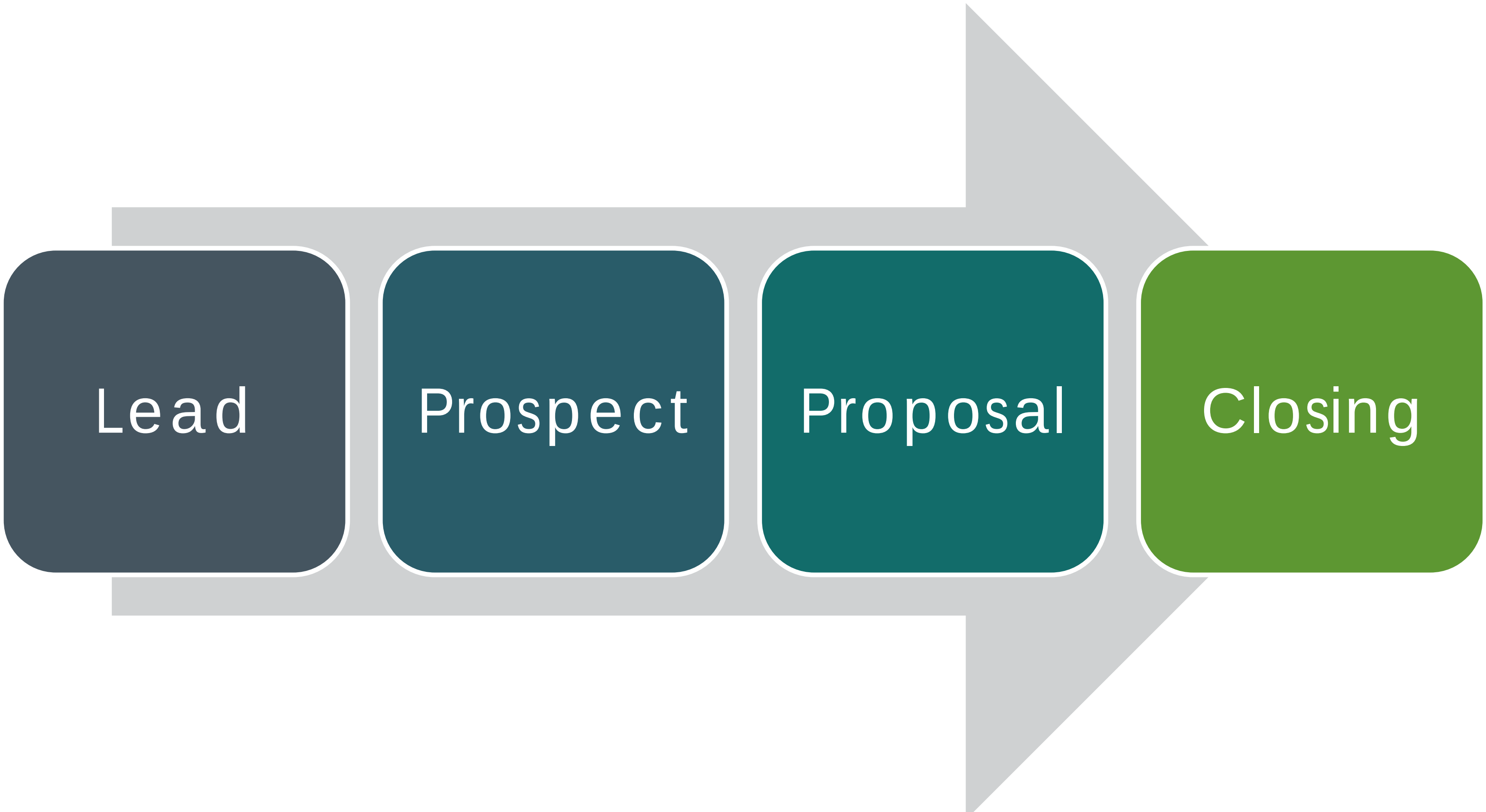
The New Business Process



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Where Firms Can Improve

Need Stage

The Client Desires Change

Awareness Stage

The Client Seeks Providers

Evaluation Stage

The Client Engages with and Compares Providers

Contracting Stage

The Client Evaluates a Specific Solution and the Parameters of Service

G2 As Business Developers

- Find your mentor
- Become an expert
- Devote time to growth
- Begin with existing clients
- Seek exposure and awareness
- Learn to listen and diagnose
- Follow a consistent process
- Have patience

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Balance of Life

- Does “Balance of Life” truly exist?
  - What are the true expectations of your firm?
  - What is the example set by your mentors?
- Miles 20 to 25
  - There is a very tough period in every career that you just have to get through
- Appreciate flexibility
- Train others how to work with you
  - At work
  - At home
- Take care of your energy

Manage Yourself

- Accept and embrace your management and leadership responsibilities
- Learn to communicate well
- “Look at your own plate”
- Learn to have the tough conversations

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Managing People

- Coordinating the activities of a team
- Establishing accountability
- Monitoring results
- Acquiring and maintaining the right resources
- Resolving conflicting priorities
- Providing feedback
- Connecting the team to the organization
- Making recommendations for the compensation and career advancement of team members:
- Hiring and firing

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Managing Up

- ”Give up the right to remain silent” – Sam Allred
- Get involved
- Be constructive
- Take responsibility for your team
- Support your colleagues
- Manage your own expectations

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The Professional, Manager, Leader

The Professional

- Manages client relationships
- Delivers expertise

The Rainmaker

- Develops new relationships
- Promotes the firm
- Works with centers of influence

The Leader

- Sets a vision
- Inspires
- Provides an example

The Owner

- Takes risk with capital
- “Underwrites” the strategy

Why “Partners” Are Important?

- Partners set the “standard” for professional success:
  - Level of professional knowledge
  - Contribution to the firm
  - Example to follow
  - Leadership
- The criteria for partnership articulate:
  - What does it take to be successful here?
  - What really matters?
  - Who are the people who lead the firm?
- What is the economic philosophy of the firm – relationship of profit and compensation
- Sustainability and continuity of the firm

Partnership Philosophy

Partners Are Special

- Being a partner is a ”promotion”
- Partners are held in high regard and expected to lead by example
- Firm leadership comes from the ranks of the partners
- Partnership criteria are highly restrictive – “best and brightest”
- Economic model is focused on partnership:
  - Ratio of 1:3
  - 1:12
  - 1:30

”Public Company Model”

- Ownership is distributed across all employees or many employees
- Being an “owner” is not a step in the career track – it is not a promotion but it could be a reward
- All positions can be owners
- Executive positions and structures drive decisions, much like a public company will
- New equity is frequently issued to allow shares to be available to all contributors

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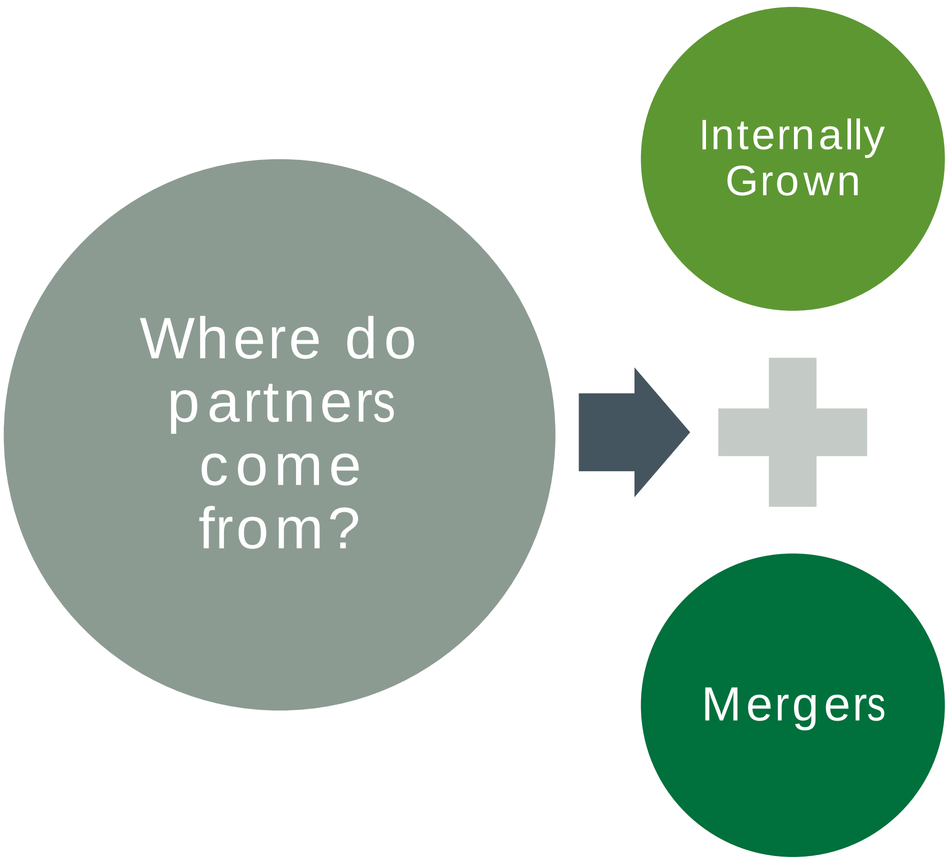
Origin of Partners



- Believe in the culture
- Practice the same way
- Have relationship with the other owners
- Accept the existing structures
- Share the same history and reference points

- Bring external perspective
- Have skills that the firm does not
- Have experience
- May bring more revenue than internal candidates
- Can be better entrepreneurs

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EXAMPLE - Ownership Criteria

- Revenue Contribution
- Ethics and Integrity
- Leadership Qualities
- Entrepreneurial Spirit
- Passion for the firm and its Future (Stewardship)
- Collaborative/Team Oriented
- Great Communication Skills
- Commitment to Excellence
- Commitment to Ongoing Education
- Experience
- Invitation

Buying Equity – The G2 Perspective

- What does it mean to be an owner in my firm?
- Should I buy equity?
  - Do you believe in the success of the firm?
  - Is this where you want to practice for the next 10 – 15 – 30 years?
  - Are you excited to call your colleagues "partners?"
  - Do you derive a sense of fulfillment?
  - Can you create a lifestyle based on your salary?
- Ask the right questions

Why Stability is Important

Younger professionals see their commitment to the firm as lifelong.

Lifelong Commitment

- Lack of stability results in "monsters under the bed" that create a distraction and even frustration.
- When stability is lacking, the firm may experience subpar performance and have trouble attracting talent.
- Mergers also thrive on stability and are often motivated by the lack of stability at the small firm size.

1. Firm asks for a lifelong commitment
2. Non-competes and other restrictions make switching firms difficult
3. Industry is a bit suspicious of "free agents"
4. Homegrown talent has little experience changing firms

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Monsters under the Bed

Thoughts G2 professionals often have (even if founders dismiss them):

- The firm will be sold when our founder(s) retire.
- We can't commit to a vision, as we don't know what will happen when the founder(s) retire.
- Our founder(s) may be around for a long time and never give us the chance to run the firm.
- Control of the firm may be passed to family members who lack experience or expertise.
- We may end up with a bank or private equity firm who changes the culture of the firm.
- What is the point of buying in at $1 million or more if I never have any control or say?
- I am signing agreements that say "you can never leave," but I have no idea where we are going to be in the future. **I feel like a prisoner!**
- I am supposed to bring the firm clients, but I don't know what the firm will be like in 10 years.
- If I buy stock today, how do I know someone will buy it back from me when I retire?

From G2 to G3

- Before you know it, you are no longer the youngest person in the room
- Accept your role as a leader and a mentor
- Make it easier for G3
- Keep the bar high

- Beyond the founders, generations become less distinct and the flow of professionals through the firm becomes more continuous

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The G2 Leadership Institute

What?

- Unique, practical and realistic simulation-based training program
- Develops the management skills of future industry leaders
- Delivered in a team environment to build the leadership skills of the participants
- Delivered by industry experts and leaders

Who?

- Involves the future leaders of the top advisory firms
- Brings together second generation (G2) professionals who are groomed to take key leadership roles
- Creates a peer group and a network for participants

Why?

- The industry is undergoing a "changing of the guard" from the founders (G1) to the next generation (G2)
- Responds to the need for a "pilot simulator", realistic training program with high-impact leadership decisions

- http://ensemblepractice.com/

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Managing Careers

"Given both the scarcity and the power of good coaching, it is entirely possible that a firm's competitive success can be built on a superior ability to get the best out of its people."

- David H. Maister

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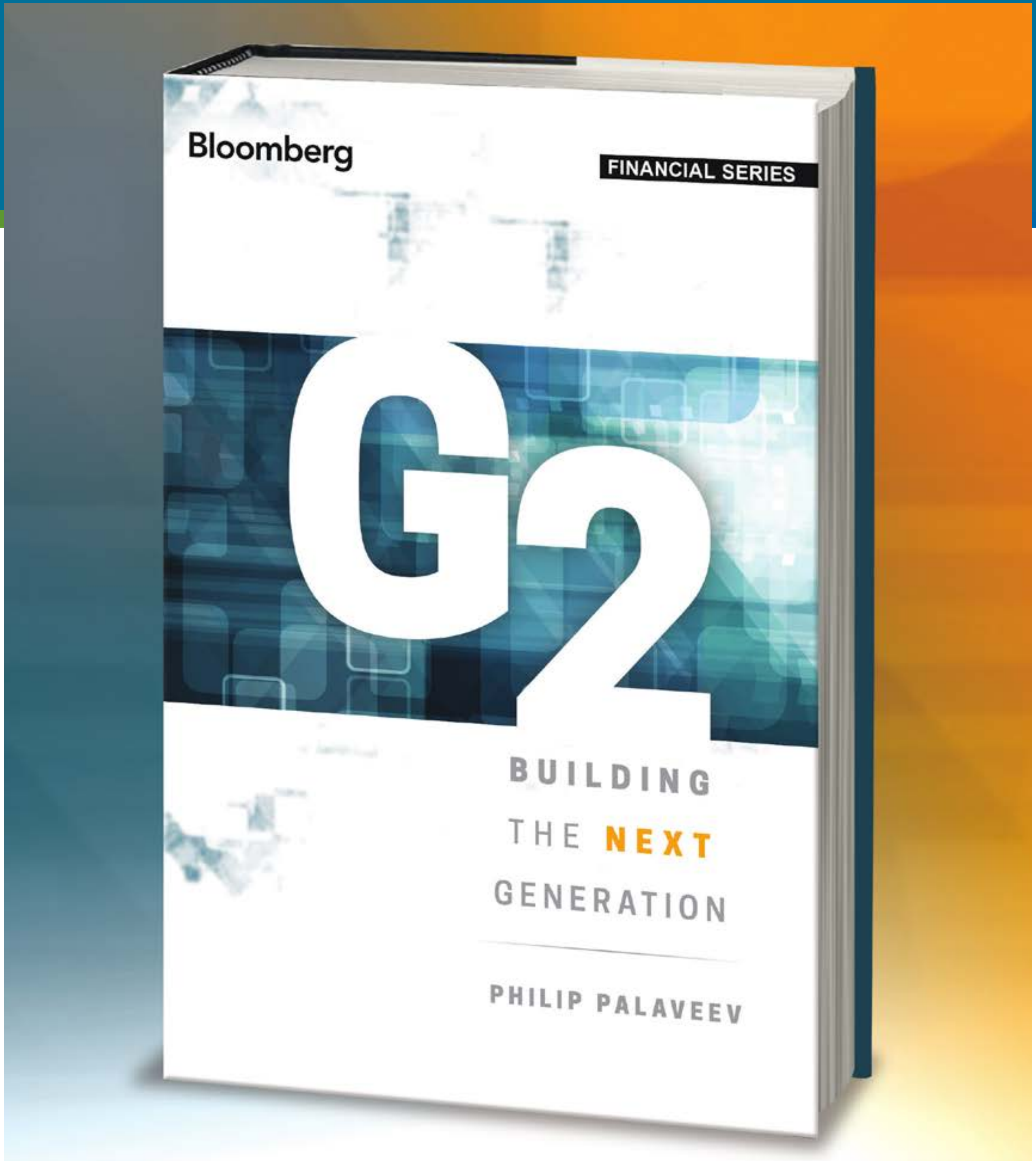
The Importance of G2

- The engines of growth
- The future leaders of the firm
- The source of more knowledge and new specialties
- The door to younger clients
- The key to succession
- The future of the firm



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Thank you