Podcast Transcript
Synergize: Unscripted Conversations to Help Guide Advisor Growth
Episode 14: Carolyn Armitage: Leadership Lessons for Sustainable Business Growth

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:
So Ryan, I think today's topic will resonate with a lot of our listeners. We're finding that the growth strategies that served them well in the past are not necessarily going to help them get to where they want to be going forward.

RYAN NEAL:
That's right, Bill. Everything's changing today so fast, both in our everyday lives and at work, and advisors are no exception. It really comes down to needing to adapt if you want to stay relevant and competitive in today's evolving landscape.

So, with all the challenges that come with running and growing a business, it can be really difficult for advisors to establish and execute on a growth strategy if they want to capitalize on all of the growth opportunities we've been talking about on this podcast.

So today what we want to do is really dive into the specifics of what advisors need to do at the leadership level if they want to achieve sustainable organic growth.

BILL COPPEL:
Yeah, that's right, Ryan, and that's a great question. The right leadership is critical for building a sustainable business. And identifying the right leader isn't always that easy. A mistake I've seen repeated over and over again in our industry is assuming that someone who is very successful as an advisor is going to make a great leader.

There are great leaders and there are great advisors, and I've rarely seen one person successfully wear both hats. For advisors running an RIA, there's a point in time where they need to decide whether they're going to be a rainmaker or the CEO. Our guest Carolyn Armitage is here to help us explore some of these critical leadership issues.

CAROLYN ARMITAGE QUOTE:
Let's face it, most of the advisors in our industry are a driver type personality who really appreciate having some of that control. And as the firm grows, one needs to recognize that you will go through different stages throughout your career and that you'll need to be able to manage yourself and your own expectations and your limits and recognize the value of others and how they play into your success. When you can accept and adapt, that's when you'll be able to get through each one of the growth cycles that you find yourself in.

BILL COPPEL:
Carolyn is an industry veteran and a wealth management consultant providing a range of services, including strategic planning, leadership development, and talent management. Carolyn, thanks for joining us.

CAROLYN ARMITAGE:
Thank you, Bill. Thank you, Ryan. It's a pleasure to be here.

BILL COPPEL:
Let me start with this question. Carolyn, you've been a financial advisor. You've held a variety of leadership roles in the wealth management industry. In your consulting work, what are some of the biggest pain points you're seeing for RIAs seeking to grow?

CAROLYN ARMITAGE:
So I think there are so many options for advisors. And of course it depends on where they are in the growth cycle or their business cycle and what they're looking to achieve. I think sometimes advisors forget the core fundamentals, which are managing yourself first, managing your team and then executing or managing the projects.

And that lack of focus can make the business and really themselves and the team not operate like a team and not operate optimally. So, for example, you'll find a lot of advisors who become CEOs. They start off as very successful individual producers, and their success attracted others to them and their organization, which is terrific. And that leads to really early hockey-stick growth.

And then as you add more people, that very successful individual advisor struggles to maintain the control that they had in the beginning. And let's face it, most of the advisors in our industry are a driver type personality who really appreciate having some of that control.

And as the firm grows, one needs to recognize that you will go through different stages throughout your career and that you'll need to be able to manage yourself and your own expectations and your limits and recognize the value of others and how they play into your success, and having that awareness of yourself and that appreciation and acceptance that you can't do it alone and that you can't control everything and be all-knowing in all of your different departments and firms, that you need to rely on others. When you can accept and adapt, that's when you'll be able to get through each one of the growth cycles that you find yourself in.

RYAN NEAL:
Let's dive into that for a minute because I love this idea. The advisor working at a larger firm maybe is very successful, great at working with clients, decides to go independent, things are going pretty well, but if they want to get to that next level, there's more that comes into it, right? There's more complexity. And not every advisor that did all those great things and brought in clients and great managing money and financial planning and all that stuff isn't necessarily gonna be good at running a business. I think like in journalism, I saw all the time, really excellent reporters got promoted to editor, not the best editors, they're not the best at managing folks.

So, what do advisors need to do? How can they do that, especially, as you said, they like to have control, what can they do if running a business isn't their forte, but they do want to keep growing?

CAROLYN ARMITAGE:
Yeah, there are so many options today, more than there ever have been in the history of the financial services industry really, in that advisors can very easily plug into another organization that has all of their back-office middle-office functions. Or they can also hire consultants and independent contractors to help them for most of their business, right, you can outsource your compliance elements, you can outsource virtual admin help and receptionist work, you can outsource for mentors, strategic leaders, coaches, to really help guide you.

And part of the heavy lifting with the asset management side, we find a lot of advisors these days are outsourcing to TAMPs to take off that heavy lift of needing to manage the assets locally in-house.

And all of that keeps the advisor more in their kind of happy place in dealing with clients and servicing and making those services better each and every day.

BILL COPPEL:
So let me follow up on that, Carolyn, because my thought here is that we tend to think of the world in absolute sections, right, absolute moments. It's a very, you know, today we're gonna do this, and tomorrow we're gonna do that. We've got to figure out who's gonna lead the business. And what I've found over time is that it takes time for these things to happen, right? And so, for example, could you outsource the role of CEO as sort of a bridge to figure out who the right person is to lead your firm?

CAROLYN ARMITAGE:
Yes, so a lot of advisors will utilize a fractional CEO. For example, I do that with some of my clients. And what I do is I come in on a strategic basis to help them figure out which path to go down, what their priorities can be, sometimes what their strengths are, right? It's hard to really see your label inside the jar.

And so, advisors don't always have the objectivity that an outside consultant can have. Sometimes they hire consultants for validation of their thoughts that they want to go down in their strategic paths. Other times they truly have confusion, and they want someone to bring clarity to the situation. So, think of it like a business coach of someone helping them measure the right KPIs, help them through the leadership challenges of managing people, which we are in a people business.

The largest expense item on your income statement is the human capital side. It is the most complex and it needs never-ending nurturing just like your client relationships do. Remember that your employees are your first internal client before you even get to your end clients.

BILL COPPEL:
So how would you advise, "I started a firm, I was very successful, I've attracted some other very successful advisors, I've been leading this effort." How would you coach me around knowing when it's the right time for me to step aside or make a decision whether I'm going to be a rainmaker or a CEO?

Share your thoughts around what are the kind of triggers that as an advisor I should be thinking about, and I should be considering it's time for me to pick one or the other?

CAROLYN ARMITAGE:

Yeah, it's a great question, Bill, and I've dealt with some dysfunctions in organizations more times than I would like, quite frankly. They can be very challenging situations. And what I mean by that is, it's very difficult for us driver types to recognize and understand the signals that we get. We kind of dismiss them as a one-off or situational and driver types like to do it all. And it's hard to take a step back and admit and accept that they themselves can't be good at everything, that there are weaknesses, that there are people that could be better doing certain elements.

That first step is admitting that there's an issue, and that can be really challenging for advisors to admit and accept. So, oftentimes, unfortunately, advisors do have some type of breaking element before a change is undertaken. So some of those elements may be a loss of a key employee, that they find that there's no joy anymore in the organization, where they're kind of dreading whether it's a client calling them or dealing with employee issues, or doing a business… like the fun’s out of it anymore then that means they have gotten into too deep too complex of ownership of issues and they need to share out some of that accountability with others so that they can get back to their happy spot and spend their time for their best use and where they really love the business. You know, most advisors got into this business because they want to serve clients and they love helping clients.

If ever you start to lose some of that joy where you can't wait till it's 5 or 6 o'clock for you to leave, that’s a signal that needs to be paid attention to. That something needs to be outsourced, something needs to be shared with others of your responsibilities.

RYAN NEAL:
Yeah, I love that phrase, that term you use. Is it the fractionalized CEO? Is that right? Yeah, I think we actually gave a shout out to that at a recent conference. One of our executive leadership used that term.

I really love it. Because to me, it's that visual of being pulled in so many different directions and having to do things that aren't your skill set. That being forced to be a jack of all trades, master of none, rather than leaning into what really made you successful in the first place.

BILL COPPEL:
Ryan, it's like, you know, oh my God, we need a new roof. Now I've got to figure out where I'm going to get the contractor to do the new roof, and all the detail around that. It's just maddening. If that's not your focus, it's not helping clients.

CAROLYN ARMITAGE:
Well, imagine if you had to go out and source all the materials and determine what type of nails to use and how long they need to be and the material they're being made of and hire all the different personnel, being your own GC. That's a lot of elements that are probably outside of your skill set.

BILL COPPEL:
That's right, and that's broader than, you know, we're using that sort of construction analogy or metaphor, I should say. But the reality of it is that so much of leadership is involved with so many of the things that aren't even directly connected with generating revenue or bringing in new AUM.

RYAN NEAL:
Right, well, that's why I live in New York, and I rent an apartment. So, it's like outsourcing my house, I guess. Other people could fix everything for me.

So, I guess what I want to ask about is, where does M&A fit into this picture? I guess kind of two parts. With two firms coming together, how do multiple people that maybe have done a lot and wear a lot of hats and have different, very controlling personalities, they're coming together. How do you navigate that?

And then also for advisors, looking to transition out of the business, leave a legacy, what does all this mean for them?

CAROLYN ARMITAGE:
Yeah, those are great questions, Ryan. So, to take the first one, I think it is important to call out that the vast majority of advisors in our industry are not participating in M&A today, right? We hear about it a lot because it's very interesting, it can be very profitable, and it is part of the evolution of our industry.

We have been moving from this cottage industry to very large-scale, professionally run organizations. And that has led to quite an evolution for the types and sizes of businesses that we have. The vast majority of advisors are keeping their head down, serving their clients and not considering M&A until it comes time for their own succession.

So, I do think M&A plays a very important part in the succession whether it's an internal succession or an external succession and advisors do need to educate themselves and most importantly, have something documented, whether it's a continuity plan for those unexpected retirements, as well as a succession plan for the intentional retirements. So, M&A is a terrific way to provide some scale and actually a lot of times M&A is being done from a talent perspective as well to bring in those value-added resources that maybe one of your local competitors have.

And so, if you can put your ego in check and understand that you're better together than separate and what got you from your early point in time to here are not the same skill set that will take you to the next level.

If an advisor can set aside some of their ego elements, which frankly is often not done on their own. It takes a great deal of effort, awareness, self-assessment, some of that reality discussion, so that they can come together and start to share, cooperate, collaborate, and work with another advisor in their office and their ideas.

And frankly, the same discussion needs to happen when you're doing an internal transition as well, because oftentimes there's that kind of parent-child relationship for an internal transaction that those issues need to be overcome so that it can be more of a peer-to-peer relationship and that usually doesn't happen in isolation.

BILL COPPEL:
Yeah, what's interesting about that Carolyn, as I think about it. And I see this an awful lot with firms where, again, they're struggling to make decisions. They all want to be in on the decision-making and what it ends up doing is it ends up distracting all the producing advisors.

And so that notion of being very democratic in a business structure doesn't always work, which leads me to this question. Leadership's a critical issue. And I also believe that how you organize yourself, the structure, your decision-making apparatus is equally as important. And I think that as one of the telltale signs of a great advisor becoming a CEO and struggling is the notion of looking for buy-in from everyone on a decision they're making. And that's not always going to be easy to do. Talk to us a little bit about how you would coach an advisor in a leadership role about how to go about making a decision.

And the distinction between leadership and not leadership is to, as a leader, you want to create a condition where people are following you or following your lead. Share with us how you would coach somebody in making that transition from "How does everybody feel about it, do we want to do it, all for one or and one for all" or "This is the direction we're going and here's where we're going."

CAROLYN ARMITAGE:

Yeah it's a great source of conflict for firms that you're bringing up Bill and so I think as firms are smaller let's talk about the practices, those under $250, $300 million in asset under management and even those that are under a billion dollars, the decision-making quite frankly is much easier because it usually rests with one or two or maybe three founders, owners of the firm. And so usually it is that decision where those owners make the decision and let everybody else know the direction you're going in.

As the organization gets bigger, this is where you'll need to have that leadership team, and you do need to bring employees along with you. So how do you get them to follow you and your ideas? It all boils down to trust. It's trust and respect. All employees, even if they don't have a vote, they want to be seen, they want to be heard.

And really, that's true of everybody, right? In your relationships, you want to be seen and heard and appreciated. So, leaders need to understand that about their employees too, to help bring them along in the process.

So as a leader, you don't want to ask more of your employees than you're willing to do on your own. You want to be as authentic and real with your people as you can.

If you're going through pain points in your life, whether it's personal, whether it's health-related, whether it is financially with the business. If there's some strife that's going on with the business, let's say you're going through an audit or let's say you're being sued by somebody. You need to be real and not try to sweep those issues under the rug and not talk about it. Because employees know, they sense it all.

Just kind of like children in a relationship, they know when mom and dad are fighting. They know those issues are there. So be real and talk about them. And there's real value in just discussing what some of those issues are. So as transparent as you can be, unless there's something very sensitive, like with a particular employee, obviously, that wouldn't be broadly shared. But as you can share the successes and struggles of your business, or you personally, the more you'll be bonding with folks, the more they will trust you and empathize with what you as a leader are going through.

So, you really need to see the team, truly appreciate the individuals as well as a collective team for who they are and be humble enough to ask for their help. And that can be challenging for a newer CEO, as they were, in the past, they have been used to providing all the answers, and as you get to a larger and larger organization, more complex issues, you're not gonna have all the answers, and it can be really humbling to say, hey, I need your help, let's brainstorm this idea, how can we solve for this?

And so that leadership, you really need to demonstrate that you care and that you trust your team.

RYAN NEAL:
Yeah, a common refrain I keep hearing you come back to is that self-realization, that getting past the ego, getting past some of your instincts. I know Tom Wolfe, one of my favorite writers described it for stockbrokers specifically, the masters of the universe, right, kind of getting out of that mentality. So that's great.

Well, Carolyn, to wrap up our conversation, what we like to ask our guests are for three actionable things that leaders can be thinking about if they want to build a business that's sustainable beyond its founders. So maybe just sum up our conversation, three actionable items that our listeners can take away.

CAROLYN ARMITAGE:
Yeah, that's a great one, Ryan. If I may, I'd like to break the rules a little bit and offer up five instead of three.

RYAN NEAL:
Oh, wow, bonus. All right, love it.

CAROLYN ARMITAGE:
They're quick. I promise we're not going to go over time. So, the first one, clear communication is really a key theme among all the elements to make your business work.

In order to affect change in your organization and being able to evolve. First and foremost, you need a vision of where you're looking to go.

Your team needs the skills to be able to do the work, do the change that needs to happen. The employees want incentives in order to do new, more difficult work. And they need the resources, the tools.

And then lastly, the action plan. So, it's really these five elements. And if you have all five elements, you will have effective change.

If you're missing any of those five elements, you're missing the vision, folks will be confused. Why are we doing this? If they don't have the skill set, they'll have anxiety as to, I don't think I can do this, I don't like this, and they'll start to look for something else.

If they don't have the incentives, they're going to have a lot of resistance. They're going to say, eh, I don't want to do it. I'm going to do it the old way. And if there's no resources, they'll be frustrated. And if there's no action plan, you're going to have a lot of false starts and go off in a bunch of different directions. And obviously that'll lead to undesirable consequences.

RYAN NEAL:
Great, so let me see if I can recap. Clear communications, a vision of where to go, the team needs the skills and incentives and the resources to execute on that and then the action plan.

CAROLYN ARMITAGE:
Yes, you got it. Thank you.

RYAN NEAL:
Fantastic. Well, thank you, Carolyn. And for everyone that listened, we hope you enjoyed today's conversation. If you like what you heard, please take some time to subscribe wherever you're getting this podcast, like, follow us on social media, all that great stuff. And thanks again, Carolyn, for joining us.

CAROLYN ARMITAGE:
My pleasure. Thanks for having me.

BILL COPPEL:
Thank you, Carolyn. And to our listeners, I thank you. And I ask you to 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.

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