

# Mastering strategic planning

A practical guide to  
charting your firm's future

**NEW EDITION**

GPS

Guiding Principles Series™

## About Schwab's GPS Guiding Principles Series™

The Guiding Principles Series (GPS) is based on the Guiding Principles for Advisory Firm Success, a foundational framework that helps advisors address the complexities of growing their firms and creating enduring enterprises. Grounded in the best practices of leading independent advisory firms, the GPS delivers relevant and timely information to help advisors solve their unique challenges and strategically manage and grow their firms. The GPS includes industry-leading studies, resources, and tools from Schwab that are designed to help advisors explore innovative concepts and obtain new insights as they set the strategies that propel their firms to new levels of growth.

For more than 20 years, Schwab Advisor Services™, the leading custodian of more than 15,000 registered investment advisory firms, and Schwab Business Consulting and Education have been working hand in hand with advisors, leveraging our deep expertise in core business issues to help firms achieve their goals and gain competitive advantage. Schwab's collaborative approach leverages the guiding principles to help advisors benefit from the proven practices of the industry's most successful RIA firms.

Visit [advisorservices.schwab.com/guidingprinciples](https://advisorservices.schwab.com/guidingprinciples) to learn more.

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Effective planning and execution is a leading indicator of success



Value is defined through your clients' eyes



Operational excellence creates greater capacity for clients



Your reputation is your brand



People are your most important asset

# GUIDING PRINCIPLES FOR ADVISORY FIRM SUCCESS

## Foreword

Over 10 years ago, I joined a team within Schwab that was at a crossroads. We thought there was a way we could really help advisors with a set of key topics, along with step-by-step guidance that would make a big difference as they built and grew their firm. The first place we tested that new approach was here: building a strategic business plan.

Building a strategic business plan is a foundational step to setting up a firm for success, clarifying what's most important for the future, and getting firm leaders—and ultimately all employees—on the same page. And, it's also a place where the work is never done—where we can come back and help firms set themselves up for continuous, long-standing success.

The results have been astounding, far surpassing our expectations when we first launched this program. Through the years, we've seen firms:

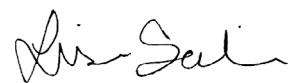
- Engage in hundreds of strategic planning consulting engagements with Schwab's Business Consultants.
- Invite us to many firm off-sites to help get partners on the same page and drive true alignment.
- Effectively make their strategic plan a way of life—from hanging a poster in their breakroom to quarterly check-in meetings to measure success, to using goal attainment as part of their individual, team-based, and firm-based incentive compensation targets.
- Achieve their five-year goals within two to three years, and then ask us to come back and help them with their next set of top priorities.
- Tell us years after participating in our strategic planning program that the process brought such needed alignment among their leadership that it was actually why the firm did not split apart at a critical juncture.
- Assign their rising partners a key goal or priority to own as a step in their path to partnership. With full mentorship of a senior partner, these second- or third-generation leaders took responsibility over an area that is critical for firm success and learned how to deliver outcomes very different from their normal job of working with clients.

- Leverage their strategic plan to help achieve specific goals, such as acquiring another firm, or to clearly establish the direction and intentions of their firm in the event they are being acquired.
- Report completely unexpected “wins” such as communicating their plan to their team and having their highly dedicated next-gen employees tell them, “Thank you. Seeing this helps me articulate why I've stayed here all these years. My friends don't understand why I've been at the same firm for so long. It's because of our purpose and values, and this really helped me see this better.”

It's with these successes in mind that we are republishing our Mastering Strategic Planning white paper. While some examples and thoughts have been modernized, so much of this holds true even a decade later.

As I look back, a few things stand out. First, strategic planning is a game changer. We believe so strongly in this that the Business Consulting and Education team has developed a wealth of programs to help firms of any size build and implement a strategic plan. Second, thank you to the countless firms who have worked with us or implemented our methodology to build a plan that has led to success. Hearing your stories and seeing your wins has been a highlight for all of us, and the results you have achieved—your hard work, dedication, and commitment to implementation—have surpassed our wildest dreams from over a decade ago.

Enjoy!



**Lisa Salvi**

Managing Director, Business Consulting and Education  
Schwab Advisor Services





## Introduction

Since its origination in 2015, Virginia-based ACIMA Private Wealth has enjoyed strong growth, surpassing over \$250M in assets under management (AUM). But the firm's founder and President, Gary Gore, realized they'd reached an inflection point driven by the very success they'd created. ACIMA's initial growth was based on attracting one client—one family—at a time through a holistic and unique client experience that somewhat resembles that of a family office.

As the business grew, however, decisions on how to grow the firm and drive the client experience forward were becoming more reactive. Further, those decisions were made collectively by a leadership team who had never worked together before. “We had differing opinions and different viewpoints on how to do things based on our unique backgrounds,” Gore says. Lacking a clear direction forward and selecting one solution over another without any structure became the norm. As a result, complications began to emerge in the form of unsustainable processes. “We had real issues with capacity and people being bogged down because of the processes we had created by shooting from the hip,” Gore adds.

Compounding the problem, the firm realized they were dedicating a lot of time to their investment management approach and allocating less attention to the core elements of their offer: a high-touch, highly customized experience. “We were spending a lot of time in the investment part of the business. Further, we were finding more challenges in how we were managing our investments and processes, which usurped our value proposition,” Gore explains. “But that's not what really makes us different. It's about the experience.”

It was then that ACIMA realized that to continue growing, they needed a purposeful and dedicated planning process in order to support the holistic, multigenerational value proposition the firm had developed. “We needed to have a plan to understand how we're going to grow the business from that point forward over the next three to five years,” says Gore.

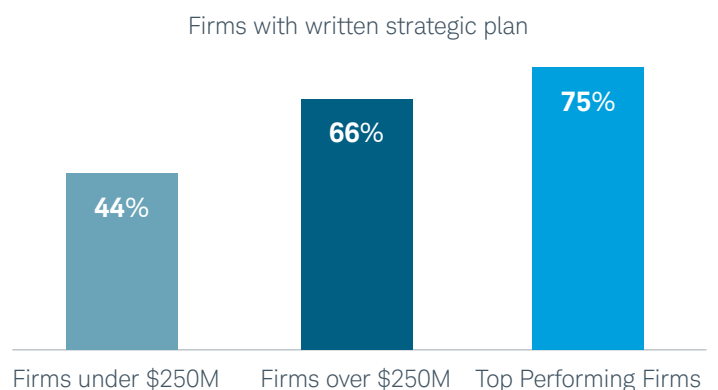
Schwab's 2020 RIA Benchmarking Study reveals that the majority of registered investment advisors (RIAs) consistently place growing their firm at the top of their business initiatives, with 42% citing the acquisition of new clients through client referrals as one of their top priorities, while 26% prioritize acquiring new clients through business referrals. The study also shows that 75% of the Top Performing Firms—the firms who excel in the most important aspects of running a business, regardless of their size or life cycle (see Figure 1)—have a written strategic plan.

The discipline of strategic planning is a powerful tool that many successful firms use to grow profitably. It can help firm leadership manage the increasing complexities of a growing business and navigate an operating environment that has become more competitive. Upon engaging in a multi-week strategic planning process facilitated by a Schwab Business Consultant, ACIMA was dedicated to defining who they are and where they were going, setting clear and measurable goals to help them move closer to their firm's vision for the future. Establishing goals and putting the steps to achieve them in writing gives a leadership team—and the firm—a shared understanding of the future and how to get there. By going through the strategic planning process and reaffirming their vision, ACIMA has been able to not only make strategic trade-off decisions and align firm activities, but also reshape their commitment around what truly makes

them different—providing a different experience of wealth management that is centered on collaborative relationships, a commitment to excellence, and a personal level of care for clients.

FIGURE 1

### Strategic plans support firm performance and endurance



Top Performing Firms are those that rank in the top 20% of the Firm Performance Index. The index evaluates all firms in the study according to 15 metrics to arrive at a holistic assessment of each firm's performance across key business areas.

## The Firm Performance Index: Top Performing Firms

Schwab's Firm Performance Index helps RIAs assess the strength of their overall business by looking at 15 key metrics. The goal of the index is to help advisors identify strengths and potential opportunities that align with the Guiding Principles for Advisory Firm Success, a foundational framework that helps RIAs navigate the complexities of growing their businesses.

The index evaluates all firms participating in the study, encompassing all sizes and life cycle stages. It takes into account the most important aspects of running a business: growth in clients, assets, and revenue; client and staff attrition; operating margin; time spent on client service and operations; and the use of standardized workflows. The index also factors in documented strategic plans, succession plans, ideal client personas (ICPs), and client value propositions (CVPs). Top Performing Firms excel in these areas, ranking in the top 20% of the index overall.

### Top Performing Firms excel across key metrics

Metric	Top Performing Firms	All other firms	Multiple
Growth in assets from new clients in 2019	8.3%	4.1%	2.0x
5-year client compound annual growth rate	11.3%	4.2%	2.7x
Client attrition	2.2%	3.7%	0.6x
Staff time spent on client service (higher percentage improves rating)	61.8%	55.9%	1.1x
Staff time spent on operations (lower percentage improves rating)	26.3%	30.0%	0.9x
Firms with a written strategic plan	74.5%	54.2%	1.4x
Firms with a documented ideal client persona/profile	68.0%	54.1%	1.3x

Note: Median results unless otherwise noted. "Top Performing Firms" are those ranked in the top 20th percentile of the Firm Performance Index. "All other firms" are those ranked below the 80th percentile of the index.

## Guiding Principle: Effective planning and execution is a leading indicator of success



Growing your firm requires focus, strategic planning, and an innovative mindset. Establishing a shared vision for the future, creating alignment, and driving effective execution power your growth engine and provide a clear understanding of the future and how you'll get there.

If strategic planning is so critical to firms' success and growth, then why do so few have a written plan in place? Only 66% of firms with \$250M or more in AUM have a plan, while only 44% of firms under \$250M have one. It's because strategic planning is not an easy exercise. It requires discipline in stepping away from day-to-day business issues and a commitment to follow-through.

To help firms move their strategic plan forward, this paper breaks down the strategic planning methodology into manageable steps. Whether you are focused on growth or another goal, this paper will help you:

- Understand your firm's values and purpose, and define a vision for the future of your firm.
- Assess the internal and external forces affecting your firm so that you can stay competitive in the years to come.
- Formulate top priorities that drive business value and develop strategies to achieve them.
- Set long-term and annual goals that will be the focus of your firm's resources and time.
- Develop an implementation plan and align individual responsibilities.
- Ensure consistency and alignment among your firm's initiatives and its vision, goals, and strategies.

The step-by-step framework includes some of the most applicable concepts from experts in the field and provides real-world examples to illustrate how different RIA firms have developed a disciplined planning process and applied strategic planning for their business.



### **Take Action:** Business Consulting and Education strategic planning programs

In conjunction with this paper, Schwab has created a set of programs and tools to help advisory firms build and implement their strategic plan.

- ✓ **On demand:** Building Your Strategic Plan
- ✓ **Virtual Insight to Action workshops:** Mastering Strategic Planning  
Talk to your Schwab team for more information.

Please see page 31 for a full list of Additional Resources.

## The importance of strategic planning

For most independent RIA firms, growth is the top priority. However, growth often increases the complexity of a business and the infrastructure that supports it. In addition, as the RIA industry continues to mature, the external environment in which advisory firms operate is increasingly competitive and complicated. These two forces—one internal and one external—make accelerating growth and maintaining profitability challenging for many advisors. Management teams will have to make intelligent choices among a growing set of options and execute focused strategies as they evolve their firms. Now more than ever, the discipline of strategic planning will prove to be a critical tool for success.



The strategic planning process was helpful in allowing us to take a deep breath, get our thoughts back together, and set a clear path on how to get there.”

### **Gary Gore**

President and CEO  
ACIMA Private Wealth

Strategic planning is a systematic, documented process for determining long-term vision and goals and identifying a sequence of steps to achieve them. According to Michael Porter, Bishop William Lawrence University Professor of Harvard Business School, strategic planning involves:

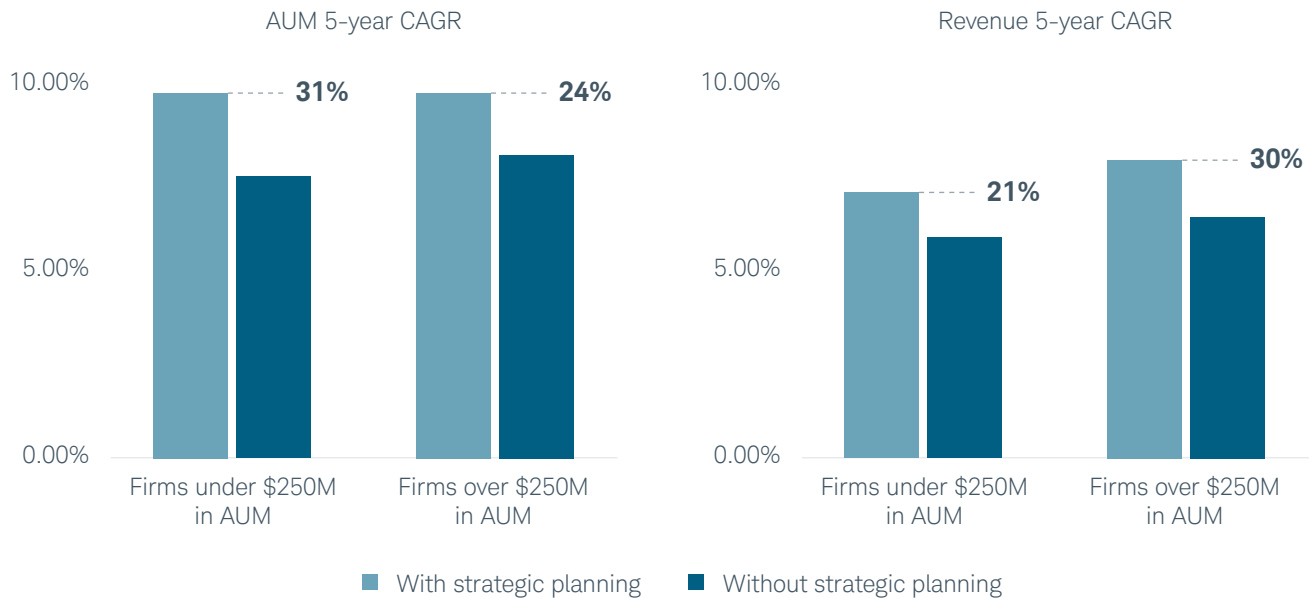
- Creating a unique and valuable position and aligning different sets of activities to support it
- Creating a tight fit among a company's activities
- Requiring management to make trade-offs among competing priorities—choosing what not to do<sup>1</sup>

For firm leaders, strategic planning can be an invaluable tool, helping them manage the challenges and key decision points they will face during different phases of their firm's life cycle.



FIGURE 2

## Firms with a strategic plan tend to experience more growth



### Complexity increases as firms grow

Growth is important because it can drive firm value and sustainability, and it has clear benefits for the firm, its clients, and its employees, as well as long-term benefits for firm owners and their successors.

According to Schwab's Benchmarking Study, most advisors place growing the firm at the top of their business initiatives, and while many cite growth as a key focus, those with a strategic plan tend to see better results. Figure 2 shows that firms under \$250M in AUM that have a strategic plan experienced 31% more AUM 5-year CAGR (at the median) than firms without a plan. Among firms with over \$250M in AUM, the AUM 5-year CAGR was 24% greater. Other data show similar results, with a 21% greater revenue 5-year CAGR (at the median) among firms under \$250M in AUM with a strategic plan and 30% greater among firms over \$250M in AUM with a strategic plan.

However, building an efficient, profitable, and scalable business that provides high-touch, high-quality client advisory services to an increasingly sophisticated client base is not easy. Growth and a larger firm typically mean managing additional business complexities supported by more people with specialized skills, more complex business processes, and a more sophisticated technology infrastructure. Having a plan to navigate these increasing complexities is critical as firms grow.



Planning helped us truly get back to what makes us different and spend more energy focusing on that difference. When you are small you have to be very efficient, and when you grow, it has to be sustainable."

**Gary Gore**  
President and CEO  
ACIMA Private Wealth

### External environment becomes more challenging to navigate

The RIA industry has been the clear market-share winner in financial services in recent years as the high-touch model continues to resonate with investors. This degree of success also generates a lot of attention and competitors have taken note, often attempting to emulate aspects of the independent model in captive or semi-captive environments. Additionally, regulatory changes and evolving client needs have continued to complicate the business environment. These forces put pressure on firms and, in addition to the increasing operational complexities that come with size, underscore the need for effective management and strategic planning.



Planning is a way of life for us. Nothing happens without a plan. I started planning from the beginning and it has helped propel my business forward.”

**Chuck Bean**

Principal and Owner  
Heritage Financial Services

Competition is increasing as more advisors continue to shift to the independent business model. Between 2019 and 2023, market share in terms of advisor headcount is expected to increase for firms with dually registered advisors and RIA-only firms from 21.5% to 23.9%.<sup>2</sup> The increased number of advisors competing in the independent space can make it harder for RIA firms to differentiate themselves among prospects. In addition, firms will likely find it challenging to attract and retain employees because there is more competition for a limited pool of experienced employees. In fact, results from Schwab’s RIA Benchmarking Study show that 73% of advisory firms plan to hire new employees and that 39% report recruiting from other RIAs the previous year. A growing firm that differentiates itself with a well-defined strategy is typically better able to attract and retain both clients and top talent.

At the same time, there is an upward pressure on the costs to serve clients as firms continue to add additional services, such as charitable planning and family education, to compete and deepen their value proposition (see Figure 3). Margin compression poses a real challenge for firms as client service expectations and needs evolve. Firms must adapt their response and align their business and service delivery models to optimize both the client experience and firm performance.

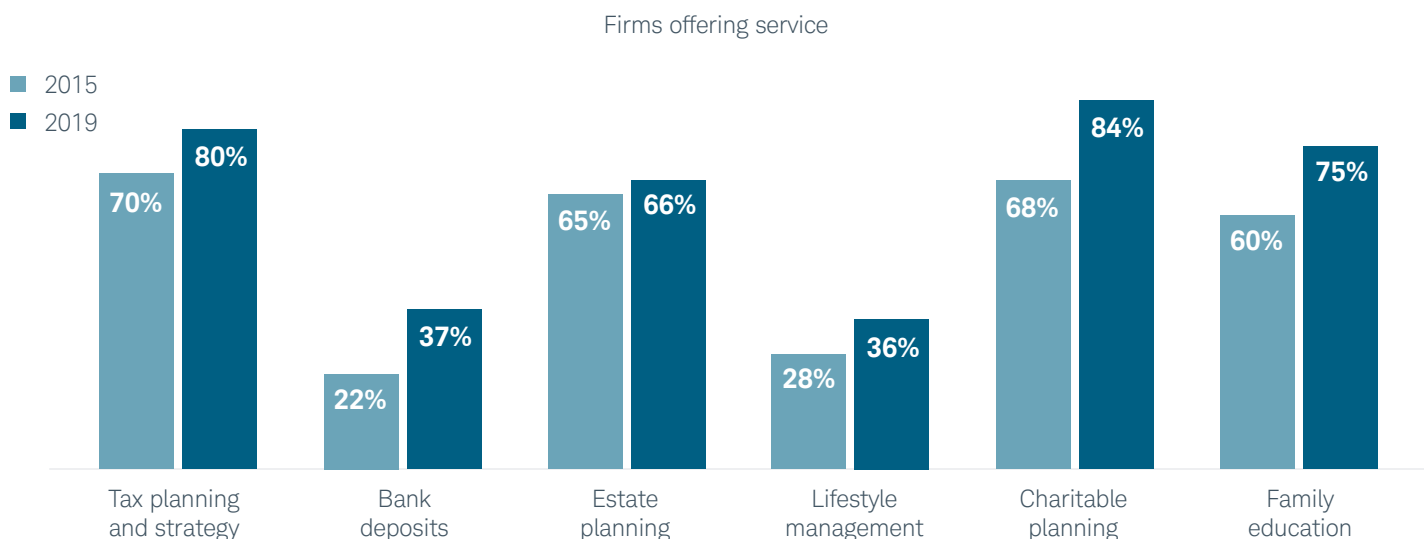
In addition to competitive pressures, the regulatory environment is also putting upward pressure on the ability of firms to differentiate themselves in an increasingly

competitive market. Form CRS requirements passed in 2019 under Regulation Best Interest calls for investment advisors and broker-dealers to prepare and deliver a client relationship summary that provides information about their investment-related services. Further, Form CRS disclosure mandates the use of boilerplate language for both investment advisors and broker-dealers. Advisors not leveraging their firm’s website to differentiate the services and experience they provide may find it difficult to stand out from broker-dealers, who now must also state that they have a “best interest” standard in place when providing recommendations to clients.

Growth in an evolving and maturing market comes with risks as well as rewards. Whether modifying a service offering or making an investment in technology infrastructure, the strategic planning process can help firm management navigate a fast-changing environment, balance risks, and maximize opportunities.

FIGURE 3

**Firms increasingly offer value-added services to compete and deepen their value propositions**



Results from the 2016 and 2020 RIA Benchmarking Study from Charles Schwab. Results for all firms with \$250 million or more in AUM.



## Why strategic planning matters

Firms face important choices during different stages of their growth path, and the ones that outperform their peers are those that set a solid plan, assign ownership, and consistently communicate their progress. For these reasons, it is imperative that every firm have a written strategic plan that is updated annually, and that firms refer to their plan as they make key strategic decisions. The strategic planning process helps firms to:

- **Define a road map to build value.** It describes a future you envision for the firm, as well as the goals, strategies, and initiatives to achieve it. Careful planning for growth can help firms manage risks and take advantage of opportunities.
- **Enable and drive profitable growth.** It forces a company to plan for growth by establishing the infrastructure necessary to scale the business. It can also drive growth by guiding a firm to create a differentiated competitive strategy with an

offering that resonates with their ideal clients—those who understand and appreciate a firm's value proposition and who are a best fit based on the experience that firm offers.<sup>3</sup>

- **Ensure consistency and alignment among initiatives and firm vision, goals, and strategies.** It helps firms make decisions that are consistent with a defined vision and goals. Consistency and alignment among vision, strategy, goals, and initiatives are characteristic of the world's most enduring businesses, helping them stay focused on things that matter and avoid those that don't.<sup>4</sup>
- **Focus and align firm leadership, staff, and activities.** A defined plan will help firm management align staff with a defined set of priorities.
- **Direct investments and hiring.** A strategic road map helps firms know where to invest resources and how to round out their organization with employees who possess the right skills.

## Strategic planning framework

Strategic planning can be an invaluable tool to help firms manage the challenges and key decision points they will face during different phases of their life cycle. Nearly all firms formalize planning at some point as an imperative to maintain profitable growth, and firms of all sizes can and do benefit from developing a planning discipline early on. As with any planning exercise, opportunities and options increase with early preparation.

The six-step planning framework (see Figure 4 on page 10) is designed to help you be successful in the strategic planning process by effectively focusing your time and energy in a sequential, step-by-step process that answers the basic questions discussed below.

The first four steps in the process form the foundation of your firm's strategic direction: firm purpose, values, and vision; situation analysis; top priorities; and strategy development. The final two steps guide you in defining long-term and annual goals, as well as quarterly implementation plans.

### ● Step 1: Who are you?

In Step 1, you'll define your firm's purpose and values. This is where you describe your firm as it is now and its intrinsic reason for existing—the soul of your firm. Then, you'll identify the core values that describe what is important to your firm.

### ● Step 2: Where do you want to go?

In Step 2, you'll write and articulate your vision for the future. Growing profitably requires smart strategic planning, and

planning with a long-term horizon is a best practice firms of any size should follow. In fact, three out of four Top Performing Firms develop strategic plans that cover time horizons of either three or five years. Thus, an important aspect of the strategic plan is defining short-term tactics that are grounded in a vision or future goals.

### ● Step 3: What is your situation?

In Step 3, you'll conduct a situation analysis to identify the most important issues you need to address to achieve your long-term vision. An in-depth assessment of the situation inside and outside your firm addresses a common pitfall in strategic planning: not taking the time to study and thoroughly understand the environment in which the firm operates. Firms that are successful at strategic planning take the time to get clear about their ideal client, competition, or changes in the industry and regulatory environment. In addition, they work to understand more about internal factors like firm performance and profitability, or the efficiency of their operational processes and marketing programs. The situation analysis in Step 3 generates insights about the firm's strengths, weaknesses, opportunities, and threats (also known as a SWOT analysis). This assessment ensures your plan is anchored in reality, and it helps you distill the few key issues that you will need to address in your plan.



**Watch a brief video on Schwab's strategic planning process. >**

## Taking an objective look

Incorporating real data into your assessment helps base your firm's situation on reality and removes some of the bias tendencies. For example, client feedback can be helpful if you are having a hard time identifying weaknesses, as it brings an objective viewpoint from someone outside the firm.

Bringing real data into consideration can also prove helpful. Metrics such as assets under management (from new client and existing client assets), revenue and revenue growth, or client attrition rate, for example, can provide insights into whether your firm's growth is dependent solely on investment performance or whether you are bringing in new sources of assets.

For more information, visit Schwab's RIA Benchmarking Study [website](#).

### ● Step 4: Where should you focus your efforts?

Step 4 will guide you in defining your firm's top priorities and strategy. While previous steps focused on where you are today and where you want to go, this step is about helping you clarify priorities to address key issues uncovered in your situation analysis and deciding which decisions and corresponding investments in the business are important and which are not. This step is also about defining which clients you will target, how you serve them—your client value proposition—and how you will compete in the market with a sustainable competitive advantage.

### ● Step 5: What are your goals?

In Step 5, you will define a short list of critical and measurable long-term goals. Experts in personal and organizational effectiveness have proven that having written goals increases your chances of achieving them.<sup>5</sup> These goals must drive

business value; in most cases, goals focus on client growth, asset growth, or profitability. They should be grounded in reality, based on your situation. Goals should take into account your future direction and mark near-term milestones on the path to achieving your long-term vision. You will also identify the annual goals that will be the focus of most of your firm's resources and time. By tying your tactical initiatives to your strategic priorities, you will maximize the chances of success and avoid the common problem of resource dilution.

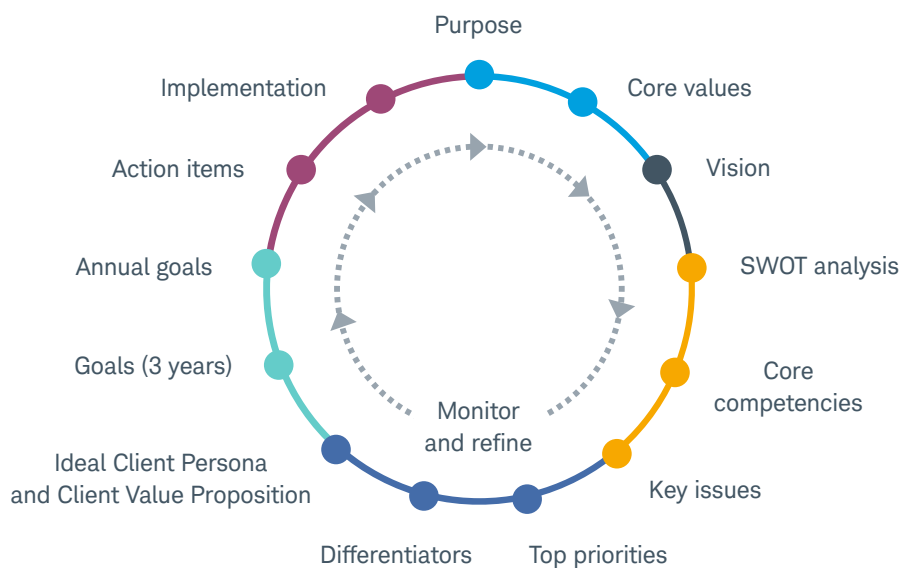
### ● Step 6: What do you need to do?

Step 6, identifying what you need to do, is the last step in the framework. It defines the “who, what, and when” of each priority and ensures your entire firm is working toward the same goals. In this step, you will assign individuals to different initiatives, define individual accountabilities, and identify tools required to monitor progress.

FIGURE 4

## Schwab's strategic planning process

- **Step 1:**  
Who are you?
- **Step 2:**  
Where do you want to go?
- **Step 3:**  
What is your situation?
- **Step 4:**  
Where should you focus your efforts?
- **Step 5:**  
What are your goals?
- **Step 6:**  
What do you need to do?



## Building your strategic plan

Grounded in 30 years of consulting with advisors, best practices are provided throughout the paper to keep top of mind while going through the strategic planning process. The following are best practices to leverage when building out your strategic plan:

### BEST PRACTICES

#### Make senior leaders accountable for plan completion

Some larger firms designate a COO who is in charge of strategic planning. For smaller firms that cannot justify a dedicated resource, consider assigning responsibility for strategic planning to a senior principal.

#### Consider hiring a third-party consultant or facilitator

An external coach can work with the firm's senior principals to design the agenda and facilitate planning sessions. The coach can ensure that the meetings stay on track and that the most important decisions are reached.

#### Engage firm staff in big decisions

Employee involvement early in the planning process helps ensure engagement and eventual adoption. For example, employees at Baltimore-based Maryland Capital Management, LLC, provide feedback during casual bimonthly lunches with a firm principal on issues ranging from the mundane (for example, a broken coffee maker) to the strategic (for example, hiring a new relationship manager).

#### Set aside time for re-evaluation and iteration

Consider tackling one step in the framework per meeting, especially the first time you go through the process. You should also allow enough time for participants to digest information collected for the SWOT analysis so they can be better prepared.

#### Hold planning sessions off-site

This helps ensure that participants remain focused and free from office distractions such as phone calls and meetings.

#### Set long-term vision and goals before diving into tactics

A sound strategic plan is one in which long-term elements drive short-term tactics.

#### Avoid skipping steps

Even if you have already completed some of the steps in the framework in this paper, you are encouraged to use the definitions and best practices outlined here to revisit and refine what you have already done. For instance, you may want to re-examine whether your firm's vision is far-reaching and inspirational enough, or whether your firm's short-term goals and initiatives support that vision.

#### Choose time frames that work for you

For each step, different time frames are proposed according to best practices. However, it is recommended that firms have a long-range vision (three to five years) and short-term goals and initiatives (annual or quarterly).

#### Prioritize and don't overcommit

Prioritization is important throughout the entire process. Key issues and core competencies are the highest priority findings from the SWOT analysis. Prioritization is also critical in setting long-term goals, strategic priorities, and annual initiatives. Taking on more than three to five goals at any one time will likely be counterproductive and overwhelming.

## ● Step 1: Who are you? (Purpose and values)

The most successful, enduring businesses possess a central purpose and a core set of values that help guide and inspire them. These remain constant while business strategies and best practices adapt to a changing environment. This core ideology is central to a firm's ability to make decisions, hire and motivate skilled employees, retain clients, and generate referrals.

### Purpose

Core purpose, also known as mission, is the organization's fundamental reason for being. It captures the soul of the organization—the why it does what it does—beyond simply making money. Charles R. Schwab, chairman of Charles Schwab & Co., Inc., clearly defines the company's core purpose. He states, "Our purpose is to help everyone be financially fit. This may seem like a simple statement, but it has a very powerful impact on how we do business, and on our potential for continued profitable growth." Similarly, Gary Gore of ACIMA Private Wealth states that his firm's purpose is "to help clients achieve their objectives and honor the intentions that express their personal values."

### Values

Values are a company's set of principles and essential tenets that help define the shared beliefs of an organization. They are a small set of enduring, guiding principles, and they capture the passion and emotion behind the business. For firms, values and trust are at the heart of what they offer their clients.

S.E.E.D. Planning Group in Binghamton, New York, has their values in their firm's name, which is built around a vision for the future, a focus on constant innovation, and the drive to exceed industry expectations about how an advisory firm should look.

- S:** Stimulating environment
- E:** Exceptional in meeting and exceeding high standards
- E:** Ethical standards
- D:** Duty as a fiduciary

These values, established by the founder at the firm's onset, help drive the business forward through the vision that they can do small things today that can change an entire community—or industry—tomorrow. Today, the firm has 3 locations, 22 employees, and \$258M in AUM. Most notable, however, is that they have grown over 480% in just 5 years. The leaders reinforce these values through everyday actions ranging from determining the clients they elect to work with—evaluating prospects against the values and turning away those that "do not fit"—to spending considerable time and effort on

compliance and cybersecurity, as well as determining their service offering. Ongoing strategic conversations about what they do are consistently framed through the lens of how best to serve their clients and include questions like "How can we make things more transparent?" and "How can we cost the client less?"



Our firm's values are apparent in everything we do. Our clients, partners, and our team members all share in them and in doing so, we continue to attract more great people—both prospects and talent."

#### Travis Maus

Managing Partner and Wealth Manager  
S.E.E.D. Planning Group

## ● Step 2: Where do you want to go? (Vision)

Successful businesses also have a stated idea of where they want to go in the long term—a vision for the future. The vision supports the firm's core purpose and values and helps stimulate progress toward the future.

### Vision

A firm's vision is the clearly defined long-term future you envision for the organization. It is a compelling and motivating end goal, and it is a guidepost for change. Vision describes a goal that an organization should progress toward while at the same time preserving the firm's core purpose and values.

The author Simon Sinek states that a vision "is a future state that does not yet exist; a future state so appealing that people are willing to make sacrifices in order to help advance toward that vision."<sup>6</sup> That is, it is a clear, compelling statement that represents a significant and sometimes daunting challenge. A vision will take your firm several years to achieve and, in some cases, may be achieved only in part.

Authors Jim Collins and Jerry Porras recommend defining what you want your future to look like only after you have defined your core purpose and values.<sup>7</sup> While core purpose and values are things you want to retain and bring on your journey to a future state, a vision defines where you want to go and what you want to achieve many years into the future.

## Big, hairy, audacious goal (BHAG)

Collins and Porras found that the most successful and lasting organizations had a stated, bold vision that stimulated enormous progress. They call this a BHAG—a big, hairy, audacious goal. The BHAG energizes and focuses people and often creates immense team spirit. The authors believe that a good BHAG should not be just a random goal; rather, it should be created in the context of three questions:

- Is your vision something you are deeply passionate about? (That is, does it align with your purpose and values?)
- Is your vision something you can be the best in the world at?
- Is your vision something that drives profitability?

For example, Tesla's vision is “to create the most compelling car company of the 21st century by driving the world's transition to electric vehicles.” In 2017, Walmart officially articulated their vision in the company's annual investment community meeting as follows: “Be THE destination for customers to save money, no matter how they want to shop.”

According to Dale Yahnke, founding partner of Dowling & Yahnke, LLC, in San Diego, California, his firm defined a vision 20 years ago to “dominate the San Diego RIA market by providing superior quality of investment advice based on a fiduciary standard at a fair price.” The vision has provided a powerful, unifying theme. Yahnke asserts, “Everyone in our organization is focused on providing excellence to the client

experience. We don't want to undertake any initiative unless we can be the best in our market and it is synergistic with our core business.” As measured by AUM, the firm reports that it is currently one of the largest firms in the area, and it is well known among accounting firms, law firms, and other centers of influence.

For other firms, the BHAG might be to provide the very best client service relative to traditional providers while building a supportive organization that gives employees the freedom to deliver service in innovative ways. The nature of the BHAG will differ depending on leadership goals and vision.



The vision is the ideal house we hope to build. We can work a lifetime building it and still we will not be finished. However, the results of our work help give the house form. As it moves from our imagination to reality it inspires more people to join and continue the work...forever.”

**Simon Sinek**

Author, *The Infinite Game*

## Purpose, values, and vision

The firms we interviewed emphasize the importance of a firm grasp on fundamental knowledge of who they are and what they strive to do for clients—now and in the future. Our analysis reveals key best practices:

### BEST PRACTICES

#### Align initiatives and plans with your purpose, values, and vision

Review them at least once a year before you set your annual initiatives and goals.

#### Define a vision that is motivating and measurable

Your firm's vision should energize everyone in the organization. It should also be concrete so that progress can be measured against it over time.

#### Share them regularly with your entire organization

Regularly review your firm's purpose, values, and vision with your employees so they know and embrace them.

#### Create stories that illustrate the firm's values and purpose in action

One person in your organization should be responsible for collecting stories. Display a visual that brings the values to life, share the stories during team meetings, and recognize those employees who live the values.



## ● Step 3: What is your situation? (SWOT analysis, core competencies, and key issues)

In this step, you'll develop a fact-based, state-of-the-world view of inside and outside of your firm. Using a well-known framework called SWOT (strengths, weaknesses, opportunities, threats), you will evaluate your internal strengths and weaknesses and the external opportunities and threats your firm faces. This fact-based context will help you anchor your strategy in reality. In assessing your strengths, you will identify those that are most important in creating competitive advantage. These strengths are your core competencies.

The SWOT analysis (see Figure 6 on page 16) will also help you home in on the most important issues you need to address in order to grow and achieve your goals. Understanding these issues will help you identify key strategic priorities where you should concentrate your employees' time and firm resources to achieve the biggest impact.

### Collecting data for the situation analysis

It is recommended that you use a number of different resources to get a thorough and realistic assessment of the external factors that can have an impact on your firm, such as:

- Changes in market needs
- Increased competition
- Changes in the regulatory environment
- Your firm's ability to respond to those changes

Client feedback, data from the RIA Benchmarking Study, and industry reports are useful sources of information. Your

employees and strategic partners should also be consulted to provide their fact-based perspective.

Often, firms may not take the time to obtain direct client feedback, but this is a very important practice.<sup>8</sup> According to the Benchmarking Study (see Figure 5), about 70% of all firms leveraged one-on-one interviews to obtain insights about their clients, and about 60% of all firms conduct interviews with clients who make referrals. Meaningful research can also take the form of a well-designed survey, which can obtain honest and objective data. This may be an opportunity for RIAs, as only 35% of firms with less than \$250 million in AUM, 48% of firms with \$250 million to \$1 billion in assets, and 56% of firms with more than \$1 billion in AUM use client surveys.

Management theory expert Peter Drucker advised leaders that they should not try to guess about client needs, but rather always ask them directly. That is why he personally telephoned a random sample of 50 of his students who graduated 10 years earlier and asked 3 questions: Looking back, what did he and his colleagues contribute to the school? What should they have done better? What should they stop doing? The knowledge gained had a profound influence on how he improved his programs.<sup>9</sup>

### Driving actionable insights from data

The process of analyzing the collected data and distilling the most important insights to drive your future actions requires special evaluation and prioritization skills. The practices described in this paper are designed to help you turn data into insights you can act on. In the situation analysis, it is important that you look across various areas to describe what the world looks like today and how it might be changing tomorrow. Extracting useful insights from the fact-based evaluation is a different exercise altogether. Insights you can act on are what matter in the end because they drive your future actions.

FIGURE 5

### Understanding client needs





# Evaluating your situation using the SWOT framework

A SWOT analysis helps you understand your firm's internal strengths and weaknesses relative to competitors and identify external opportunities and threats your firm faces. To complete your SWOT analysis, you evaluate the following questions and decide if each finding implies a strength, weakness, opportunity, or threat for your firm.

## Situation analysis

### Internal

Strengths and weaknesses are extracted from your internal assessment. Ask yourself a set of difficult questions to gain deep insight about important issues in these categories. As you answer these types of questions, consider whether the answer indicates an area of strength or weakness compared with other firms in your market.

- **Firm performance.** Is your firm meeting its growth goals? Is your operating margin in a healthy range to support investment in the business as well as owner income? Is your client service productivity meeting established goals?
- **Clients and strategic partners.** Does your client base show healthy growth potential? Does your firm have a documented ideal client persona and client value proposition? Is client engagement strong or trending up? Does the firm have strong community and Center of Influence (COI) relationships? Are your clients and staff able to articulate what your firm does through a compelling story in a way that makes your firm memorable and drives more referrals?
- **Employees and culture.** Does your team have the right mix of skills and knowledge to meet your goals? Is your organization set up in a way that allows you to best serve your ideal client and work towards your vision for the future? Is there an effective leadership team in place and a written succession plan? Does the firm have an equity ownership program in place to retain talent and/or support a success strategy? Does the firm have processes in place for employee development and feedback?
- **Offer and client value proposition.** How well does your offer meet the needs of your ideal clients? Do your services help differentiate your firm in the marketplace? Does your firm offer services, specialties, and/or deep expertise as compared to competitors?
- **Technology and operations.** Are you staffed to scale, and do you have the infrastructure to support growth? Is your firm using technology well to increase productivity and enhance the client experience? Does your firm have standardized processes in place?

- **Marketing and business development.** Does your marketing plan capture the firm's key goals and tactics that resonate with your firm's ideal client? Do you have a modern and compelling website that communicates your firm's value? Have you optimized your search engine results so that clients and prospects can easily find you? Do you have a compelling digital presence that consistently articulate your client value proposition and generates referrals? Can clients articulate what is special about your firm? Do staff members have sufficient time for business development?

### External

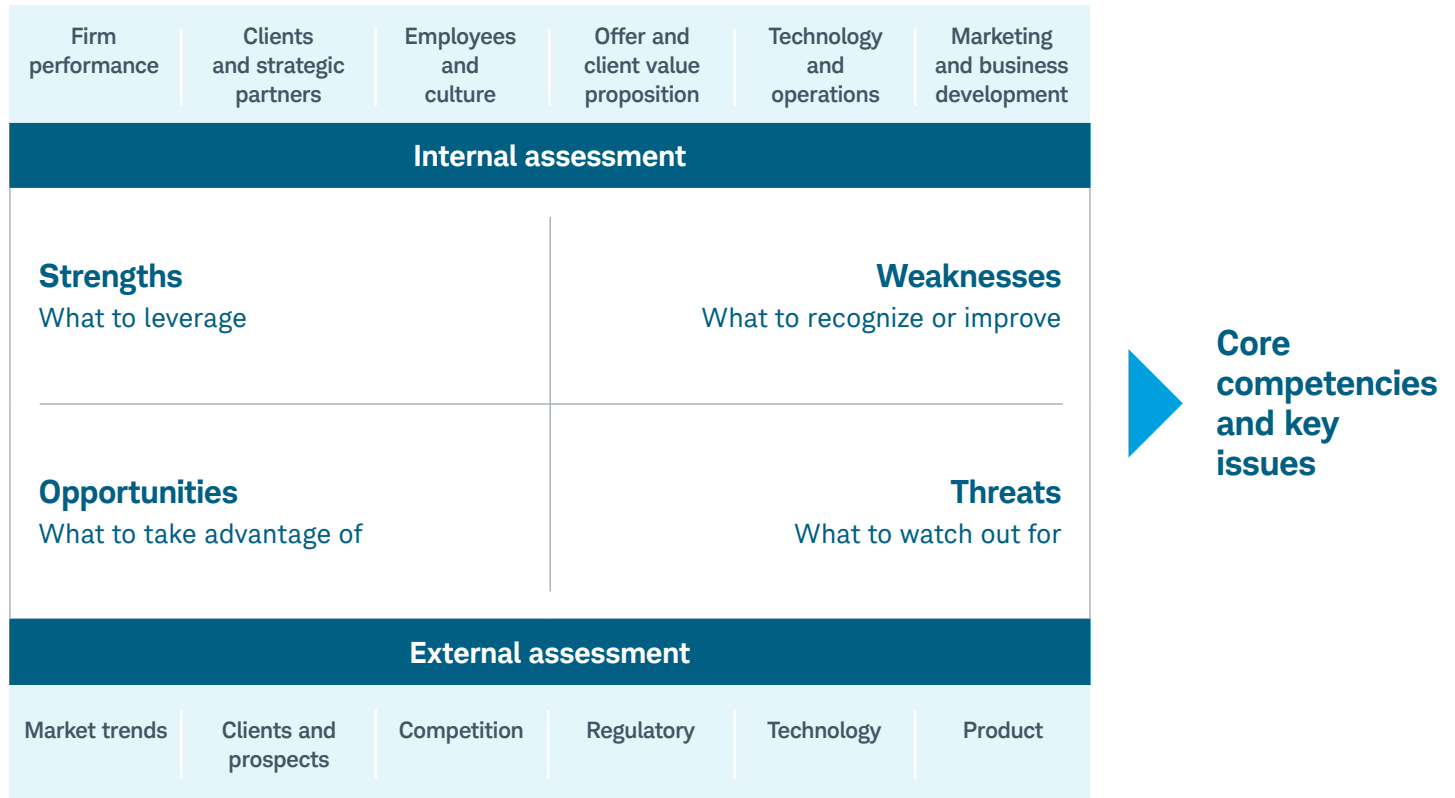
Opportunities and threats are extracted from your external assessment, which should answer a set of probing questions about important issues in these categories. When answering key questions about each of these categories, consider whether the answer indicates an opportunity that your firm can take advantage of or a threat that may severely limit your growth or success.

- **Market trends.** How will macroeconomic or industry trends impact your business and clients? Is your firm well prepared for a range of economic conditions? Is there a positive or mitigated impact of demographic trends on the firm's growth and profitability?
- **Clients and prospects.** Is the firm able to meet the needs (product or service) of ideal prospective client and the changing needs of client? Is the segment of the market that the firm is trying to attract significant and provide room for firm growth?
- **Competition.** Is your competition well understood including the players, capabilities, and relative successes? Does your firm have a strong value proposition for ideal clients, relative to competitors, and is the firm able to clearly differentiate it?
- **Regulatory.** How might regulatory changes affect your business and your clients? Does the firm have the required expertise, internally or externally, to stay current on regulatory changes?
- **Technology.** Does the firm's technology provide operational efficiency that supports a healthy profitability range? Is the firm positioned to work productive and scale operations to meet future anticipated growth?
- **Products.** Are there products or services you don't offer now that could help your clients or improve your profitability?

FIGURE 6

## SWOT framework

Situation assessment helps identify core competencies and key issues



Completing the SWOT analysis will provide you with a holistic evaluation of your firm. You will no longer have just a set of data—you will have a set of evaluations or insights about your position. A common temptation at this point is to begin setting goals and formulating strategic priorities. Before you do this, we recommend that you prioritize your SWOT findings.

### Prioritizing SWOT findings: Core competencies and key issues

It is recommended that you prioritize your SWOT findings to identify the most important strengths or core competencies that you will use to differentiate yourself. You should also analyze your SWOT findings to develop a very short list of issues to tackle. The SWOT framework helps you filter the few insights and pieces of information that truly matter.

### Core competencies

It is important that you identify what makes your firm uniquely strong—your core competencies. Core competencies are the most important strengths that differentiate your firm from the competition and can provide a source of competitive advantage in the marketplace. You might have developed a long list of strengths in your SWOT. Core competencies are the one or two that truly matter to your business success, and it is these strengths that your firm leverages when executing its strategy. Examples of core competencies include:

- Uncanny ability to recruit top talent
- Unique method of selecting stocks and building customized portfolios for affluent clients
- In-depth knowledge and service offering for a niche market (for example, pilots)
- Highly efficient service model that leverages appropriate technology

FIGURE 7

### Example: Completed SWOT analysis

After completing a SWOT analysis, firm leaders typically reassess it annually at off-site team meetings, leveraging client, competitive, and firm data to guide their analysis.

Internal			
<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>We have an experienced, smart staff with strong relationship-building skills.</li> <li>Our founders have extensive contacts and a good reputation in the area.</li> <li>We have a sophisticated and effective client referral tracking system.</li> <li>Our processes are reliable and efficient, with low error rate.</li> </ul>	<p><b>Things within your control</b></p> <p><b>Strengths:</b> areas you want to build on and leverage for success</p>	<p><b>Things within your control</b></p> <p><b>Weaknesses:</b> areas where you might be weaker than peers and things that you want to recognize and improve</p>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>Relationship managers lack key sales skills.</li> <li>People are overworked, and higher-level staff are handling too many lower-value tasks (e.g. trade execution, drafting investment policies).</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Significant number of customers in target market are currently underserved and not using advisors.</li> <li>Attracting higher-caliber employees is easier during the weaker labor market.</li> </ul>	<p><b>Things outside your control</b></p> <p><b>Opportunities:</b> areas your firm is poised to take advantage of</p>	<p><b>Things outside your control</b></p> <p><b>Threats:</b> areas that may severely limit your growth or success</p>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>Increasing competition in the independent channel makes it harder to differentiate.</li> <li>Compliance requirement and costs are increasing because of regulatory changes.</li> </ul>
External			

## Key issues are the root causes

Your key issues will drive what you need to work on as a firm. They are the handful of important problems that, if left unaddressed, will get in the way of achieving your long-term vision. A good place to look for key issues is in the list of weaknesses and threats in the completed SWOT analysis.

You should identify a limited number of key issues—no more than three to five—so you can dedicate the appropriate resources to address them.

Key issues should be the real root causes of a problem. However, they are sometimes hidden behind symptoms. To get at the root cause of a problem—the real issue—we recommend asking the question “Why?” after stating an issue.

Figure 8 lists examples of the initial issues discovered in the SWOT analysis. These initial issues are only symptoms of the true key issues. By asking “Why?,” we uncovered the real key issues or root causes.

You have now completed the internal and external situation analysis, using the SWOT methodology to evaluate your findings. This process should give you a clear understanding of your firm’s strengths and weaknesses as well as the opportunities and threats it faces. The end result is a prioritized list of key issues and a set of core competencies to be leveraged in a strategy to address those issues.

FIGURE 8

### Example: Uncovering the key issue or root cause

Issue identified (symptom)	Key issue (root cause)
Our growth (as measured by assets and revenue) is below our peers’ growth and declining.	Existing clients are aging and drawing down assets. Referrals have dropped significantly.
A significant number of our clients yield very low profitability.	We provide the same level of service to all clients regardless of their unique needs or revenue, which results in declining satisfaction for our best clients and suboptimal profitability as a firm.
Our cost structure is too high compared with our peers.	We rely heavily on manual processes rather than technology.
Some clients perceive that our offer is declining in value.	These clients need more help with tax optimization, and we do not have a good solution to meet their needs.
Our rate of adding new clients has been declining.	The founder has left the firm or is less engaged, and there is not accountability for bringing in new business.

## Internal analysis: Strengths and weaknesses

### BEST PRACTICES

#### Consider strengths and weaknesses in relation to others

A particular strength or competency is meaningful only when compared with that of competitors or firms in your peer group. For example, many competitors provide unbiased advice and good service, so these are not differentiators on their own. What are the special things you do for your clients that make you more special than other firms that serve similar clients? Data from the RIA Benchmarking Study can provide you with deeper insight into how you compare with your peers.

#### Consider client needs and wants

Just as Peter Drucker did when he leveraged “live” feedback by interviewing his former students, incorporating client feedback helps bring an objective perspective to your assessment. This can be especially helpful if you are having a hard time identifying your firm’s weaknesses.

## External analysis: Opportunities and threats

### BEST PRACTICES

#### Look at the present with an eye to the future

As much as possible, you should try to anticipate if the answer to a particular question in the next three to five years will differ from the answer today. Your strategies should position your firm to compete in the future environment as well as in the one it faces now.

#### Target data for categories most important to your business

Not all of the questions deserve the same amount of energy and attention. Focus on categories that will have the biggest impact on your business or that present the greatest potential change. For instance, the key issue for some firms may be more clarity on the market segment they want to serve, so they will spend more energy on clients and prospects. Other firms may want to focus on understanding sources of competition.

#### Stay focused and open-minded

Formulating key hypotheses or ideas about what the answers are before you dive into the data can help you be efficient. However, you should remain open to finding new things or changing your beliefs or hypotheses based on the data.

#### Make sure your opportunities are associated with your current or future target client base

The most important opportunities are those that relate to your clients. For instance, opportunities to meet unmet client needs typically result in growth.

#### Consider all sources of potential threats

Competition is likely not the only source of threats. For instance, changes in regulation resulting in increased compliance costs may represent a threat to smaller firms that cannot absorb the cost of dedicated compliance staff.

## ● Step 4: Where should you focus your efforts? (Top priorities, ideal client persona, client value proposition, and differentiators)

In the previous steps, you identified those things that make your firm stand out and key issues that need to be addressed. It is now time to develop the top priorities and strategies that will get you there.

### Top priorities

Top priorities represent a significant shift in the framework from ideas to action. They are the actionable plans for moving

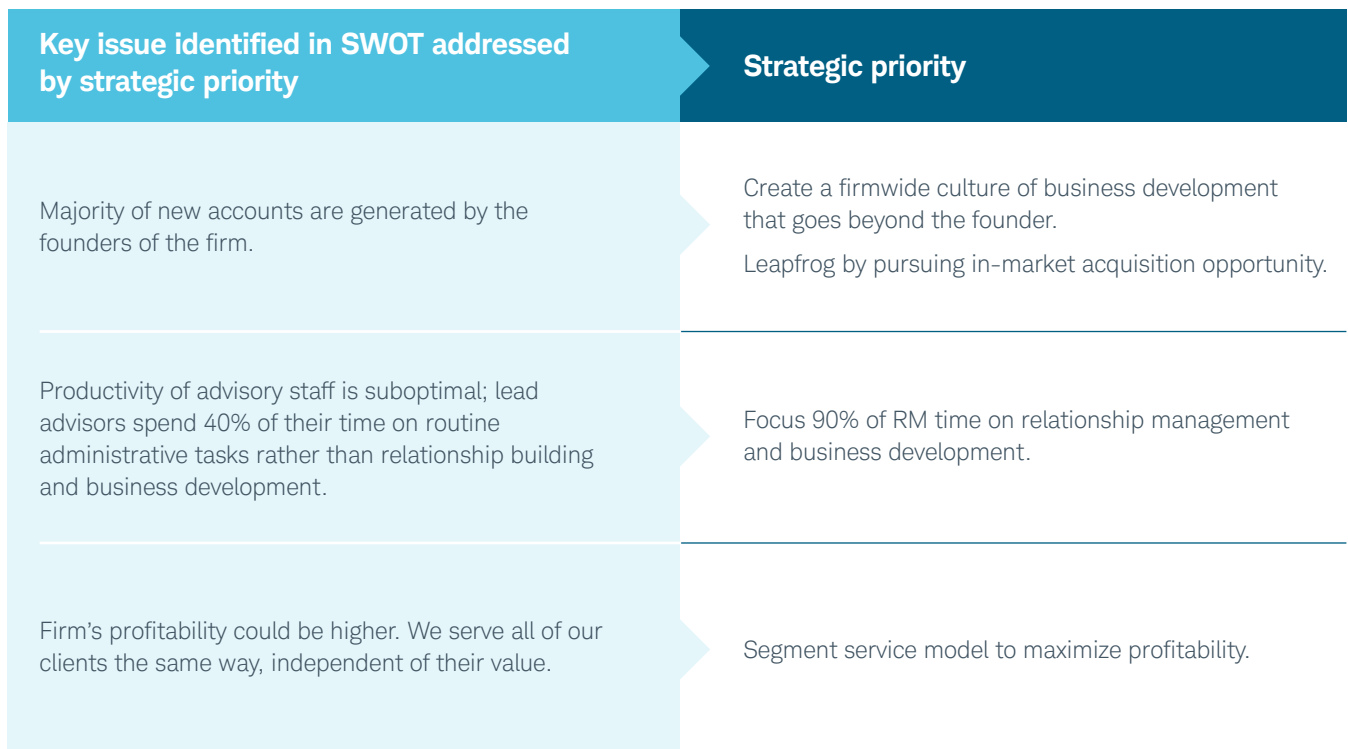
forward and are the top-level areas where employees' time and firm resources will be focused. They are the top three to five key thrusts the firm needs to focus on to achieve its vision and goals and to execute its strategy. The top priorities should address and eliminate the most critical issues identified in a firm's SWOT analysis. In some cases, top priorities can be set to take advantage of opportunities or fill gaps in a company's capabilities.

Because of their scope and importance, as well as the significant effort and investment they require, top priorities usually take a few years to complete. It is recommended that you look forward three years to identify major top priorities for your firm.

Figure 9 lists the four top priorities of Firm XYZ (a hypothetical firm). It shows how top priorities are linked to key issues identified in the firm's SWOT analysis.

FIGURE 9

### Example: Connection between key issues and strategic priorities





## Strategy

At this point, you have completed all the strategic long-term elements of your plan—the foundation. You are now ready to identify where you will focus your resources and make investments in your business. The strategy informs the decisions you make, including:

- The type of offer and services you provide
- The employee skills you need
- The types of alliance partners you develop
- The investment you make in technology
- The services you outsource

A strategy describes how the firm uses its core competencies and top priorities to create a unique and valuable position in the marketplace, also referred to as competitive advantage. To create a lasting competitive advantage, you need to meet the needs of clients in a way that is sustainably differentiated. Competitive advantage is built first by understanding your firm's unique capabilities that matter to your target customer, and then by reinforcing these capabilities with the right investments and activities.<sup>10</sup>

## Strategic differentiator

Many advisory firms do not have an articulated strategic differentiator. Some firms start off as generalists and build on the identity of their founder to attract clients. This approach may work satisfactorily for firms that prefer to stay small. However, for firms that want to grow profitably, this approach may be limiting or in some cases not sustainable. Generalists may find their resources spread thin as they try to do everything to serve everyone's different needs. As a result, they become less profitable and unable to sustain growth. The lack of specialization can also make generalists more vulnerable to competition if others enter the market with an offering more customized to certain clients they serve.

This is why many firms that want to grow begin to specialize and focus on a specific client niche or build on a unique technical specialty. This strategy allows a firm to focus all its activities in a narrow area to be the best in that category. A firm's chosen strategic differentiator dictates its choices and investments in the business.

FIGURE 10

### Eight strategic differentiators<sup>11</sup>

Strategic differentiator	Firm becomes known for	Examples
<b>Niche market</b>	Serving a named market	Serve a large share of business owners in transition (for example, doctors) in your area.
<b>Technical specialty</b>	Specific technical expertise	Be known for specialty in concentrated portfolios, estate planning, etc.
<b>Low-cost, standardized approach</b>	Standardized process, high volume, low cost	Offer lower-cost investment approach through effective use of index funds or assigning clients to model portfolios.
<b>Famous person/team</b>	Identity of founders, individual, or team	Build on the owner's identity and reputation via media appearances and similar approaches to draw in potential investors.
<b>Dominant local firm</b>	Size and presence	Be known as one of the top advisory firms in the metro area.
<b>Unique sales method</b>	Unique way of attracting clients	Build formal strategic alliances with CPA firms, or bring in potential prospects with compelling seminars and classes.
<b>Share of wallet</b>	Cross-selling of services and products	In addition to a standard suite of services, sell concierge/family office services or tax services to a majority of clients.
<b>Local presence of a national brand</b>	Major national consumer brand	Capitalize on the nationally recognized brand name and quality of resources of a broker-dealer.

Firms that choose a client niche, for example, make investments in understanding and serving the needs of a narrow market to yield significantly higher share in that niche. The firm will align its offer, services, and capabilities to meet the needs of its niche. It will invest in either training or hiring employees who have specific skills that are important to meeting client needs. For instance, if a firm targets small business owners as a niche, it may hire employees with expertise in the area and the personality to work with entrepreneurs. The firm may expand its offer to include small business retirement plans, business financing, cash flow management, and succession planning, and it might participate in small business forums. In contrast, firms using a technical specialty strategy make significant investments in a few capabilities to capture a

larger share of clients. Their strategy may include acquiring in-depth expertise and developing markets that value those capabilities. For instance, firms pursuing a technical specialty strategy might hire investment managers with a particular investment strategy or tax loss harvesting capability, or they might acquire an executive compensation consultancy. Often, technical specialty firms must invest in a custom-developed technology platform to meet their specific needs.

In our experience, niche market and technical specialty are the most common strategic differentiators. However, there are other strategic differentiators that a firm can use (see Figure 10 on page 21). Although these common differentiators are not always mutually exclusive, each requires a different commitment of resources.

## Strategy development

These best practices are designed to help ensure that your overall strategy is strong and that your priorities are focused and truly address the most important issues getting in your way.

### BEST PRACTICES

#### Check your strategy for sustainability

You should ask yourself how long it would take and how difficult it would be for competitors to replicate your core competency or strategic differentiator. Think of ways in which you can increase the costs and difficulty clients would incur leaving your firm.

#### Verify that your top priorities solve your key issues

If you have already identified your key issues in Step 3, verify that your top priorities solve them. Tougher issues may require priorities that take several years to complete.

#### Consider tackling strategic priorities one at a time rather than all at once

A best practice for ensuring maximum focus and rapid progress is tackling one top priority at a time. If this is not feasible, you might want to consider focusing on a single priority over shorter periods of time, such as a quarter.

Following are examples illustrating how some of the RIA firms we interviewed and a well-known company use different strategic differentiators and align their business investment decisions accordingly.

### Technical specialty strategy

Summitry, a San Francisco-based firm, has a large client base comprised of tech executives who have accumulated significant wealth through restricted stock units (RSUs). The firm's strategy leverages a core competency in managing concentrated stock positions beyond a multi-year, tax-sensitive sales strategy and incorporates additional tools to help them manage their clients' concentrated positions. For instance, upon evaluating the needs of their client base, Summitry realized that RSUs played a key role and the firm made the conscious decision to implement additional tools to help develop the firm's core strengths. Today, their offer includes an options overlay strategy, exchange funds, and opportunity zone funds, and the firm is working to increase their partnerships with donor-advised funds while also hiring advisors with domain expertise around charitable remainder trusts and charitable lead trusts.

### Niche and dominant local firm

Firm XYZ uses two strategic differentiators: niche and dominant local firm. It targets high-net-worth investors who have recently undergone a life-changing event that leaves them responsible for the management of their assets (primarily women who have between \$1 million and \$10 million in investable assets). The firm focuses on meeting the needs of this niche by providing exceptional service and developing close client relationships.

The firm leverages mutual fund-based portfolios rather than complex equity-based solutions that the firm believes to be inappropriate for its clients. In order to build a strong local brand and become a top referral choice among key centers of influence (for example, attorneys, accountants, and the like), the firm has invested heavily in local community organizations, philanthropy, local marketing, and advertising.

### Niche strategy player

Some may be concerned that focusing on a niche may limit opportunity. However, this is not generally the case if a firm can focus all its resources on serving a niche in which it has strong competencies. Take Apple Inc., for example. The company targets busy, modern consumers—"people who don't want to read manuals

and who lead very busy lives," according to the late Steve Jobs.<sup>12</sup> These consumers are more affluent and can pay premium prices for technology innovations. Apple leverages its core competencies in design and innovation by taking state-of-the-art technology and making it easy for people to use. In the past, some encouraged the company to move down-market in the personal computer segment and add lower-priced products, but Apple remained true to its strategy to deliver innovative products to its target consumers. The company continues to find new ways to reach and grow a captive user base, expanding its product lines and distribution to reach consumers in different ways.

### Key Questions: Ideal Client Persona (ICP)

Consider these questions when identifying your ICP.

#### Who are your most rewarding and profitable clients?

Some firms profile their top 20 clients to see what they have in common.

#### What do your clients have in common?

Consider the following factors:

- Demographics (profession, education, gender, marital status, and number of family members served)
- Investment profile (risk profile, level of engagement in decision making, level of investment complexity)
- Personal profile (interests, membership in organizations, propensity to provide referrals, etc.)
- Financial status (household income, investable assets, net worth, stage in life, revenue potential)

#### What are your ideal clients' unique needs?

- Financial needs
- Service needs
- Emotional needs (dreams, goals, and concerns)

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## Guiding Principle: Value is defined through the clients' eyes



Firms thrive when focusing on the client experience from their clients' point of view. When every person, process, service offering, and system maintains an extreme focus on your ideal client, you are able to differentiate your firm in an increasingly competitive landscape.

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### EXAMPLES

#### ICPs

**Affluent retirees with more than \$5 million in investable assets** who are looking for a one-stop solution for managing their complex financial needs and are concerned about effectively transferring wealth to other family members

**Owners of closely held corporations** who want to liquidate some or all of their ownership equity

#### CVP statement

We are an independent financial advisory firm that works closely with affluent families to organize, simplify, and instill confidence in how they are managing their complex financial lives. We do this by managing across all aspects of their wealth with an integrated team of financial experts, by coordinating with their other financial advisors, and by offering highly personalized solutions.

## Ideal client persona

Defining the ideal target client to attract is important for all firms, not just those using a niche strategy. By homing in on an ideal client—those who understand and appreciate a firm's value proposition—advisors can optimize resources around the type of client that firm is best suited to serve. They determine which aspects of their offering those clients value most and develop a strategic plan that aligns the firm's unique capabilities with the right investment and activities.<sup>13</sup>

Developing a strong ideal client persona (ICP) typically begins with firms exploring their existing clients and identifying patterns of demographic and psychographic characteristics among those clients who value the services they provide and who are truly the best fit for the firm. While profitability should be a consideration, firms should also examine clients who are loyal and engaged. These clients are more likely to be satisfied and to be or become an advocate for the

firm. Firms should equally consider clients with whom the firms have personally and professionally satisfying working relationships.

In most cases, the ideal client is a type of client whom the firm is already serving well. The key is clearly defining whom your firm will serve; defining their needs, wants, and expectations; and using that knowledge to design the firm's services and an effective marketing strategy to attract those clients.

## Client value proposition

A client value proposition (CVP) is a summary of the key attributes that differentiate a firm and its offering in the eyes of the client. It identifies why your firm is most capable of serving its clients and achieving their objectives. Your CVP also answers why future clients would select your firm.

Clients and external partners should have a clear understanding of what sets you apart and the unique experience you provide your ideal client. They should see themselves in your story. This will also increase the chance they will refer you to other clients who they think fit your ideal client criteria.

The CVP statement is a positioning statement that defines who your ideal client is, what you offer, and what sets your firm apart from the competition. Ultimately, the answers to these three questions are at the heart of a firm's CVP:

- What is it about your firm, your services, and your people that sets you apart?
- What do you do, who do you do it for, and how do you do it?
- How do your services benefit your clients? What challenges or needs are you solving?



**Take Action:** Business Consulting and Education's ICP and CVP programs

Schwab has created a set of programs and tools to help advisory firms build their ICP and CVP:

- ✓ **On demand:** Forming Your Foundation [🔒](#)
- ✓ **White paper:** Differentiating through client focus [🔒](#)

FIGURE 11

### Example: Key elements in firm's strategy

When developing a strategy, you should respond to your market or customer needs, differentiate your firm from the competition, and build on your core capabilities. Following are key examples.

<b>Strategic differentiator</b>	A competitive approach you use to develop your unique position. <b>Example:</b> Niche
<b>Ideal Client Persona</b>	Characteristics (demographic and psychographic), attributes, and aspirational qualities among those clients who most value the services you provide. The best of these attributes are then brought together into a persona. <b>Example:</b> Physicians in private practice or a medical group
<b>Client Value Proposition</b>	Unique attributes of your firm's offer and services seen through your customers' eyes. <b>Example:</b> Our independent financial advisory business has more than 20 years of experience serving the unique needs of physicians. We provide a full suite of wealth management services tailored to physicians, including: <ul style="list-style-type: none"><li>• Small business retirement plans for you and your staff</li><li>• Protection of assets from potential litigation risk through specialized investment strategies and malpractice insurance</li><li>• Expertise to help you structure partnership contracts to maximize long-term ownership value</li><li>• Forecasting and management of cash flow needs to run your business effectively</li></ul>

## ● Step 5: What are your goals? (Long-term and annual goals)

Setting long-term goals is a critical step in the strategic planning process. Your firm's long-term goals are tied to your vision or BHAG and help you focus the organization on top priorities that truly matter. Tracking progress against defined goals is critical to ensure the business is moving in the right direction, and without goals, it is impossible to know if the firm has achieved success.

Long-term goals are three to five specific and measurable objectives that define progress toward achievement of the vision. They should drive business value and be regarded as critical to the success of the business. It is recommended that firms apply the best practice of framing goals using the SMART (specific, measurable, attainable, relevant, and time-bound) principles shown in Figure 12 on page 26.

Most RIA firms set goals for AUM and profit margin. It is recommended that you also consider setting goals for other key value drivers, such as client satisfaction, number of referrals, and employee attrition. Some examples of potential goals using SMART principles include:

- By the end of 2023, we will reach \$500 million AUM.
- By the end of 2025, we will serve 100 doctors in our area, becoming the leader in this market.
- By the end of 2024, we will increase from \$1 million to \$1.5 million in assets per client.
- By 2024, our clients will be so delighted that 20% of them will provide a qualified referral each year.
- In the next five years, we will grow the firm from three to five owners via internal succession.

For example, the management team at Columbus, Ohio-based Budros, Ruhlin & Roe, Inc., strongly believes in the importance of setting the right, explicit long-term goals in order to reach desired outcomes. Some years ago, the senior team chose not to set a target AUM goal at the firm level. Instead, it set an AUM goal only for the firm's wealth management area, the area the firm wanted to grow. As a result of having clear goals, the firm's more profitable wealth management business saw significant growth.

“Achieving success is all about goal setting and having a written set of goals with detailed plan horizons.”

**Chuck Bean**

Principal and Owner  
Heritage Financial Services

## Annual goals

Creating a plan for the future that outlines your vision, top priorities, strategy, and long-term goals is a significant achievement. But for your firm to gain traction, you also need to complete an important step: By defining your annual goals, you inform employees about what to do in the near term so they can help the firm achieve the future you envision.

People need short-term goals—what they are working on and why—to keep motivated and focused on priorities. Setting annual goals gives your leadership team and your firm a shared understanding of the future and helps create a tight fit among the firm's activities.

Annual goals are specific and measurable objectives that help you track your progress within a calendar or fiscal year. Annual goals should connect to your long-term goals; they are the necessary steps to achieving them. Figure 13 on page 27 lists annual goals that are tied to the examples of long-term firm goals listed above.

FIGURE 12

### SMART principles for goal setting

<b>Specific</b>	The “what” and the “when” of the goal are state simply and concisely.
<b>Measurable</b>	The goal can be evaluated factually and is expressed in quantitative terms.
<b>Attainable</b>	The goal is realistic given the current situation, resources, knowledge, and time available.
<b>Relevant</b>	The goal is focused on business value such as revenue growth and margin, and it is related to your purpose, values, or vision.
<b>Time-bound</b>	The goal has a clear deadline.



FIGURE 13

**Example: Annual goals tied to long-term firm goals**

Long-term goals	Associated annual goals
By the end of 2023, we will reach \$500 million AUM.	By the end of this year, we will reach \$150 million in AUM.
By the end of 2025, we will serve 100 doctors in our area, being the leader in this market.	By the end of this year, we will add 33 new doctors in our target market.
By the end of 2024, we will increase from \$1 million to \$1.5 million in assets per client.	By the end of this year, we will increase from \$1 million to \$1.125 million in assets per client.
By 2024, our clients will be so delighted that 20% of them will provide a qualified referral each year.	By the end of this year, 7% of our clients will provide us with a qualified referral each year.
In the next three to five years, grow firm from three to five owners via internal succession.	By the end of this year, we will have identified at least two possible candidates for the senior leadership team.

## Long-term goals

### BEST PRACTICES

#### Set a limit of three to five goals at any one time

If you have more than five goals, they are probably metrics. Metrics are important but tend to be more tactical in nature (for example, number of calls made).

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#### Be sure goals are connected with your vision

For example, if your vision is to become the number-one independent firm in a given geography within 10 years, then your long-term goals should include market share of your target market (for example, share of clients with more than \$2 million in investable assets in this geography).

#### Make the goal as quantifiable as possible, even for non-financial goals

Leaving your goals without quantifiable targets will make them impossible to measure, decreasing the likelihood of making progress toward the goals. For instance, a firm may have a goal of institutionalizing business development across the entire advisory staff. Restated as a SMART goal, it would read: “By the end of 2024, at least 40% of all new clients and 30% of new assets will come from non-partner professionals.” Stated this way, the goal can be measured over time to determine progress.

## Annual goals

### BEST PRACTICES

#### Focus on five or fewer key short-term goals for the year

Staying focused on a smaller number of goals will help you accomplish what is most important. Assign clear owners for your most critical action items: your top priorities (up to five priorities you need to focus on over the next three years to get closer to your vision) and action items (what you need to do over the next year to achieve your top priorities). Often, firms find that when they fail to assign ownership of a goal to an individual, then the goal is unlikely to come to fruition. If you need to, consider deferring some goals to another year.

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#### Ensure that annual goals are aligned with long-term goals and priorities

Goals help firms direct where to apply resources to achieve their long-term goals and subsequently their top priorities. Reviewing annual goals to ensure alignment with long-term strategic goals will help make sure your firm’s short-term activities are directed toward achieving its top priorities.

#### Prioritize initiatives and identify what resources will be applied to each

Resource planning is critical to understanding whether your firm has the skills and bandwidth to complete the plan. Identify any gaps in staffing or modify your list of short-term goals to match your resources. Some special projects may require significant staff time outside the routine.

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#### Make annual goals measurable and track your progress

Annual goals help you quantify progress toward long-term goals. Select objective metrics that are easy to understand and track.

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#### Have reasonable expectations for new key short-term goals

It often takes some time to put the pieces in place before gaining traction. Take this start-up time into account when setting new goals.

## ● Step 6: What do you need to do? (Action items and implementation plan)

How do you align and focus the entire organization on accomplishing your key initiatives? An implementation plan provides the answer. It gives individuals a clear picture of what needs to get done during a quarter in order to complete your short-term goals by the end of the year. An implementation plan helps senior members of the firm hold individual employees—and themselves—accountable for doing their part.

### Implementation plan

An implementation plan is a brief document that includes the specific efforts the firm will undertake each quarter to accomplish its annual goals. Quarterly implementation action plans support the completion of annual goals and include the following:

- **Actions:** firm-level actions required to complete each initiative
- **Accountability:** person who is accountable for ensuring the action is completed
- **Due date:** expected completion date for each action
- **Goals:** a few key metrics that align with annual goals

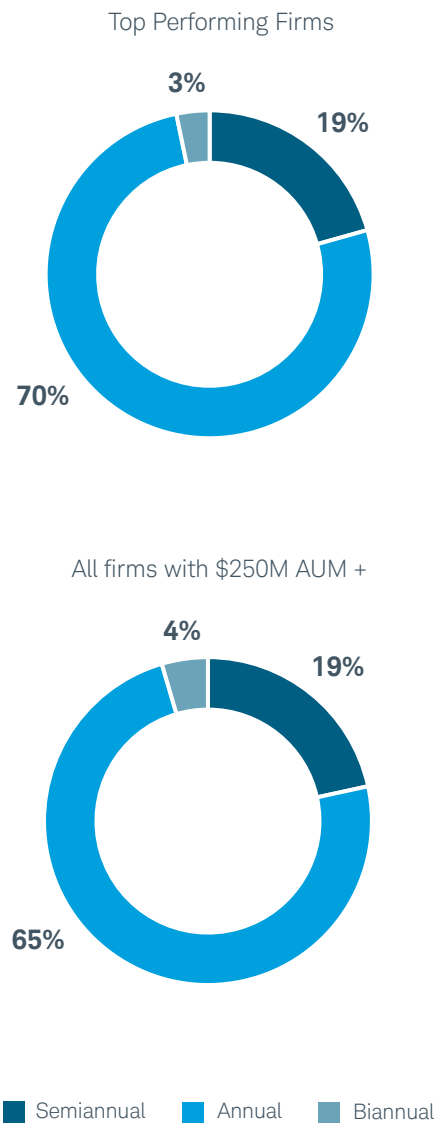
Once the firm-level implementation plan is complete, individuals responsible for specific actions should define their own tasks required to complete those actions. This process maximizes employee ownership and likelihood of achieving actions. When relevant, individuals' action plans should also have goals for any key metrics they are responsible for driving.

Budros, Ruhlin & Roe uses an incentive compensation plan as a key tool for motivating employees to meet annual goals tied to the firm's strategic plan. Most objectives outlined in the firm's strategic plan map to corresponding goals for individual employees, whose compensation packages are tied to achieving their individual objectives. For example, one of the firm's goals was to free up the principals' time by reducing their client meeting load. To accomplish this goal, the firm set a target for the number of client meetings to be conducted without a principal's attendance. The firm reviews the incentive compensation plan goals yearly, and each quarter a principal meets individually with junior staff to discuss process and areas where the person might be struggling.

In addition to developing an implementation plan, most Top Performing Firms also review their plans on an ongoing basis. A total of 70% of Top Performing Firms in Schwab's Benchmarking Study monitor their plans at least annually, and 19% do so semiannually (see Figure 14).

FIGURE 14

### Reviewing the strategic plan



Reviewing and evaluating a firm's plan on a regular basis allows the leadership team to thoroughly evaluate their plan and consider what has been achieved, what still needs to be accomplished, and what strategies may need to shift given new pressures—whether internal or external. As a result, the leadership team can identify new annual goals that continue to drive the firm closer toward its ultimate vision and update top priorities and action items for the following year.

## The power of regular meetings

Regular meetings are the key to ensuring that your implementation plans become reality—not filed and forgotten. Meetings are critical to keeping everyone aligned, informed, and accountable. Firms typically use four types of meetings to implement their plans and run their firms:

- **Annual strategic planning meetings with senior firm members only.** These meetings are used to complete

the most strategically important components of the plan, Steps 1 through 4. Step 5, setting annual goals, can also be completed during these meetings, and some firms include more junior team members.

- **At least one all-staff meeting each year.** At least once per year, conduct an all-staff meeting to review the strategic plan and get the team energized by outlining key elements: purpose, values, BHAG, strategy, and key initiatives and goals for the year.
- **Quarterly monitoring meetings with all of the firm's staff.** The purpose of this meeting is to review progress as a firm toward key goals in the plan.
- **Performance review meetings.** Performance review meetings between senior firm members and individual employees are opportunities to assess progress toward the implementation plan, as well as to provide feedback and coaching.

## Implementing and executing your strategic plan

### BEST PRACTICES

#### Make sure leadership is committed

Leadership must be committed to delivering and executing key initiatives in the strategic plan. They lead by example, holding individuals and each other accountable for implementing the plan.

#### Assign a single person accountability for each major initiative

The person accountable may delegate or involve others to complete the initiative, but one individual should ultimately be responsible for ensuring that the initiative is completed.

#### Build key goals into employees' compensation plans

Bonuses should be tied to measurable progress against the plan. This helps align individuals against firm goals and reinforces personal accountability.

#### Decide what meeting frequency is right for your firm

Whether it is quarterly or monthly, create a rhythm of regular meetings for reviewing progress toward implementation plans.

#### Find ways to celebrate success along the way

Recognize progress made toward a goal, even if the entire goal was not achieved.

## Conclusion

For RIA firms, accelerating growth and maintaining profitability are more challenging than ever. Increased competition, regulatory changes, and evolving client needs are making the growth rates enjoyed by many firms difficult to sustain. And as firms grow, so does the complexity of the business infrastructure that supports them.

Now more than ever, strategic planning can play a critical role in helping leaders make intelligent choices among a growing set of options and execute focused strategies as they evolve their firms.

Strategic planning can be an invaluable tool, helping you manage the challenges and key decision points you will face during different phases of your firm's life cycle. Defining goals and a road map to achieve them gives firm leadership and staff a shared understanding of a future vision and how to get there. It can help you focus and align firm resources and employees against a defined set of priorities, and it can provide a guidepost to direct investments and hiring. The six-step strategic planning framework outlined in this paper can help to demystify a complicated process and make it more approachable.

**For additional resources,**  
see below or access our  
Virtual Practice Management  
programs. [🔒](#)

### Additional Resources

Virtual Practice Management program series: Building Your Strategic Plan  
[Schwab Advisor Center > Virtual Practice Management](#) [🔒](#)

Virtual Insight to Action program: Mastering Strategic Planning  
To learn more, speak with your Relationship Manager.

Mastering Strategic Planning video  
[advisorservices.schwab.com/content/mastering\\_strategic\\_planning](https://advisorservices.schwab.com/content/mastering_strategic_planning)

For more information about Schwab's RIA Benchmarking study, visit the study website.  
[advisorservices.schwab.com/managing-your-business/business-consult/benchmarking](https://advisorservices.schwab.com/managing-your-business/business-consult/benchmarking)

Virtual Practice Management program series: Forming Your Foundation  
[Schwab Advisor Center > Virtual Practice Management](#) [🔒](#)

Differentiating Through Client Focus  
[advisorservices.schwab.com/clientvalue](https://advisorservices.schwab.com/clientvalue) [🔒](#)

- <sup>1</sup> Michael E. Porter, “10 Must Reads on Strategy” (including featured article “What is strategy?”), *Harvard Business Review* (Feb. 7, 2011).
- <sup>2</sup> Cerulli Associates, “The Future of the RIA Industry” (April 2020).
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- <sup>4</sup> James C. Collins and Jerry I. Porras, *Built to Last: Successful Habits of Visionary Companies* (HarperBusiness, 1994).
- <sup>5</sup> Stephen R. Covey, *The 7 Habits of Highly Effective People: Powerful Lessons in Personal Change, 30th Anniversary Edition* (Simon & Schuster, 2020).
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- <sup>11</sup> Benjamin B. Tregoe and John W. Zimmerman, *Top Management Strategy: What It Is and How to Make It Work* (Simon & Schuster, 1981).
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#### **About the 2020 RIA Benchmarking Study from Charles Schwab**

Schwab designed the RIA Benchmarking Study to capture insights in the RIA industry based on survey responses from individual firms. The 2020 study provides information on topics such as asset and revenue growth, sources of new clients, products and pricing, staffing, compensation, marketing, technology, and financial performance. Since the inception of the study in 2006, more than 3,700 firms have participated, with many repeat participants. Fielded from January to early April 2020, the study contains self-reported data from 1,010 firms that custody their assets with Schwab and represents \$1.1 trillion in assets under management, making this the leading study in the RIA industry. Schwab did not independently verify or validate the self-reported information. Participant firms represent various sizes and business models. They are categorized into twelve peer groups by AUM size. The study is part of Schwab Business Consulting and Education, a practice management offering for RIAs. Grounded in the best practices of leading independent advisory firms, Business Consulting and Education provides insight, guidance, tools, and resources to help RIAs strategically manage and grow their firms.

Past performance is not an indicator of future results.

The Firm Performance Index evaluates firms in the study according to 15 metrics that align with the Guiding Principles for Advisory Firm Success, to arrive at a holistic assessment of each firm’s performance across key business areas. It provides comprehensive comparisons for all firms participating in the study, not just within a peer group. The metrics in the Firm Performance Index measure growth in clients, assets and revenue; client attrition; staff attrition; operating margin; time spent on client service; time spent on operations; standardized workflows; written strategic plan and succession plan; and ideal client persona and client value proposition. The Firm Performance Index is calculated among all firms in the study without regard to assets under management or firm type. Firms that rank in the top 20% of the index are included in the Top Performing Firms.

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