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SPRING &  
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MARIE SWIFT

# Creating an enduring financial advisory firm

Building “enterprise value” is a term we often hear in advisor study groups, at RIA conferences, and via industry publications.

Most, if not all, IARs and RIAs are, after all, entrepreneurial spirits and small business owners who grapple with the daily demands of serving clients well, recruiting and retaining quality team members, and managing their own work/life goals. And, oh yes, also building enterprise value.

But suppose we shift the conversation to creating an “enduring firm” – one that will live on without the founder (or founding team) when a planned or possibly forced exit due to personal issues, disability, or death occurs – versus building enterprise value. In that case, a significant mental shift might occur. While building enterprise value focuses on the financial aspects (and that’s all well and good), creating an enduring firm could be seen as a more purpose-driven, exciting motivation – a life and legacy goal that pays off in more ways than just financial rewards.

How, then, do advisory teams create an enduring firm?

## Plan now to make yourself less relevant

“One of the biggest challenges for any successful advisor or team is finding time beyond the day-to-day operations to plan out and execute the activities that will most positively impact the enterprise value of the business,” says Ray Sclafani, CEO of ClientWise.

Sclafani founded ClientWise in January 2006 to provide professional development programs and business coaching services in a collaborative community environment for entrepreneurial advisors.

“Of course, you want to maximize the financial aspects, thinking ahead to the future when you as founder (or stakeholder partner) exit. But it would help if you thought about how your business will survive and thrive without you. It’s a harsh but essential reality – the less dependent on you personally, the more valuable your business. So the question is, what actions can you undertake, and what steps can you implement to help achieve that aim?

“We encourage advisors to consider three main value drivers: sustainability, operational, and financial drivers. They’re the levers at your disposal – the tools with which you can directly impact the future value of your business today.”

Sclafani lays out the main value drivers in a blog post, 10 Essential Drivers of Enterprise Value. He also asks some interesting questions to get advisors thinking ahead:

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→ What actions can you take to better anchor your vision for the firm’s future and begin to institutionalize strategy, policies, processes and decision-making?

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→ What profitability goals do you have for your firm over the next three years? What will key client, team and leadership results be required to achieve those goals?

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“ONE OF THE BIGGEST CHALLENGES FOR ANY SUCCESSFUL ADVISOR OR TEAM IS FINDING TIME BEYOND THE DAY-TO-DAY OPERATIONS TO PLAN OUT AND EXECUTE THE ACTIVITIES THAT WILL MOST POSITIVELY IMPACT THE ENTERPRISE VALUE OF THE BUSINESS.”



Ray Sclafani

CEO,  
ClientWise

## Double down on niche marketing

“THE FIRST STAGE FOR AN ENTREPRENEUR IN ANY INDUSTRY IS TO GET TO WHERE YOUR COMPANY OR FIRM OR INSTITUTION IS SELF-MANAGING.”



Bill Keen,  
CEO,  
Keen Wealth Advisors

“The first stage for an entrepreneur in any industry is to get to where your company or firm or institution is self-managing – which means that you don't have to be there for it to operate,” says Bill Keen, CEO of Keen Wealth Advisors. “The next level, once that's in place, is having a self-multiplying firm – that means not only can the firm exist while you're away on your one-month sabbatical or tending to other business, but it also actually multiplies without you present.”

“Think of Warren Buffet. He owns many companies that will operate without him. He's not making day-to-day decisions about the businesses. In our industry, however, it's difficult for advisors to remove themselves from the day-to-day. In fact, they may not want to get out of the day-to-day. Maybe they enjoy being in client meetings or leadership roles such as president or CEO, which is great. But at some point, an enduring firm would have those leaders be able to walk away. It's like looking down with a 30,000-foot view saying, ‘What do I want? What is best for the clients? And what is best for the team?’ All of it is available if you put the right team in place with the right mindset.”

Keen's firm, which specializes in working with engineers and other corporate employees nearing and in retirement, has grown from zero client assets to about \$800 million in AUM over the past eight years. Engineers understand that something big and long-lasting doesn't grow overnight. It takes years of planning, preparation and attention to detail. It requires incorporating mathematic, geographic and budgetary limits that must be measured and re-measured. And it requires being flexible and open to change as the project evolves.

“At Keen Wealth Advisors, we understand that, like any engineering project, building a secure retirement is a big and long-lasting task. A mistake made at any stage of the process can endanger the retirement plan's structural integrity. That is why, inspired by the approach taken by our engineering clients, we apply a similar discipline as we help engineers and our other great clients achieve their retirement dreams. Having a focused niche and specialization makes it ideal for the right-fit clients; it also makes it more likely that Keen Wealth will self-multiply, long into the future, without having my constant personal attention. In addition, we have built out layers of leadership – including elevating my long-time work colleague and friend Matt Wilson to the position of president – to ensure that firm can self-manage into the future.”

“The aspect I think about is from a human capital perspective,” adds Wilson. “An enduring firm will be able to attract, train, and maintain talent. It's not dependent upon one person or some small group of people, but it's also growing and fostering the environment for people to grow into future leaders.”



## Get the right people on board and create a path for growth

“There’s a mindset to it – and it’s not easy,” says Keen Wealth’s Matt Wilson. “We talk about this; our core values are being reliable and consistent, humbly confident, compassionate, and constantly growing and learning. That last one we talk about a lot because it’s about being growth-minded and seeing obstacles as opportunities.

“Building an enduring firm, you’re going to hit a ton of obstacles and you have to think of those as opportunities to grow. I talk about that with the team. If something’s frustrating, well, that’s an opportunity for us to grow and get better. We can improve this process; we can fix it, and we can make it better. So instead of getting frustrated about it or throwing in the towel, or just saying we’re not going to do it, how do we actually make it better?”

“YOU MUST FIRST MAKE THE TRANSITION FROM BEING A SOLOPRENEUR TO BECOMING AN OWNER OF A PRIVATELY-HELD BUSINESS.”

## Create a business people are eager to buy

Advisors should focus on creating a business someone else would want to own – even if they aren’t ready to sell or transition right now. A sale-ready business gives any privately-held business more options – and it becomes much more fun.

“You must first make the transition from being a solopreneur to becoming an owner of a privately-held business,” says Josh Patrick, author of *The Sale Ready Company*. “Once you’ve filled the four buckets of profitability, systematized your business so somebody else can come in and run it, and aligned your values – and this is where long-term sustainability gets to be really fun – you are no longer doing anything except your unique abilities. You’ve hired managers to do all the stuff you’re not good at and don’t enjoy anyway. You can focus on creating a community of stakeholders who love what you do and enjoy the fruits of your labors outside the business.” ■



Josh Patrick,  
Author  
The Sale Ready Company

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