ThinkAdvisor

"A Matter of Perspective"
by Angie Herbers
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6 Thinking Mistakes Advisory Firm Owners Make

While owners are the biggest obstacle to indie firms' success, it is possible to change your perspective.

One of things that I've noticed about getting older is that our perspective changes. Even though the world around us is essentially the same and we are basically the same (many of us use texting, Facebook and Twitter rather than the telephone, but we are still communicating the same brilliant/dumb ideas), we see many things differently, especially in relation to each other. Some things we used to think were important don't seem so vital anymore, while other things that seemed pretty insignificant now often appear to be pretty key. It seems that you have to get some perspective to realize how important your perspective can be.

Last summer, I merged my advisory consulting firm with Kristen Luke's advisory marketing firm for two reasons. First, we'd both come to realize that each of us was providing an essential component of advisory business management, but that they were better provided together rather than separately. At the same time, we also discovered that we share the same vision of how to best help independent advisors achieve success, however they define it: We help owner-advisors put things into a better perspective.

Over our combined 20 years working with independent advisory firms, both Luke and I have found that the biggest obstacle to their success is their owners. I know, that's probably not what you wanted to hear if you're a firm owner (if you're an employee at an advisory firm, try not to cheer too loudly). But think about it: At large corporations, the CEO can have a huge impact on the business' success or mediocrity. Businesses that are large enough can often at least survive bad management, but small businesses like advisory firms don't usually have that luxury—they live or die depending on their owners.

We've found that the success or failure of most owner-advisors doesn't depend on what most people would think, like knowledge, expertise, personality or even "people skills." What really matters is how they think, which determines their perspective on their business, their clients, their employees, their industry and themselves. Now, before you start thinking, "Uh oh, I'm in real trouble," the good news is that anyone can learn to "think better." As it turns out, that's what Luke and I and our other consultants spend most of our time doing: teaching firm owners (and employees) to think about their businesses and themselves in a better way. To help you think better, to change your perspective and be a better business owner (or employee), here are the six most common thinking mistakes that we see owner-advisors make (including each of us) that prevent them and their firms from being more successful:

Putting pressure on yourself. I'm too young to remember Joe Montana (that's my story and I'm sticking to it), but a friend of mine is a fan of the former San Francisco 49ers Hall of Fame quarterback (who, in a career spanning 1979 to 1994, won 117 games, including four Super Bowls, and was named Super Bowl MVP three times), and likes to tell this story: In an interview, Montana credited his success to the fact that he didn't put pressure on himself. "Pressure is self-inflicted," he said.

Many owner-advisors could take a page from Montana's playbook. They try to do too much, too fast, often driving themselves (and the people around them) to high anxiety and exhaustion. Business owners need to learn to take things one day at a time, one task at a time, to create a realistic plan to get things done, and to delegate as much as they can. They also need to set realistic goals. Success is achieved one small step at a time. Trying to take big leaps is just setting yourself up for failure. Instead, learn to use small successes to build a big one.

Acting rashly. Many business owners are so desperate to make decisions that they often make bad ones. Then they have to reverse course, wasting time and resources—and signaling to employees, vendors and strategic partners that they don't know what they are doing. Five-star Navy Admiral Chester Nimitz commanded our Pacific Fleet during World War II. I read that he had a short list of "rules" that helped him be successful. The first item was "Never make a decision before you have to." We find with advisory firms, there is rarely anything that is so urgent that owners have to make a decision right now. They make it urgent. We like to use the "36-hour rule," which is exactly what it sounds like. When you have to make a big decision, take at least a day and a half before you act on it; learn more about it, think about it and see if you still feel the same way about your choice. Once an advisor makes the shift to a "nothing is really that urgent" point of view, they gain clarity—and perspective.

Shooting from the hip. I have heard that people who have a list of what they are looking for in a spouse have more successful marriages. I don't know if that's true, but I do know that firm owners who decide ahead of time what they are looking for in an employee, a custodian or broker-dealer, a strategic partner or a merger or acquisition partner definitely have more success with those decisions. There is just no substitute for knowing what you are looking for. You won't waste time and energy on exploring every opportunity, and you'll be able to act faster (but not too fast) when the right opportunity comes along.

All-or-nothing thinking. For some reason, owner-advisors are inclined to go back to square one when an initiative doesn't seem to be working. (I suspect this is because they tend to be entrepreneurs who would rather innovate than fix.) Sometimes that is the right move, but it should be your last option, not your first choice. In the real world, things rarely work out the way you plan, and nothing is ever perfect. That means virtually everything you try is going to require some tweaking, adjustment or major fixing to be successful. Nine times out of 10, a series of fixes is more efficient—and successful—than chucking the idea and starting again from scratch. This goes for managing employees, too: teaching, training or coaching is usually more successful than trying someone new.

Being too rigid. The best business owners have values, rules of thumb, experience and knowledge, but they are not overly attached to these things—that is, they also have flexibility. The situation today is not the same as it was yesterday or will be tomorrow. Good owners spend their time studying what has changed and asking, "Is what I 'know' still valid?" They know that just because something has been successful in the past doesn't mean that it will be so in the future.

We find that it is usually better to be more informed than to have a set of rules to adhere to no matter what. Some people call this "living in the moment." The takeaway is that it's always helpful to think about how things have changed. Even though you have a bag of tools, it's still important to use the right tool in the right situation.

Refusing to accept mistakes. This has taken me a while to learn. Looking back on building the businesses that I have, I now realize that your first impression is not always right, and your first idea isn't always a good one. In business, there are almost always multiple answers, and it's rarely clear which one is the best one. We have to take our time and make the best decision we can, and then monitor it closely to see how it turns out. We have to be careful not to get too attached to our decisions. It's almost always better to admit a mistake and take steps to correct it (despite the blow to our egos), than it is to stick stubbornly with a bad decision.

These perspectives have helped us and many of our clients to be better, more successful business owners. We hope they'll help you, too. Remember, without good thinking, the best business consulting in the world won't help a bit.