LLBH Private Wealth Management LLC

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"Why is it important to work with a well-managed financial advisory firm?"

By Jeff Fuhrman, Chief Operating Officer and Chief Financial Officer

When the attributes of a successful financial advisory firm are discussed, metrics such as assets under management, revenues and earnings are most often cited. And while no doubt vital, these measures alone do not distinguish a well-managed firm from the also-rans. The question financial advisory clients must ask then is, how can they tell if their firm is well-managed and why does that matter?

Financial advisors offer a highly specialized and knowledge-based service to their clients. Yet, absent a strong management structure, power and accountability for client relationships is diffuse; and service consistency, resource allocation, quality assurance and risk management are difficult to deliver. Considering today's increased regulatory scrutiny, mounting technological requirements and an ever-evolving industry landscape, the management hurdle is higher than ever before.

It's unrealistic, then, for a financial advisor to effectively combine an active client workload with all that's entailed in managing a thriving firm. The most productive financial advisors focus their energies on the one area where they can have the greatest impact: their clients.

More successful and progressive-minded firms have sought professional management to lead their organizations; these firms delegate decision rights and leadership responsibility to those who have a different perspective and are better positioned to marshal the resources of the entire organization. Through this reallocation of responsibilities, the firm can perform to its fullest potential.

Beyond freeing up the financial advisors to focus their time on what they do best, why does this matter to the client? For starters, a well-managed firm is effective at recruiting and retaining the best and brightest. A motivated, high-caliber team with longstanding tenure will produce an unsurpassed level of work, to the clients' benefit.

Second, dedicating resources to the build-out and operation of an organization's infrastructure safeguards long-term business continuity. Seeing this, clients should take comfort in the knowledge that the firm will exist long after their financial advisor leaves the business.

Third, a comprehensive system to measure and evaluate the key drivers of firm performance is a hallmark of a professionally managed firm.

Finally, engaging professional management with operational and strategic responsibility ensures that the objectives and best practices of the firm are effectively communicated throughout the organization. When all the components of an organization are aligned and all staff are aware how their responsibilities contribute to the firm's overall success, the opportunity to deliver a seamless client experience is maximized.

Of course, there will be those with deeper pockets and greater resources, but the question remains the same: Are the firm's resources being deployed in a way that benefits the client? Quite often, the largest firms are mired in bureaucracy, and financial advisors are not completely free to do what they do best. Similarly, if the firm does not uphold a fiduciary standard, perverse management incentives are created which don't necessarily serve the client's interests. **The independent registered investment advisor has a fiduciary responsibility for putting the clients' interests before his or her own.** That way, management can focus its attention on servicing its clients, not its own products.

When investors consider a financial advisor, traditional measures of success may serve as a valuable proxy, but clients should look more deeply. Attributes such as the firm's ability to cultivate a high-impact team, create a sustainable enterprise, develop a performance-based culture and ensure that strategy and operations are aligned are important measures, indicating whether the firm is well managed and positioned to bring value to its clients.