

PRACTICE BENCHMARK:

Finding and Keeping Great Employees

By David L. Lawrence

As most independent financial advisors who have employees know, it is hard enough just to find good people to bring into their financial practice. Harder still, is the job of keeping those employees.

Often, smaller practices have a difficult time competing with larger companies when it comes to such things as salary, benefits and the working environment. Due to financial pressures, some practices have even resorted to not offering benefits at all. One reason might be that rises in benefit costs accounted for more than 60 percent of the increase in total compensation costs for civilian workers from September to December 2004 (*Bureau of Labor Statistics – December 2004*). In a competitive environment, this could spell trouble for the financial practice. Not having benefits such as health insurance puts that practice at a competitive disadvantage. Yes, the cost of employment would be less, but the pool of willing, potential employees would probably be less as well. There is also the strong possibility that a firm without benefits for employees would experience higher turnover rates and greater job dissatisfaction than a firm that does offer at least some benefits.

The financial advisor should consider the potential costs associated with a higher turnover rate. The cost is not always apparent. But, having to devote considerable time, effort and expense to constantly training new employees can quickly erode the profits of a financial practice. Another potential cost is the cost

of a bad hiring decision (hiring the wrong person for the job). Consider the potential costs involved:

Let's say for example that you placed a series of six ads in a local newspaper for an open position on your staff:

Cost Item	Expense
6 ads	\$35 each = \$210
2 interviews (50 minutes)	\$100 per (hourly cost of your time) = \$200
Open Position Salary (3 month trial period, training period)	\$35,000 / 12 = \$2,916 Times 3 months = \$8,750
Your time during training period	10 hours/ week times 12 weeks = 120 hours 120 times \$100 per hour = \$12,000
Total cost of hiring the wrong person	\$21,160

The above numbers assume that you (or another staff person) would need to spend a significant amount of time working with a new employee to get them up to speed (time that could take you away from other profitable duties). It also assumes that the salary of \$35,000 per year would cover all costs associated with that new employee such as federal withholding, Social Security withholding, Medicare withholding, related unemployment compensation costs, and benefit expenses. It does not include such costs as relocation, travel-related costs, etc. Can your practice afford to make a \$21,160 hiring mistake? What can you do to avoid (or, at least greatly reduce) this expense?

The Financial Planning Association released a compensation and staffing study in 2003 (*Moss Adams, LLP*) that identified 6 key questions that should be answered before bringing on new employees.

- 1. Does my current organizational structure support my future growth?***
- 2. Do I have clear expectations for every position?***
- 3. Can I identify the optimal characteristics for each position?***
- 4. Do I have the right people for each position?***
- 5. Do my compensation practices support my strategy (or detract from it)?***
- 6. Am I optimizing the talent that I have in my practice?***

The first question relates to strategic planning for your practice. Have you structured your practice in such a way that, as your practice grows, the staff, systems, procedures, office layout and even the office culture is able to complement that growth? The answer to this question should lead the financial practitioner to understand his or her staffing needs both now and in the future.

“That’s not my job!”

It is no longer enough to simply write down a brief summary of a job description for the benefit of finding the right employee. Job descriptions should be specific and contain clearly outlined expectations and accountabilities for that position. The job description can then be used on an ongoing basis to evaluate the performance of an employee; measured against these accountabilities. One key element in job descriptions that lends itself to continuity and smooth operations is cross-training. Building job descriptions that do not allow for cross-trained employees can expose a financial practice to financial risk and inadvertently create an operational nightmare should a situation arise where a key employee position is left vacant for a period time with no one to, at least temporarily, fill the shoes of that person.

The third question in the list deals with finding the right person for the job. Consider an example of Mary K., who was hired as an office manager for a financial planning and asset management practice. Her job title said office manager, but her duties had nothing whatsoever to do with management. Though there were other employees in the firm, she was specifically prohibited from management duties that related to the other employees. The concept that; “if I can’t pay her what she wants, I can at least give her a fancy title,” can lead to disaster. Ultimately, Mary K. quit her job, in large part because she felt she had been lied to about her job duties.

“Don’t oversell the job.”

Building appropriate job descriptions and creating titles for those positions that directly relate to the job can avoid the above scenario from happening. Remember that job descriptions are a two-way communication. While you are holding your new employee responsible for the duties listed, your new employee is likely watching to see if what you said in the description and interviews actually holds true.

Having the right personnel can make all the difference in a financial practice. An office culture is made up of the combination of expectations, procedures, and attitudes of you and your staff.

“Just one bad apple can spoil the bunch.”

Experience the impact of a disgruntled employee in an office environment with other employees just once and you will understand the enormous negative impact that employee can have on the rest of your staff. Disgruntled employees occur for a variety of reasons. Most often, it can result from placing a person in a position for which they are either ill-equipped to handle or simply do not enjoy. It could also result from personality differences with co-workers, the boss or both. Either way, it might suggest that the hiring process needs some review. Effective job interviews are extremely important in the hiring process. Yes, there are plenty

of questions that you should not ask. But, there is a much larger list of questions that you should. Consider developing a job questionnaire that encourages the applicant to expand on their experience, education, likes, dislikes and gives you the opportunity to evaluate that person's personality. Remember that a job interview is a chance for an applicant to show their best face to you. If that falls short, consider what their normal face might be. Some practices use personality profiles to give them one more tool to objectively evaluate a candidate for a position. There are a number of companies that offer such services. Some companies even offer personality analysis services for existing staff to evaluate the group personality dynamic and how well your staff interrelates with each other. This type of study can often reveal inconsistencies between a particular employee's role in the company and what they might be better suited to do. A couple of companies you might want to take a look at are: Profiles International, Inc. (www.profilesinternational.com) and Caliper (www.caliperonline.com).

In structuring a new job offering, it is often difficult to determine what combination of benefits and salary (wages) will attract the right employee. On the one hand, the financial advisor, as a business owner, has to be concerned about keeping costs as low as possible. On the other hand, keeping costs too low could result in never finding the right employee or, worse, hiring the wrong person for the job. Some advisors, in an effort to be more competitive in this area, have chosen to employ the services of Professional Employer Organizations (PEO), formerly called Employee Leasing Companies. By pooling your employees with hundreds (or, even thousands) or others, such costs as 401k administration, medical benefits, unemployment insurance, payroll processing and other benefit related costs could be significantly reduced while expanding benefit offerings to include items such as disability insurance, life insurance, dental, eye care, Medical Savings Accounts and others that might otherwise be unaffordable for the financial advisor to offer.

The final question asks, in essence, what are you doing to encourage your existing staff to learn and grow as resources to your practice? And, while you're at it, ask yourself how discouraging it is to describe a potential job offering as having no chance for advancement, or opportunity to learn more and grow as a person? Developing a positive office culture, while cultivating the motivation and attitude of your employees, is a key element in retaining staff and maintaining efficient office operations.

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David Lawrence has over twenty years experience in the financial services profession. He spent 18 years with a major financial planning firm as a Senior Financial Advisor, Training Manager and District Manager. He has also worked for two large independent financial planning and asset management companies in senior management positions. His responsibilities have included designing software systems and customizing financial planning software to function in different ways to suit the needs of those companies. He has also written a customized tactical asset allocation software program that utilizes a unique, fully automated timing model to buy into and sell out of various asset classes utilizing



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He has been quoted by such national publications as Barrons, Financial Planning Interactive, USA Today, and The Wall Street Journal Online among others. He has also made frequent appearances on NBC and FOX television affiliates. He is a sought after public speaker on a variety of financial and technical topics. He is the current President of the Financial Planning Association of Tampa Bay and has been active in that organization on a national level. Mr. Lawrence is a graduate of The University of South Florida in Tampa, with a double undergraduate and Master's degrees. He attended the University of Florida in Gainesville for his Doctoral studies. David currently writes a monthly column on practice efficiency for [Financial Advisor Magazine](#) and is finishing a book on practice efficiency.