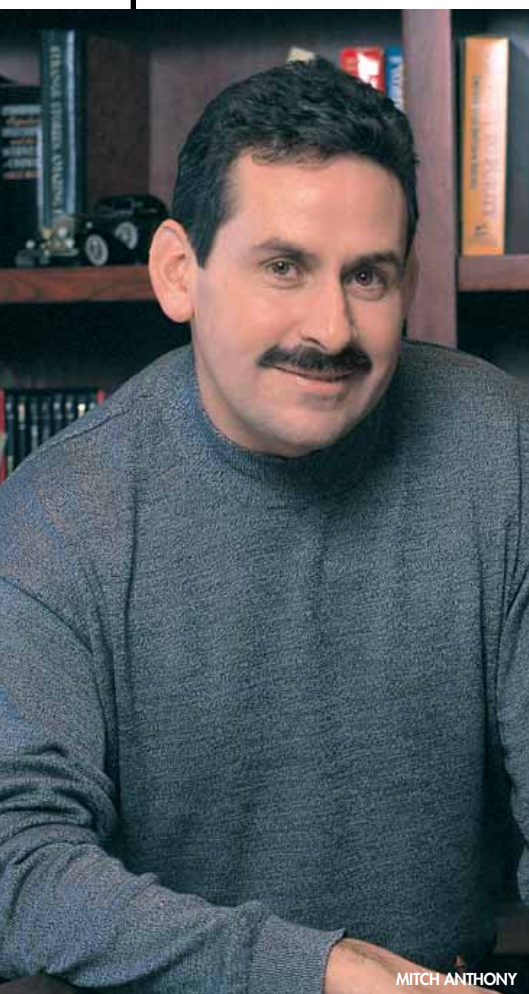


MITCH ANTHONY & AL DEPMAN

Measuring Up

Advisor coaches Mitch Anthony and Al Depman have built a quantitative system for assessing and improving your business. How does it work?



Research: Where did the Practice Checkup come from?

ANTHONY: Up until recently, my place in this industry has been about helping advisors build genuine client relationships. Al's tool attracted me because in the last year, I've been hearing a lot of advisors talking about the fact that they're having a hard time carving out a life for themselves as well as clients' life plans. When I saw this tool, I realized that one thing that's missing in the advisor community is really strong objective measurement of where a practice is working, where it isn't and what we need to do to improve it. This seemed to be that missing piece in the puzzle.

DEPMAN: I've been in the business 22 years; for the last 15, I've been consulting on practice management issues. The biggest single issue I keep running up against is when an advisor needs to "get to the next level." That next level is traditionally measured by production, but there's no attention paid to the behind-the-scenes work that needs to go into that growth. This is what the Practice Checkup tool (practicetools.net) is all about. Somebody logs in, gets the



assessment and takes a look at the different factors we're measuring. The first of these is the life-cycle stage, where an advisor is in his or her career.

What are the stages?

DEPMAN: You essentially get the first one if you're housed in-house somewhere in a firm. You're getting started. At the 250-point stage (we score advisors on a 1,000-point scale), the advisor goes out on his or her own. They're out of the nest and suddenly have to start fending for themselves, finding systems that work for them and people they work best with: clients, management, co-workers, assistants. By the 600-point level, you have identified the systems that work for you and have written them down somewhere. You've created an operations manual and so can hire staff to run those systems. Many people we've given this assessment to never leave this phase.

ANTHONY: The bottom line is that you can't build relationships if your business design won't allow you to. You're going to be huddled up with spreadsheets in the back room, and not sitting down with people learning about their lives and what matters to them. Remember, the more time you spend in front of a client, the more money you make.

DEPMAN: The "mature" phase is where I've focused. You've got 700 to 750 points and you've made it in this business. You're doing well financially. You've delegated out many systems that you don't like to do and you're doing everything you want to do. That's a great spot to be in, but if you have an exit plan, you only have one value to sell: the value of the book of business you've got. That's OK, but there's another level you can aspire to (if you want to), and that's the prime performer, in the 900 range. The big difference is that the prime performer is continuing to grow the practice. Mature reps have all the clients they need, they get occasional

referrals and they're growing slowly but surely. The prime performer's got a whole team of people to get new clients. The payoff is that they can pass their systems, people and goodwill on to a purchaser, who can now leverage those people and systems that the advisor

"We started this about three years ago and the people we've followed over that period have reported an average of 39.3 percent growth."

had put into place. It's a huge discussion point: Where do you want to be? A mature rep, or do you aspire to prime performance? I'd say the responses are equal on both sides.

And once you know where you want to be, you can start earning points to get there?

ANTHONY: People who take this assessment are given the 10 next steps they need to complete to ascend to the next level of practice. We've done an experiment with a group of advisors. Those who completed this consultation (an hour and a half), got their next steps and held themselves accountable — that is, they got an accountability partner — saw their top line rise by, what percent was it, Al?

DEPMAN: We started this about three years ago and the people we've followed over that period have reported an average of 39.3 percent growth year-to-date over 2005.

ANTHONY: One of the key factors here is getting that accountability partner.

That's literally the hinge on which the door of opportunity swings. Everybody has good intentions, but who's holding your feet to the fire? Al requires people he's consulting to have that third party on the consultation call.

Getting back to the "quality of life" aspect, this doesn't entail spending an average 39.3 percent more hours in the back with the spreadsheets, does it?

DEPMAN: What we're measuring here in terms of the business systems is whether they're set up to accommodate both business and the advisors' personal lives. If you were to leave

the business for two weeks, what state would it be in when you get back? Has it degenerated? Has it maintained itself? Has it actually grown? For advisors at the emerging level, they see the business going backward. Mature advisors say things have stayed on pace, and the prime response is that it's actually grown.

ANTHONY: And this goes a long way toward answering the succession question they're going to have to deal with someday.

DEPMAN: And the exit strategy discussion. Advisors who score 750 can pretty much expect book value for their practice. At 900, they can get 1.25 times book value. Over 900, a buyer will give me 1.5 times book because they're also getting systems and people and the enterprise is functioning by itself.

What's the most important step an advisor can take?

DEPMAN: Hiring a full-time marketing assistant. It will cost money to bring them on board and train them, but you're going to see three times the return on that investment. **B**