dynasty Institute for Adaptive Leadership

Industry Trends & Dynasty Guidance

Q4 2024

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Insights from Q4 2024

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Tucked In or Checked Out? How to Increase the Number of Thrivers in Your RIA

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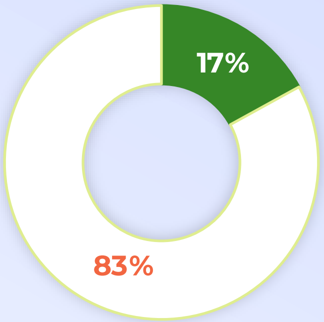
- How do we define "thriving"? **Thrivers** put in **high effort**, have **high job satisfaction**, and experience **low burnout**.
- Fidelity recently released a survey that shows that only 17% of advisors surveyed were classified as **Thrivers** vs. **Survivors**, who make up the rest of the count.



Fidelity's research across industries also found that there's a **disconnect** between how **employers think their associates are doing** vs. how their **associates are actually doing**.

What Do Employees Value?

1. **Balance-oriented benefits:** PTO, paid sick leave, work/life balance, stability, job security, manageable workload
2. **Core benefits:** Health insurance and retirement plans
3. **Compensation:** Base pay, bonuses, and equity
4. **Psychological needs:** Connection, autonomy, purpose, competence
5. **Targeted benefits:** Retiree medical, paid parental leave, childcare, tuition reimbursement

What Do Advisors* Value?

1. Increasing control over **work/life balance**
2. **Increasing personal income, compensation, or payout**
3. **Growth of client base**

Dynasty's View:
For both advisors and employees, the #1 thing firm leaders should focus on is empowering your team to balance their personal and professional lives. Consider:

- **Reducing Burnout**:
  - How much time is spent each day on actual client work or prospecting? What takes up the rest?
- **Streamlining Processes:**
  - Which workflows are outdated and require more attention from your firm?
- **Leveraging Technology:**
  - Are you leveraging tech in a way that optimizes your workforce's time? How does AI fit into this?
- **Reassessing Roles & Responsibilities:**
  - Are advisors being asked to do things that don't align with their natural strengths? How can you tweak advisor responsibilities, so they feel more fulfilled at work?

*Advisors surveyed all moved to a new firm within the last five years and were asked the primary drivers for leaving their old firm

Tucked In or Checked Out? Retaining Thrivers at Your Firm

Thrivers = **High effort** + **high job satisfaction** + **low burnout**

- For firms who have addressed the areas on the prior slide and feel they have a high number of **Thrivers**, how do we ensure retention of these employees?

Dynasty's View:

- Ensure all your primary bases are covered:
  - Is your **PTO policy adequate**? Do you include things like paid sick leave, mental health days, etc.?
  - Is **work/life balance truly feasible** for your employees and advisors?
  - Do you **benchmark compensation** across the organization annually to ensure base pay is fair and competitive?
  - Is it **clear to employees if they are performing well** or are lacking in certain areas?
  - Are bonuses tied to individual performance **and** firm goal accomplishment?
  - Have you **evaluated your health insurance plan** to ensure it's the best available for your team? Do you offer a **401k match**?
    - **TIP**: ask your employees in your annual culture survey what aspects are most attractive to them so you can prioritize where to focus.
- If all these areas are done well, **consider offering paths to equity** to Thrivers. Among the Dynasty Network, the two paths below are the most common:
  - **Profit Interests (P Shares)**: Provides stakeholders with a share of the company's profits or appreciation in value without actual ownership or voting rights. These can be structured as cash bonuses or virtual equity units tied to the company's performance.
  - **Restricted Stock Units (RSUs)**: RSUs allow them to share in the potential upside and value creation without diluting the founder's voting control. The non-voting stock or RSUs can be subject to vesting schedules and performance milestones to incentivize long-term commitment.

Beyond the Partners: Building a Self-Sustaining Growth Culture

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- As independent RIAs continue to professionalize, we often see firm founders realize that their firm's growth is too reliant on founders/partners to bring in new assets and revenue to meet the firm's growth goals.
- The question we often hear is *"How do we get our firm to sustain a growth culture without us having to be extremely involved?"*.

According to Fidelity, fast-growing advisors are separated from the rest by the Three T's: Time, Talent, and Tools[1]

	Time	**Talent**	**Tools**
Marketing & Business Development	Dedicate twice as much time each week to new business development (10 hours) compared to other advisors.	60% report their firm actively helps them develop prospects and teaches client retention skills (compared to 40%).	
Investment Management		30% vs 19% work with a specialist or dedicated resource for portfolio construction.	92% vs 79% use model portfolios.
Technology			83% vs 68% have more client handling capacity due to the firm's automated workflows.

Dynasty's View:
In short, the fastest-growing advisors have three commonalities[1]:

1. They devote twice as much time to business development.
2. They have access to more firm resources to build skillsets and deliver exceptional outcomes.
3. They have access to more technology and tools and use them to their advantage.

Beyond the Partners: Building a Self-Sustaining Growth Culture

- Fidelity proposes the idea of creating a client acquisition engine that leverages both technology and people – the goal is to remove some (or all) of marketing and business development responsibilities from advisors and founders/partners.
- Fidelity found that firms that are not reliant on principals for growth had 40% higher organic growth rates than their peers.

CRAWL

BUILD A PRESENCE

- Website/blog/establish social media profiles
- Manual/email marketing
- Data integrity/analytics
- Events/webinars
- Social scheduling

STAND

DRIVE PERFORMANCE

- SEO
- Landing pages
- Paid social media campaigns
- Nurturing (content campaigns)
- Marketing automation

WALK

PERSONALIZE & SCALE

- Client surveys
- A/B testing
- Persona-based content
- Heat mapping
- PR/advertising

RUN

CLIENT LIFECYCLE MANAGEMENT

- Customer Data Platform (CDP) / Digital Asset Management (DAM)
- Multi-channel attribution
- Omni-channel client experience
- Predictive analytics, AI & machine learning

Lifecycle of Trust in Leadership[1]

Trust is the willingness to be interpersonally vulnerable; to take a risk without expecting to be taken advantage of.

Dynasty Advisor to CEO Program

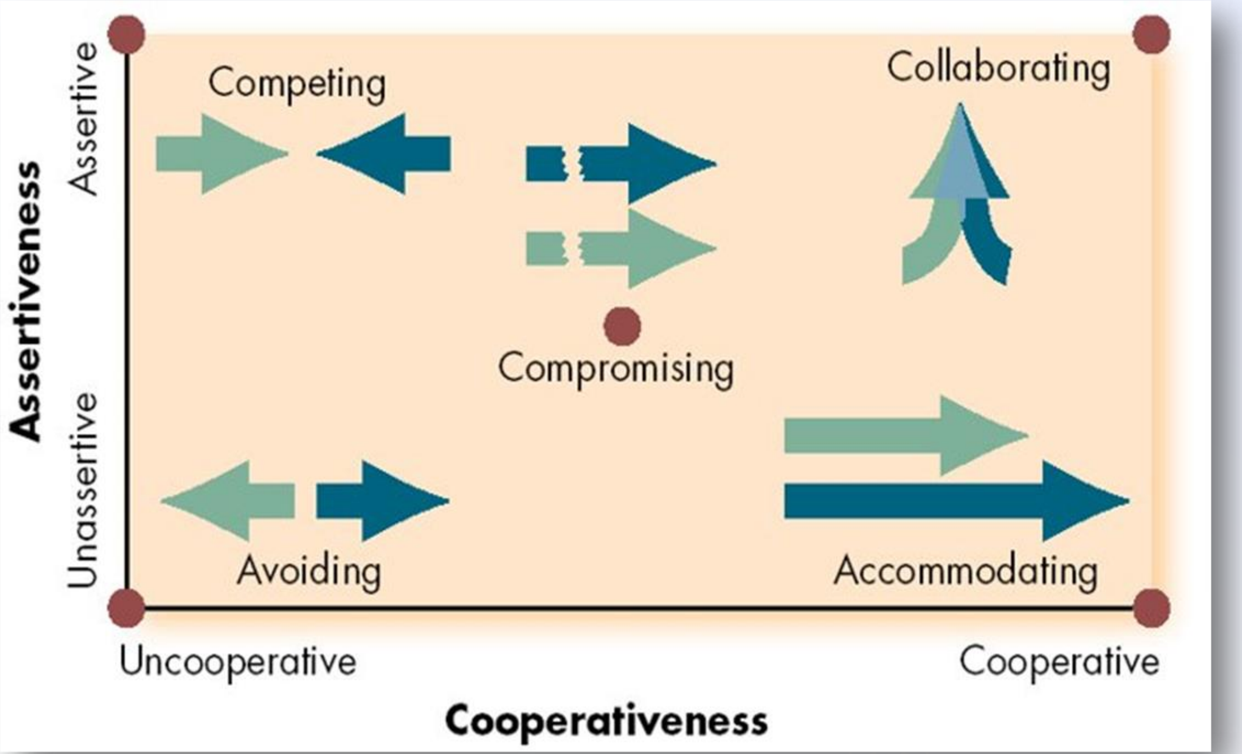
- Trust is not ***one*** thing – it has three dimensions:
  - **Competence**-based: demonstrates skill, ability
  - **Benevolence**-based: demonstrates goodwill
    - Most important to build in the short-term.
  - **Integrity**-based: demonstrates predictability
    - Most important to build over the long-term.

Lessons from the Advisor to CEO Program:
Trust is a critical asset not just in client relationships, but also internally among colleagues and staff, which is often overlooked in the wealth management industry, which prioritizes client trust. Internally, fostering trust can lead to significant returns by encouraging long-term behavioral changes, extra effort, and organizational citizenship behaviors, enhancing team collaboration and creativity, and producing higher quality intellectual products. These factors collectively improve client service and sustain a competitive advantage at both departmental and firm levels. By applying the same dedication to building and maintaining internal trust as is done with clients, firms can unlock a more cohesive, innovative, and effective organizational culture, essential for long-term success and resilience in the market.

[1]Harrison, D. A. (2024, October 24). *Trust, Networks, and Power*. The University of Texas at Austin.

Conflict Compass: Navigating Styles for Success[1]

Conflict is inevitable in business, especially when running your own firm. How you handle it shapes trust, alignment, and success. Knowing when to use a conflict management strategy ensures that the conflict becomes an opportunity for growth, not division.



When to Use Conflict Management Strategies

- **Compromise**
  - Use when goals are important, but not worth the effort and/or disruption of a more assertive approach.
- **Collaboration**
  - Use when concerns are too important to be compromised.
  - Use when the objective is to merge insights and gain commitment.
  - Use when you have the time.
- **Avoidance**
  - Use when the issue is trivial.
  - Use to temporarily delay a decision or allow emotions to cool.
    - HALT (Hungry, Angry, Lonely, Tired)
- **Accommodation**
  - Use when you find you're wrong.
  - Use as a favor or to build a relationship.
- **Competition**
  - Use when quick action is vital.
  - Use when you don't trust your opponent.

A to CEO
Dynasty Advisor to CEO Program

Lessons from the Advisor to CEO Program:
To effectively manage conflict, start by assuming positive intent, believing that all parties are competent, trustworthy, and willing to cooperate. Be honest about your own contributions to the issue and focus on shared goals while employing compromise and collaboration strategies to find solutions. Manage your emotions but assertively communicate your feelings and needs. When necessary, adjust structural elements, reorganize, or bring in outsiders for impartial perspectives, such as a devil's advocate. In cases where resolution requires decisive action, use authoritative command. However, if the conflict is deeply dysfunctional, focus on rebuilding the interpersonal relationship, if it's worth saving, to restore trust and cooperation.

[1]Loescher, K. (2024, October 24). *Enhancing Firm Leadership, Collaborative Decision-making, and Conflict Resolution*. The University of Texas at Austin.

Succession Blueprint: Starting with the End in Mind

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	Status Quo	Internal Succession	Majority Sale	Minority Recap
Overview				
Description of Alternative	Continue growing and address succession and capital raising needs at a later date	Perpetuate business by selling equity to other employees or existing partners of the firm	Sell externally to a strategic buyer that may or may not be backed by private equity	Sell less than 50% of the firm externally, but retain control and the ability to realize a bigger transaction at a later date
Merits & Considerations				
Valuation Maximization	○	◔	●	◕
Actionability of Resolution	◔	◑	◕	◕
Ability to Stay Independent	●	●	◑	●
Management Retains Control	●	◕	◑	◕
Commentary				
	• Limited disruption to the business and team	• Likely to sell equity at a discount to the market	• Utilizes competitive process to drive premium valuations	• Allows for the owner(s) to take some chips off table today
	• Does not create or put an action plan in place , creating future ambiguity amongst employees and/or partners	• Unclear whether G2 perceives this as actionable and affordable	• Is a probable change of control transaction	• Align with a group of investors, clients and/or partners that understands the business but relinquishes control to management
	• Could make future decision making more challenging	• Structuring could be cumbersome with no guarantee of results	• May allow some G2 to equitize, but would be in rollover equity with less ability to control outcomes	• Provides some dry powder for future growth

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