Building High-Performing Teams: Design

Creating an Organizational Chart

There are a number of ways to structure a team; there is no “one size fits all” approach. Only 14% of advisory firms surveyed have developed a plan for how their organizational structure will change as they grow.1 To ensure success, it is vital that you perform some self-analysis and take a look at your personality style, strengths and areas for improvement, and business objectives in order to build the ideal team structure for you and your business. There are typically three organizational models adopted by advisory firms for your consideration:

- Vertical
- Horizontal
- Strategic

The following sections review each of these models in detail including the advantages and disadvantages.

**Vertical Approach to Team Structure**

Vertical teams are most appropriate for the advisor who knows he or she needs to be the lead and have sole control in decision making. Many advisors also have a hard time feeling comfortable with joint equity ownership in their practice. Entering a 50/50 partnership doesn't often work for these individuals; a vertical team structure is more appropriate. Vertical teams are typically easier to manage and there is no question as to leadership. They do, however, make succession planning more challenging, which reiterates the need for you to first identify your reasons and goals for establishing a team.

<table>
<thead>
<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>One person retains at least 90% equity</td>
<td>All decisions, good or bad, fall on one person</td>
</tr>
<tr>
<td>Less complex management of business</td>
<td>No one to share thoughts and ideas with</td>
</tr>
<tr>
<td>Minimal conflicts or misunderstandings</td>
<td>Succession planning more challenging</td>
</tr>
<tr>
<td>Clear decision making and leadership of team</td>
<td>More time spent on managing the business and less on sales and marketing activities</td>
</tr>
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1. The 2011 FA Insight Study of Advisory Firms: People and Pay.
Horizontal Approach to Team Structure

For advisors who have a collaborative leadership style and are comfortable sharing responsibility, decision making and equity of the business, a horizontal or partnership structure may work well. Multiple advisors will free up time and/or add capacity. Depending on individual talents and how roles are established, multiple advisors could allow for more clientele, provide more support, provide deepened expertise in certain wealth management areas or enhance the relationship management side of the business.

Regardless of the structure chosen, it is vital that all team members communicate frequently and understand their individual roles, responsibilities and priorities. However, horizontal teams often have an increased potential for misunderstandings. If all of the financial advisors are not on the same page, it creates further difficulty for support members as to whom they should be listening to and where their priorities reside. Finally, it is clearly important to think through equity ownership in horizontal structures as challenges can often arise.

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Synergy when right partner(s) are identified</td>
<td>• Must share equity, which can lead to &quot;keeping score&quot; mentality</td>
</tr>
<tr>
<td>• Emotional and intellectual sharing among decision makers</td>
<td>• More challenging for support members when advisors do not agree on vision</td>
</tr>
<tr>
<td>• Succession planning easier</td>
<td>• Greater potential for conflicts or misunderstandings</td>
</tr>
<tr>
<td>• Shared responsibilities but can allow members to focus on passions and talents</td>
<td>• More difficult to manage</td>
</tr>
</tbody>
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Strategic Approach to Team Structure

The strategic team structure uses both horizontal and vertical approaches. These types of teams are more complex due to the number of moving parts, and of course, finding the right people to fill each role is often more time consuming. However, for those advisors looking to create a holistic wealth management offering, this is becoming a more popular model. The client experiences a total solution that encompasses all of their needs, and this structure also allows each individual to spend the majority of their time in areas for which they have both a talent and a passion.

**Strategic Team Approach**

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Client usually experiences a total solution</td>
<td>- Many moving parts increases complexity in managing business</td>
</tr>
<tr>
<td>- Allows each person to do what he/she does best or enjoys</td>
<td>- Challenging to source the right internal/external best people to fit business needs</td>
</tr>
<tr>
<td>- Professional image where people consider you more comprehensive provider</td>
<td>- Usually slower decision making due to greater a more comprehensive provider</td>
</tr>
<tr>
<td>- If the business offers holistic solutions, creates congruency in the promises made and actions delivered on</td>
<td>- Increase in the need for coordination, communication and general HR tasks</td>
</tr>
</tbody>
</table>

Summary

Naturally, there are numerous ways to build out a team, both horizontally and vertically, depending on your specific needs, styles and client base. You need to think through the pros and cons for each model so that you choose one that is going to work for your business. By working through the Assess and Design guidebooks in the Building High-Performing Teams series, it can help you identify and evaluate your choices for an organizational structure.
About This Series

*Building High-Performing Teams*, developed in collaboration with Paragon Resources, is a series of modules and resources designed to help you assess, design, build and lead your human capital resources to maximize your productivity and achieve your business vision.

The series components are as follows:

1. **Assess.** The *Assess* guidebook focuses on helping advisors review their current team and explore the key considerations for expansion, including determining whether adding a new team member is warranted, and if so, giving you greater clarity regarding the role they would fill.

2. **Design.** The *Design* guidebook offers tips on making decisions about organizational structure, defining roles, crafting job descriptions, assessing current team members, and, if appropriate, beginning the hiring process.

3. **Build.** The *Build* guidebook provides guidance on developing and maximizing your team’s human capital by presenting strategies for sourcing talent, onboarding and positioning the new team with clients.

4. **Lead.** The *Lead* guidebook presents tools you can use to enhance your management and leadership skills to increase the engagement and retention of staff, streamline business operations, manage performance and implement effective team communication.

To access the full series, visit Veo>Practice Management>Resource Center>Human Capital Management or contact your Sales Representative.
About the Authors

About Paragon Resources and Know No Bounds
Paragon Resources and Know No Bounds are training and consulting firms providing proven practice management solutions exclusively to Investment Professionals. Whether an internal corporate business development department, product solutions provider or a practicing advisory team, our resources are designed to capitalize on people’s talents and optimize productivity through efficient processes. This is the foundation of our People + Process = Performance™ methodology.

Having a keen awareness of the true root cause of an investment advisory team’s issues is vital to remaining competitive in this evolving industry. We provide a powerful and unique suite of diagnostic tools designed to:

- **Identify the potential performance barriers** that are hindering the ultimate success of an advisory team
- **Facilitate key decisions** that need to be made for the future growth of the practice
- **Provide a roadmap for specific action**

By looking at three critical Performance Drivers—PEOPLE, TEAM DYNAMICS and the BUSINESS MODEL—our resources and services help advisory teams transcend their current success to attain their ultimate performance potential. Organizations increase their business, optimize their practices, and subsequently make an impact on their lives and those of their clients.

For additional information, please visit our websites at www.ParagonResources.com or www.KnowNoBounds.com.

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