



## Innovate or else: Advisers must leave the comfort zone before it's too late

by Greg Iacurci for InvestmentNews

A lack of innovation is [threatening the growth](#) that the financial advice industry has become accustomed to in recent decades, according to some top advisers.

Technology is commoditizing advice services. Without innovation "you may not be here in a couple of years," said one firm leader during a recent roundtable with the Alliance for Registered Investment Advisors, a think tank founded by advisers, hosted by *InvestmentNews* in New York.

Below is an edited version of their spirited conversation during which one executive concludes that advisers have become too comfortable in their warm and successful "RIA hot tub." A chill is coming, he warns.

The full roundtable conversation is available at [InvestmentNews.com/InnovationRoundtable](https://www.investmentnews.com/innovation-roundtable). Here are some of the highlights.

### ***InvestmentNews:* What does innovation mean to you?**

**Ron Carson:** Innovation means not defending what we know, but embracing the unknown and having a totally open mind. It's so easy to fall into this trap of what we're comfortable with.

**John Furey:** Innovation, to me, connotes growth. So if you're not innovative, it's almost impossible to grow in this industry in the future. The pace of change is accelerating in this space, and firms that aren't innovating will wind up flatlining their growth.

**John Burns:** As an industry and as a firm, we need to be confident of our future but, at the same time, have a little healthy paranoia as well. Industries are littered with companies that are irrelevant — [that once were very, very prevalent](#).

### ***IN:* Would you characterize the financial advice profession as particularly innovative?**

**Matt Cooper:** Predominantly no, for the most part. If there are 17,000 wealth managers in this industry, I would say 16,500-plus are not necessarily that innovative. The industry's been providing all of us a fantastic lifestyle over the past 20 years, but I think the reality is that it's finally caught up with us. Technology's at the point where we're at an inflection — [if you don't adapt and you don't change](#), you know, [you may not be here in a couple of years](#).

### ***IN:* What gets in the way of innovation in this profession?**

**Brent Brodeski:** If you look at our businesses, they're relationship-oriented, and the reality is, most of our clients we've had for a lot of years. What this leads to is long-term relationships that have been very profitable. As a result, I think advisers end up in the RIA hot tub, right? It's comfortable, it's warm, and they don't want to get out.

Change is hard, when you're in this hot tub and it's comfy and it's warm, and we've always done it this way. It doesn't seem risky to just keep enjoying the current hot tub. But eventually, that's going to go cold.

**Jack B. Peterson:** It's more complicated. People don't want to make the change; they don't want to get out of the hot tub. But also there's only 24 hours in a day. You only have so many hours each day, and you've got the day-to-day business. You've got to get some sleep, you've got to work out, you've got to eat. You've got to force yourself to set time aside. And I think that's hard, especially for the smaller RIA, as they don't have the staff.

**Jeffrey Concepcion:** I agree with this whole notion of complacency, but I would take it a step beyond that. I think people think of folks in our space as business owners and most are not. There's a difference between being self-employed and being a CEO. The reason I would suggest people don't innovate is they're in that adviser/self-employed mode. They're not thinking like a CEO, a business owner who is thinking about all the changes in the industry. They're enjoying the hot tub.

**IN: How do your innovative ideas come to you? Is the process a purposeful exercise that you bring to yourself and to your teams?**

**Mr. Brodeski:** While the leadership is top-down, the real action — the real activity, the tactics have to be created at the grassroots level. The rank-and-file are in the trenches, they're getting their hands dirty — they know what needs to be done. But in many cases, they're not entrepreneurial, so they need to have that vision laid out top-down, so that they can then say, on a quarterly basis, this is what we need to do now, this is what needs to happen to move the dial on our one-year, our three-year, 10-year and 25-year plans.

**Mr. Burns:** Automate the meaningless to spend more time on the meaningful. Typically, that's going to go directly to improving the client experience, to the relationships — not just the advisers, but relationship managers and people throughout our firm. Our chief operating officer will work with our operations team and with relationship managers, with advisers, and they'll come up with a stream of things that would save them a bunch of time if they could be automated.

**IN: So I'm hearing that you have to create an environment at your firms where you're kind of clearing the path for people to bring those ideas forward?**

**Mr. Carson:** Innovation feeds innovation. Because when you're innovating, [you attract people who are innovators](#). Growth feeds growth.

**Mr. Cooper:** In order for you to have the best people joining your firm, you have to be growing at 15-20% a year so that you can continue to pay those people and give them an upward path. They will create opportunities for your firm and the innovation will be great.

**IN: All of you hire very important people in your firms. What are you listening for?**

**Mr. Concepcion:** Talent's a huge component to growth. So in my mind, we fall in love with people. We may not have a role open for them; they may not have experience in our industry. But if they've been wildly successful in other things, you bring them on board and you find a way to deploy that talent in the organization. It mixes things up. It changes the chemistry. It seeds innovation.

**Mr. Furey:** For innovation to happen, you need idea people and execution people. That's innovation. Because if you have an idea and you can't execute it, who cares?

**IN:** What is the secret for getting everybody at the firm to share your vision of where you want to take the firm?

**Mr. Concepcion:** You can dictate or you can develop consensus. If you develop consensus, it probably gives that idea a chance to be enhanced and massaged and for other people to contribute. We don't vote by equity, we vote by consensus. If you're going to surround yourself with good people, be willing to be outvoted.

Trust your team and let consensus rule. Otherwise, hire monkeys and pay them minimum wage if you're not going to listen to the smart people you brought on board.

**Mr. Carson:** I disagree with the consensus because you get too many people. I think it depends. But having consensus of everybody, I think, leads to a lot of time and average ideas.

**Mr. Cooper:** You're not talking about unanimous decisions. What you're talking about is buy-in once the decision has been made. Even those who don't agree with a decision need to be on board 100% and helping to execute on the plan.

**IN:** What's the role that destruction plays in creation? I'm convinced that you have to know when to kill your good ideas if you want people to focus on something new. What's your process for identifying what needs to be destroyed?

**Mr. Furey:** There's only really three to five meaningful initiatives for innovation that you could work on simultaneously. So you could have ideas and then — how we do it in my company is we say, 'Hey, if it's not on the list, it doesn't exist.' It's a great idea, but we're not going to focus on it right now, and then we focus on the best ideas.

**Mr. Peterson:** The problem with killing something is there's a sponsor, somebody owns it, and you've got some cost. We all look at money — sometimes cost creates an obstacle from killing something, any product, any service, any process, any technology. At any time you figure out it's either not working, not doing what it's supposed to be doing, or there's a better way to do it, it's time to think about killing that and making the change.

**IN:** So you build it into your firm, into your culture?

**Mr. Peterson:** It's a failure budget.

**IN:** When you look at the profession today, where do you see the most opportunities for massive disruption?

**Mr. Cooper:** I think the easy and obvious one is on investments. For those advisers that are sitting back, and their differentiating point is investments, I don't know how much longer that's going to last.

**Mr. Brodeski:** I think the reality is that all the components of advisory are soon commoditized, whether you're talking tax, insurance, planning. I think the opportunity is to incorporate all those into a single operating system — a single ecosystem, a single process, a single experience delivered with a single technology. And nobody's really done that.