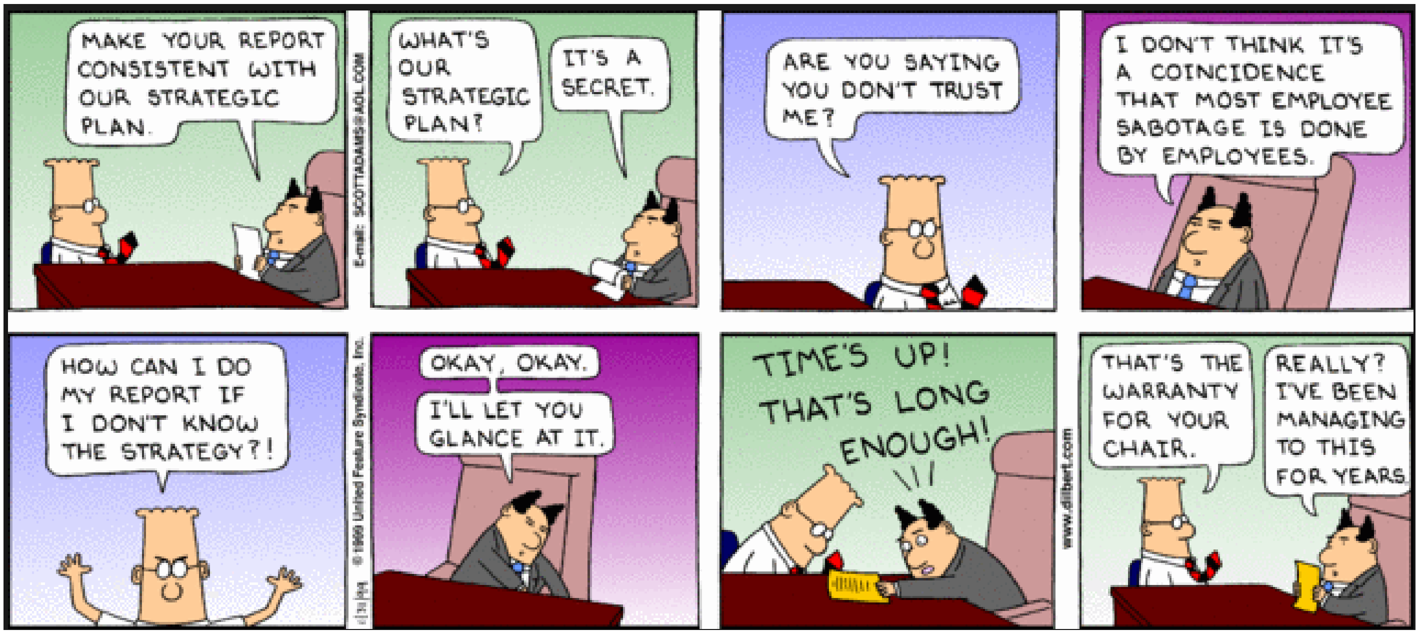
GEMMER ASSET MANAGEMENT LLC
LOCAL PARTNER GLOBAL INVESTING

PRACTICE MANAGEMENT INSIGHTS

THE POWER OF THE STRATEGIC PLANNING PROCESS



Dilbert has a great way of poking fun at a business topic where there is a vein of truth. Granted, most firms aren't quite this inept, but the cartoon does a good job at pointing out two significant problems companies face regarding their strategic direction. 1) Do they have a strategic plan that is up to date and relevant and 2) is everyone in the firm aware of the plan and/or have they bought into the firm's vision?

The challenges associated with strategic planning are not limited to larger firms. In fact, smaller companies often encounter more difficulties due to limited resources and staff. Solo or smaller financial advisory firms are no exception.

I talk with a lot of financial advisors on a regular basis and I am always taken aback at how few have a well thought out and articulated strategic map. Many of these firms created a business plan which included a framework for their service offerings, areas of differentiation, target markets, etc., but they don't review it on a regular basis or continue to use or modify the document to help determine priorities, challenges and initiatives. Additionally, most business plans were created only by the founder and do not include input from other valuable employees. A great opportunity is wasted as being inclusive in this planning process can create a far more team oriented structure where the entire staff operates as stakeholders in the business.

Another concern is that when most financial advisors begin planning for the next year, more often than not, growth is listed as one of their top priorities and not much else is considered. While I would agree that adding clients and increasing AUM (assets under management) are important objectives, it is imperative to understand what can accompany the additional revenue stream. Often overlooked and underappreciated challenges include an advisor's ability to service existing clients (is your time getting too stretched), infrastructure, staffing, technology, etc.

One of the most effective ways to be prepared for your success is to have a well-defined strategic plan in place. This document forces you to specifically visualize how you want your firm to look and create a detailed roadmap to get you there. Key components of this plan include:

1. Identifying your firm's purpose and vision. It should include specifics of what you want your firm to look like five years from now.
2. An in-depth analysis of your strengths and weaknesses as well as what is going on in the marketplace that could serve to be opportunities or challenges.
3. Determining specific, measurable goals that are time bound.
4. Deciding on the key initiatives or structural changes within the firm that need to happen so that these goals can be achieved.
5. Developing an implementation plan and scheduling a date to regularly assess your results.

Remember, this is a dynamic worksheet that will likely be modified as your business and the environment changes. Consistent review ensures you and your staff are headed down a deliberate path. Certainly this type of planning takes time, but it ensures you are moving in a direction that is beneficial for all parties; you, your clients and your employees.

One way to think about this concept is to view your business as you would a financial plan for one of your best clients. Just as you create a plan and roadmap for your clients' future, it's imperative you develop your own long term strategy for your business. Your clients would be greatly underserved if you reviewed their financial plan only one time after it was created and then put it away to never be seen again. As things happen in their lives the plan needs to be modified, improved and/or altered to better reflect their changing needs and wants. Your business should be thought of in the same manner.

Set aside time to create and regularly evaluate your company's strategic plan. Make sure all employees have input into this vision and everyone is working together toward the same goals. A financial advisory firm that can maintain this kind of focus and purpose is best prepared to handle growth, serve their clients in a consistent manner and differentiate themselves from the competition.