Sustainable and Scalable Growth: A Leading Coach's Advice on How to Achieve It

A conversation with Louis Diamond and Duncan MacPherson, CEO of Pareto Systems.

Mindy Diamond:

Welcome to the latest episode of our podcast series for financial advisors. Today's episode is Sustainable and Scalable Growth: A Leading Coach's Advice on How to Achieve It. It's a conversation with Duncan MacPherson, CEO of Pareto Systems. I'm Mindy Diamond, and this is The Diamond Podcast for Financial Advisors. This podcast is designed for advisors like you who are interested in learning more about the evolving wealth management industry through candid dialogue with breakaway advisors, those from the C-suite, and industry thought leaders. It's available on our website, diamond-consultants.com, as well as Apple Podcasts and other major podcasts platforms. So, be sure to subscribe and share it with your colleagues.

At Diamond Consultants, our mission is to help advisors live their best business life. We want every elite advisor to find exactly the right place for their business and their clients to thrive, whether it's at a wirehouse, a regional, boutique, or independent firm. As the industry's leading recruiters and consultants, we've transitioned more than a quarter of a trillion dollars in assets under management in the past decade. Each year, 25% of transitioning advisors who manage a billion dollars or more are our clients.

Curious about where, why, and how advisors like you are moving? Download the latest advisor transition report to learn more, including intel on recruiting deals and our insight and analysis on the latest trends in the wealth management space. You'll find it at diamond-consultants.com/transitionreport, or if you'd like to talk, feel free to give us a call at (908) 879-1002.

What is the most popular topic on this podcast series? Hands down, it's growth. Our listeners seem to gravitate toward advisor's stories that share the secret sauce behind their success. Yet it's the how-tos from industry leading coaches that are often the most widely listened to episodes. So, this one will certainly not disappoint. Duncan MacPherson, the CEO of Pareto Systems, joins my partner Louis Diamond, to offer advice on how to make your business not just profitable, but purposeful. Sure, that sounds like a tall order, but Duncan and his team have developed their own unique methodology to help you achieve just that, The Blue Square Method, that they developed aims to help advisors find their own Blue Square.

That is the sweet spot where business aligns with passion and purpose, and by doing so, advisors can unlock far greater value in all that they do to build their business, whether that be at a wirehouse, as independent business owners, or somewhere in between. So, in this episode, Duncan talks about that methodology offering actionable best practices designed to help drive sustainable organic growth. They discuss how transitioning can foster greater growth and focus on how to position a move in the best way to clients. Plus, they talk about advisor mindset and how to work on the business instead of just in it. There's a lot to discuss. So, let's get to it.

Louis Diamond:

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A conversation with Louis Diamond and Duncan MacPherson, CEO of Pareto Systems.

Duncan, thank you so much for joining our show today.

Duncan MacPherson:

Thanks for having me, Louis.

Louis Diamond:

Let's jump right in. Can you walk us through your background and how you found your way into the coaching world to begin with?

Duncan MacPherson:

Yeah, just long story short, it was actually quite accidental. I had a marketing company back in the early '90s and over time started attracting financial professionals to that business, started to be fascinated by the business. I started collecting currency. I now have, I think, about 140 countries represented in my collection.

Louis Diamond:

Wow.

Duncan MacPherson:

So I was fascinated by the industry. I started talking to friends of mine who are in the financial services space, offering up some insights because some of the most enlightened, even back then, the early adopters when it came to client acquisition were not chasing. They weren't salespeople. They were attracting new clients, which lined up with my philosophy. So, I started giving some basic ideas. They caught on, got a little momentum. My phone started ringing. I had one foot on the boat, one foot on the dock. I wasn't completely committed to the space, but then I started getting some introductions and it started to really gather some steam. So, I made the decision in the mid-90s to go all in this space.

Louis Diamond:

Love it. I hope some of the coins you've owned are Bitcoin. You probably have a pretty strong opinion against that.

Duncan MacPherson:

A strong opinion about blockchain and ISO cryptocurrency. I don't think we've heard the end of that space. I think there's going to be a very interesting connection there in time, but the concept of currency and the origins of currency and what makes currency valuable or not valuable is extremely fascinating to me, especially considering the history of currency. So, yeah, I just love the space panoramically.

Louis Diamond:

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Very interesting. What led you to found Pareto systems in 2000? Pareto Systems is obviously your current company.

Duncan MacPherson:

So I've had this, again, fascination with a variety of the immutable laws and principles that affect us all in life and in business. The law of abundance, the law of attraction, the law of cause and effect, the law of environment, and on it goes, the law of scarcity, the law of compensation. I mean, it's just such an incredible study. Within that is the Pareto principle, also known of course as the 80/20 rule.

Louis Diamond:

80/20 rule, yup.

Duncan MacPherson:

I started to realize that obviously 80% of the business comes from 20% of the clients, 20% of the business comes from 80% of the clients. I started asking our advisors to invest 80% of their time on the 20% of the clients who generate 80% of the business, common sense, but I realized it wasn't a common practice. A lot of it was because many advisors, they're so honorable and they want to take care of everybody. They max out because they end up spending 80% of their time on the 80% of the clients who generate 20% of the business. In the spirit of plateau avoidance, just being mindful of that principle will help somebody allocate their time to the clients they're trying to competitor proof and maximize and replicate. So, that's the origin.

Louis Diamond:

Love it. I was wondering that. I'm a huge fan of the book and I often maybe unsuccessfully try to apply a similar formula to my business and how we counsel advisors, but I think it's an amazing focus for the business. I think any advisor who can figure out that dynamic, my guess is, grows faster, gets more referrals, and just has a more fulfilling business because they're working on higher value activities. So, not to step on your toes to the next question, what types of services does Pareto offer and how are you typically delivering these services to your clients?

Duncan MacPherson:

Great, thank you. At our core, on a retail side with individual financial professionals, we offer coaching and consulting, which combines a very enlightened philosophy about growth, organic growth. This is a collection of proven strategies, but at the end of the day, what fuels it is incrementalism, the compounding effect of long-term momentum that creates that flywheel effect, making it sustainable, making it sticky. But at the end of the day, it's about proven strategies with an enlightened philosophy and an incremental approach to deployment and implementation.

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Louis Diamond:

Thank you for showing that. This may seem like a novice question, but what is the actual difference between coaching and consulting? You mentioned you did both. I feel like sometimes the words are used as synonyms, but my guess is they're quite different. So, how do you deploy both those services and what's the fundamental difference?

Duncan MacPherson:

That's a very good question actually. I think the consulting is diagnostic. It's really popping the hood, kicking the tires of the business, understanding where the gaps are, where the unmet needs are, and drawing that out to create a blueprint. I think the coaching, it's not unlike a personal coach in the gym. It's like a professional nag. It's an accountability partner to ensure that it's not just a pep talk. Things get done. So, it's a fine line. It might be some semantics, but that would be my way to create that distinction.

Louis Diamond:

I think that's right, and it seems like at least in my opinion, you need both. Someone who's just pushing you to be your best but isn't able to offer actionable advice on your business, to me is less effective than someone who can listen and do both. So, you've mentioned that your target market are financial advisors, but can you elaborate on types of advisors you work with or firms and how can someone think about whether they're the right fit to work with Pareto?

Duncan MacPherson:

Yeah, again, thanks for that. I mean, we've worked with a variety of fee for service, knowledge for profit professionals. These are people who think for a living, but our core is in the financial services space. Candidly, it starts with a philosophy. The people who like us the most need us the least, if you know what I mean. They're already very effective, but again, they're mindful of plateau avoidance. They're just looking down the road. I often ask, "Are you a billion dollar advisor currently managing 450 million?" The question seems simplistic, but it's quite revealing. Because zero to 450 is hard, 450 to a billion is less hard.

We see it all the time, but it starts with the philosophy of they're already self-motivated. They already have momentum, but they're also looking down the road. They're to varying degrees aware of the potential collision course with a plateau or with commoditization, and they just want to keep working on themselves and working on their business.

Louis Diamond:

Yeah, it makes good sense to me. I think you fit on some of these, but typically when clients either come to you for the first time or they're working with you for many years, what are the most common issues and challenges they're facing? I know everyone's different. Everyone has their own issues and they experience them in different ways. But if we had to generalize, what are the most common areas you're helping these clients with?

Duncan MacPherson:

Yeah, that's a long list, but first of all, it starts interestingly with many advisors wanting to know what other advisors are doing, so we can provide a window on what works, what doesn't, provide some validation in terms of what currently the track they're on. Again, I put a big emphasis on gaps, especially in the last couple of years because a lot of advisors, as they've been scaling up, have seen gaps with HR, gaps with things falling through the cracks. Perhaps they lost a really meaningful client and they didn't see that coming. So, we have a process. We actually developed this tool called the Practice Management Index to help somebody get clear on those gaps.

Our mantra, Louis, is as a starting point, identify six to eight gaps that you can address in the next three to four months that's meaningful and measurable progress in a reasonable period of time. That helps us come together to work together with somebody to prove our worthiness and the alignment of interest, but also to get some momentum going. Then of course, the paradox is you identify and address six to eight gaps, six to eight new ones emerge. So, you just keep chipping away, but we're not into dramatic home runs. We're into singles and doubles chipping away methodical momentum, and it just builds on itself and takes somebody towards that inflection point of growth.

Louis Diamond:

I really like the concept of getting a couple of quick wins. I think many advisors probably practice something similar when they're doing financial planning. Hey, if I can leave a client with a couple of changes they can make today, it's, number one, going to demonstrate my value, but it also helps the client really buy into the process and see what's possible if we work together. So, I'm curious, what would be an example of some of these, using my words, quick wins? Obviously, growing 50% per year is not part of it. So, what would be some of the incremental changes that you've seen clients make after you've challenged them to think that way?

Duncan MacPherson:

Well, two instantly come to mind because they're pretty much universal is we start on the distinction between working in the business and working on the business. We have this framework called Always On. It has four quadrants of specific areas that apply to virtually every financial professional. So, there's the onside fit process, there's the onboard process, there's the ongoing service model, and then there's the onwards goals-based relationship management approach, and the six to eight gaps live in those four quadrants. So, we start there as a framework, and then we want the entire team to buy into this mindset of the rule of three. So, anything you do three or more times that does three or more steps cannot reside in someone's head.

We need to get it out of someone's head and document it to transform it from a skill to an intellectual property. For example, Louis, an advisor meets with a prospective client. They have to deploy their fit process, and a typical advisor would have 12 to 15 steps in their fit process. Everybody knows what they're doing. They have a process, but is it standardized? Is it organized? Is it documented? That's how we ease in and then we start building on that momentum. The second one, it's not uncommon, we'll work with a team of five people or eight people. So, you've got eight messengers. We want to make sure the messaging, how they represent and articulate their value is consistent.

I'll often ask a team of eight individually, "What makes your team different? What gives you professional contrast? What makes you fee worthy?" I'll get eight different answers, good messengers but disconnected messaging. Financial professionals do a lot of talking, whether it's on the phone, in person, on Zoom, or whatever the case may be. We want to make sure they're articulating value in a way that decommoditizes and really stands out and resonates with people. So, those are two tips of the spear, if you will, that we can really build on, but that's not a bad starting point.

Louis Diamond:

Yeah, no, thank you for sharing that. I would assume what happens when you assume, but I'm going to assume that a lot of advisors come to you at least initially because they're looking to enhance their growth, whether it's organic or I've seen on your website and just speaking with you, you talk about something called driving sustainable growth. So, let's, if we can, dive into both of those categories. So, first, let's start on the organic side. What strategies do you typically guide clients on to help them drive organic growth? If you can have specific examples, that would be very helpful just to make this a little bit more tangible for our audience.

Duncan MacPherson:

Yeah, perfect. So, call that B2C, right? Business to client organic growth. So, a financial professional has 250 clients and 380 million of AUM. So, we'll say, "Okay, let's not take anything for granted." Step one, let's competitor-proof and insulate those relationships. Number one, let's build on that. Number two is let's rejuvenate how they feel about you, their perception and how they describe you to others. There's a powerful force, it's the law of familiarity, which creates this loyalty fatigue and amnesia over time where clients drift and they start to forget about the advisor and the team's value. So, we want to address that and future pace the relationship.

So, the client understands that they can't outgrow the process. They'll grow into the process as their light progresses. So, competitor proof, reframe, and then convert clients into advocates. Okay, so 250 clients, that's great, and clients are loyal. They empower and they'll often endorse the financial professional to a friend or a family member in a referable moment, but there's a profound difference between an endorsement and an introduction. So, an endorsement is when a client tells a friend to call the advisor, and that's undermined by the law of diminishing intent. Often client will tell a friend, "Call my advisor. She's great." Nothing happens. Advocates don't endorse and tell a friend to call the advisor.

Advocates call the advisor on behalf of the friend. So, if a financial professional tells me in our gap analysis that they got seven referrals, two of whom met their ideal client profile, we just say to them, "Look, if you've got seven referrals, that makes you referable, but you were probably talked about 35 or 40 times." It's about a five to one ratio between endorsement and introduction. So, imagine closing that gap. So, the advisor's referable, that's the hard part, but let's convert it from endorsement to introduction and let's also remove the mystery around who the team is suited for.

So, that not just the quantity of introductions increases, the quality increases. That's all engineered is by design based on positioning, messaging, and of course the overall decorum of the team. But that's the organic growth approach. Competitor proof, get out in front of money in motion, remove the mystery around empowerment, and then advocacy.

Louis Diamond:

So it seems like to overly simplify what you're doing, it's first, we got to protect the flank, right? The business isn't going to grow from losing clients and on bleeding relationships, but also instead of spending a bunch of money on M&A or on a bunch of fancy marketing things, you may as well harness your number one potential area for organic growth, which is your current relationships and your centers of influence. Is that an oversimplification but is that on point?

Duncan MacPherson:

Oh, no, that's bang on. The only way I could add to that is treat every investment of effort that contributes to what you just described as a proof of concept, as an intellectual property that can be captured and organized and standardized in a proprietary playbook. So, if Diamond was a financial advisory firm, I call it the Diamond Way, where you've got everything documented and you could literally take that playbook, the Diamond Consultant's Way and put it in somebody else's hands.

That's the bridge from organic B2C to scalable sustainable B2B, where an advisor can go out and acquire a partial business, an entire business, or attract an advisor to adopt and draft in behind that process. That's where leverage, we affectionately refer to that as being franchise ready, where you've got this thing that somebody else can then deploy to remove friction and add the probability of success because they're not reinventing the wheel. They're following your proof of concept.

Louis Diamond:

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It seems like in your playbook, in the Pareto playbook, if you will, that the goal of sustainable or scalable growth is to increase capacity. So, it's how do I either add other advisors, acquire other businesses, but get them into my ecosystem or I really like your term to be franchise ready. So, is that how you would define scalable or sustainable growth? Is it building more long-term capacity for an advisor?

Duncan MacPherson:

Okay, so you're making a very important distinction here, and this is a bit of a paradox, okay? There's a sweet spot in between organic and scalable growth where the lead advisors from an organic perspective actually start to grow down to amplify professional scarcity. Let's just say that advisor with 250 clients, let's say they decide that they're actually going to take 100 or 150 of those clients and allocate them to a different advisor to go deeper into the 100 that meet their ideal client profile.

They're actually going to say to the clients that they're keeping, "Hey, look, in our approach to raising the bar and elevating the client experience, we've actually made a decision to grow our business down from 250 clients to 100, so we can go deeper in and actually get out in front of your evolving needs because they're becoming more complex." That's profound to that 100. Now we've activated professional scarcity, a sense of belonging where the advisor's saying, "Look, my goal is not to see how big I can get. It's how small I can stay" from a B2C perspective. From a B2B's perspective, it's actually an upgrade for those 150 clients that are being allocated because if I'm attracting a protege advisor to work with my 150, it's a different person.

But under the same practice using the same process, they're going to get an elevated client experience. I often say to an advisor, "Your B clients are somebody else's A clients." Provided that they have your philosophy and process and approach to client experience, there's this incredible two for one or three for one benefit when somebody really goes all in on this panoramic approach to B2C and B2B.

Louis Diamond:

Yeah, I really like that because it's true. I mean, if an advisor is really good at growing their business and bringing in new households, eventually something has to give. It just doesn't work that you can keep adding millions of dollars of revenue and hundreds of millions of dollars of assets and expect to either have the same quality of life and not be working 95 hours a week, but also more importantly, provide the same level of amazing client service that made them successful in the first place.

So, you need to have the sustainable aspect of growth, otherwise the firm's going to blow up. So, I love that they're hand in hand because it's great that you can grow organically, especially absent what the financial markets do, but you're going to get to a point where the dam's going to break. So, I really like how you marry both of those concepts together.

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Duncan MacPherson:

Okay, let me just pounce on that for a second because this is again, a very profound point.

Louis Diamond:

Please do.

Duncan MacPherson:

In the spirit of beginning with the end in mind, every business is built to be sold at some point. So, the continuity and succession plan in creating true north for where this is all going, that has to be addressed, number one. Number two, financial professionals have gotten to a point where they've earned the right. Give yourself permission to shift from running a book of business to running an actual business and a business that serves your life, not the other way around.

This bandwidth and capacity conversation has a qualitative element around fulfillment and the best version of myself where it's not coming at my expense, I'm not growing, and meanwhile I'm stressed out and out of shape and things are going on at home because there's this collateral damage. You literally can have it all, but you've got to have this panoramic mindset around professional contrast, professional scarcity, abundant, but managing that from a B2C and a B2B perspective.

Louis Diamond:

Let's spend a minute talking about you said beginning with the end in mind. We're absolutely reading from the same song sheet because we counsel advisors who are thinking about change or even just in general to think that way and to prepare for the eventuality of an exit from your business even if you never plan to sell it. So, can we just unpack that a little bit? In your view, how can someone begin with the end in mind? What are some things they can start doing today?

Duncan MacPherson:

Yeah, it would have to begin with this understanding to depersonalize the business. It's not the Louis show. It's not the Duncan show. Your clients have as much appreciation for the other people on your team and for your practice and your process, not just you and your technical ability and moral compass and reputational equity. So, it starts there. So, get everything out of your heads, elevate the client's appreciation that you don't just manage money, you manage a business and you manage people. Start there. Then again, not to oversimplify, but start running the business like a business.

It's not just good intentions like you have a process in place and make sure clients understand and appreciate that. So, I'll let you respond to that, but that's the philosophical connection that helps us create an alignment of interest with the clients that we coach and consult with, is just them coming to their own conclusions that "Yeah, you know what? I've got to start to depersonalize this a little bit so that my clients really get it, really understand what it is they're bought into."

Louis Diamond:

I really like that. It sounds so simple to depersonalize the business. It seems obvious that if a business ever sold that the more the business is about the business and not about the cult of personality or the individual who's potentially retiring, that the business is going to be more valuable. I always say that preparing for an exit, even if you don't intend to sell, makes perfect sense on two levels. First one is you're going to build a better business in the meantime. The second one is you have the option to sell if one day you decide you want to monetize or an amazing offer comes around. So, to me, it's not just you got to prepare to sell because we're going to sell. It's preparing to sell because that's the right lens to look at your business.

We've seen a huge shift where any advisor, no matter where they practice, they can be within a private bank, they can be on an advisory team at a wirehouse, they can be running their own RIA. They really had a shift where they're thinking of their practice or their book of business more as a business. All of what we're talking about is an amazing way to elevate everything. So, that if you do want to have the option to go independent one day and actually build an actual business or you decide to exit through a firm's retirement program or to an external buyer that at least you've preserved that optionality. To me, that's what beginning with the end in mind is.

Duncan MacPherson:

Very well said. Then of course with that comes liberation and order where you're free to pursue whatever your core purpose and calling is above and beyond being a financial professional. Also, it becomes a bit of a track because you start to realize that by depersonalizing, I start to demystify for my clients how I'm perceived and how I'm described and I start to decommoditize my value, where my value is not just gauged on what it looked like last month on that statement. It's more about, "Where's this relationship going and what am I actually connected with as a client?"

Now that sounds a little overly philosophical to some, but think about this. You talk about the end in mind. I mean, many financial advisors we work with have second, third, and fourth generation clients. They're all over the family tree. I mean, who else in business gets to say that? So you want to go deeper into being indispensable to a client around their continuity and succession issues, address your own in real time. Add congruency to your credibility, and you'll be all over the family tree.

Louis Diamond:

Yeah, spot on. Let's pivot a little bit. We've had some common clients, meaning folks that we've represented in their transition or as they thought about transition and folks that were clients of yours. Something that was called out to me that I thought was brilliant was a process you walked these advisors through, I think you called it the PSP process. Can you explain what this is and how to think about it in context?

Duncan MacPherson:

Yeah. Well, first of all, I just want acknowledge, I am very impressed by your command of what it means to be the advisor of the future, like looking at the space panoramically. So, congratulations on that. I'm not surprised at all. Your reputation precedes you.

Louis Diamond:

Oh, thank you.

Duncan MacPherson:

To get into what you're talking about there regarding PSP, that's actually one of three components within what we call advisor flight plan. So, advisor flight plan is a well-thought-out, proven approach for an advisor who has been in an environment that has served them well to this point, but now they're starting to think about moving to a different environment. So, we've coached and consulted many teams who work through that. The first part of that is how you prime the pump. So, first of all, how you select a new environment, number one, and then number two, how you position it with clients and how you start planting seeds even before you decide to make a move. So, PSP is an acronym, and the first P stands for philosophical fit.

Okay, so Louis, this is a fit process. So, a philosophical fit, a strategic fit, and a practical fit. That's PSP. So, the philosophical fit is just identifying an environment that is in your best interest, your client's best interests, and your team's best interest. That's very deliberate, very methodical in terms of, "Will this new environment honor your approach to IP and running a business like a business?" That means, okay, I'm not a transactional broker. I'm not just representing proprietary stuff. I use stewardship, not salesmanship. The firm is not notorious for perpetually moving the goalposts. They're just philosophically in sync, allowing the advisor to build a brand within that brand. Okay, so that's the philosophical fit.

The strategic fit is, "How do my clients benefit from this? Does this environment allow me to put all the pieces of the financial puzzle together for a client as their life unfolds and their needs evolve?" I mean, I'm sure you've seen this too, where it's not uncommon that a financial professional could put as many as 100 pieces of a financial puzzle together for a client as their life unfolds and next gen. Some do even more. Does the environment facilitate that and does the environment have an impeccable, like a sterling track record around transitioning clients from one environment to a next? Is it overpromise and underdeliver, or do other advisors say, "I was blown away. My expectations were so exceeded by how they conducted themselves?"

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So that's the strategic fit. By the way, Louis, stewardship ultimately means all roads lead to what's in the best interest of the clients. I mean, I say to advisors all the time, every consultation we do, every presentation I do, every conversation like this, an advisor could have a client listening in and the advisor would not be embarrassed. The client would actually think more highly of the advisor by really understanding what's going on behind the curtain. That is pure stewardship in my view. So, philosophical fit, strategic fit, and then of course, practical fit. Practical fit is the economics, but have it cascade to that. Don't lead with that. I've said to advisors in the past like, "Okay, you're getting a big check. You're going to tell your clients you're getting this big check.

This isn't a transaction. This is an elevation for everybody. So, let the practical realities, which are important, be the last thing you consider, have it trickle down to that, but be relentless. Be merciless about the clarity that comes from that, especially based on enterprise value and the end game around the monetization events." So these are the things that go into the first step in advisor flight plan, and I know you like baseball. I think we're batting a pretty high number with this approach.

Louis Diamond:

It makes sense because we always counsel our advisor clients who are thinking of a transition to be strategic, to be methodical, and to start off with a very clear picture of what ideal looks like. A lot of advisors, they're more reaction oriented than being proactive, meaning they'll take a call from this manager or my friend just moved to that firm so I'm going to speak to them, or I've seen this firm on AdvisorHub and it lacks... Sometimes that works. Sometimes you get lucky, but usually, if you don't take the time to work with someone like you or work through our seven-step process as well, you're left scratching your head. You don't really know what these things solve for. There's not an order. There's not a rhyme or reason.

So, I would encourage any advisor who's listening, even if you decide not to make a transition, to spend extra time than you think, either retaining someone like Duncan, talking to someone like us, just getting really clear on what your North star is. To us, that's a requirement. We won't work with anyone who isn't going to be thoughtful about what they're trying to solve for. It's just inefficient and does not lead to as good of results. I want to talk though about other things related to transitions. I know that part of your coaching is around positioning a move to the client.

So, you talked about how as part of the PSP process that the philosophy, the practical side, of course, the economics have to make sense in my own words, but that can't be the reason you're making the move. So, with that as background or context, how do you help your advisor clients position a move in the eyes of their client? What are the key tenants of the pitch or what are some actionable things that you're willing to share with the audience for how they can position potential move to clients one day?

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Duncan MacPherson:

Yeah, there's a lot there, and again, many advisors are reluctant to even go there and have a conversation with us early because of their uncertainties about confidentiality and things like that. So, as you are very mindful of that, but here's the thing and this sounds corny, Louis, but I say to an advisor, "Okay, you and I are having a consultation right now. Look at an empty chair in your office. Pretend your best client is sitting there listening in. Just pretend that. So, let's just be open and forthright. What does all this mean?" The first step, even before you've decided officially that you're moving and who you're moving to, start planting seeds for your clients, and this is very simple.

At the end of every phone call, after every meeting you have with a client, over the course of the next 90 days, just plant this seed. Just simply say, "Hey, Mr. or Mrs. Client, before I let you go, I just want to let you know that our team is ecstatic because we're going through an exercise right now for the purposes of elevating the client experience. We've actually hired a coach in a consulting firm. They popped the hood. It's not like there's anything wrong in terms of our current approach, but we just don't want to be complacent. We know we can raise the bar, find that next level, and we're ecstatic about this exercise. Over the course of the next few months, I'm going to start to show you some of the things that we're doing, and I hope you see the value in them as well."

So I just wanted to say that obviously you're just planting a seed. You're opening the conversation without tipping your hand about anything. It's not like this admission where you're saying, "Hey, look, we're just now getting our act together. I appreciate you sticking around with us all these years as we've been winging it." No, you're basically saying, "We're not at the mercy of the status quo." So you're just planting a seed. You're future pacing and you're giving yourself permission well in advance to obviously reveal to them what's actually happening, because you can now in the future point back to that conversation and let them make the connection. That's how that looks. It's very simplified, of course, but it's just been proven to amplify the buy-in and the engagement of these clients.

Louis Diamond:

I think that's brilliant because as you started that, I was like, "Uh-oh, he's coaching people on how to violate protocol or different ways to violate their employment agreement." But what you said, you're not admitting that you're looking around. You're not even, I think opening up for the question of, "Well, are you moving?" But it's a really good way that when they do get the call, when you move, they hopefully remember or connect with the fact that this was methodical, something you've been thinking about for a while, and some of the reasons you're considering this is because you're trying to take your business to the next level or take what you can do for the clients to the next level. I'm a huge fan of that. I'm going to steal that and start recommending that as well.

Sustainable and Scalable Growth: A Leading Coach's Advice on How to Achieve It

A conversation with Louis Diamond and Duncan MacPherson, CEO of Pareto Systems.

Duncan MacPherson:

Well, Louis, I will tell you, as you can imagine, the clients who are these self-generated first-generation affluence, they've earned it themselves. They bootstrapped. They're the proverbial 25-year overnight success stories really connect with this because they understand that this advisor's clay is still soft. They're not just riding their momentum. They're continually working on themselves. They can relate to that even if it's unspoken. It's just something they can relate to and connect with on a different level.

Louis Diamond:

Fantastic. Let's do two more questions if you don't mind. So, still on the topic of transition, I assume that sometimes as clients are working with you, some of the challenges they might be facing are a direct result of the firm they're employed by, the platform they're on, et cetera. So, do you believe from your coaching perch, which is not having a horse in the race, if you will, around whether or not someone transitions that in some instances changing firms or changing models can be a successful way to drive growth or to turbocharge growth or do you feel differently?

Duncan MacPherson:

Well, first of all, it begins with the mindset that you honor and pay tribute to the environment that you are in and that you decided to be in years ago. Okay, so just take the high road. It served you well to this point. So, as a lifelong planner, that was a chapter in your life, embrace and honor that, number one, just philosophically. Number two, yes to answer the question directly. It's interesting, Louis, because in the spirit of expectation management, many advisors reveal to me that their fear is, "Are the clients going to follow me? Will the assets follow me?" We have a very interesting approach to that, getting their head around, "Is it going to be 80%? Will it be 100%?" Whatever the case may be.

Then in the spirit of future pacing, then I start saying, "What does it look like if 120% follows you?" They're like, "What?" I say to them, I say, "Look, there's loyalty fatigue in your business. There's complacency in your business. There are dormant assets. There's a vein of gold in your business that for whatever reason is dormant. When you go into motion, if you position this properly in a forthright, transparent manner and future pace, you'll reframe and rejuvenate your relationships and you will unlock all kinds of dormant assets or you'll get out in front of them evolving." Whether there's a liquidity event, right, selling their place in Tahoe or the biomedical firm they had a private placement in materializes, whatever the case may be, they're going to get in front of that.

It's very common that a $200 million business, once it transitions after 6 to 12 months, it's $130 million business or more, just depending on the reality. But there's a bit of a self-fulfilling prophecy to this. It's a mindset around expectation management. I mean, as well as I do that stress is born in the place between expectation and reality. So, let's just be very methodical about expectation management. Let's adopt the mantra that only the paranoid survive. Let's be paranoid about this, but let's also be optimistic and self-fulfilling that you're going to crack the code and you're going to unlock a lot of advocacy, empowerment, and rejuvenate loyalty once the dust settles. We see that all the time.

Louis Diamond:

So you heard it here, first, transitions can lead to growth. That wasn't Louis, the recruiter and president of Diamond Consultants speaking. That was Duncan MacPherson, a very highly regarded advisor coach, saying that by transitioning, I'd say sometimes you're able to have a new mindset, I guess go back to clients that maybe the relationship grew stale or dormant and being reenergized and having a fresh place to hang your shingle and sometimes lead to growth. Talking a little bit tongue in cheek, but I think that's a very powerful takeaway, because in our line of work, people hear the word transition and they clam up.

All they think about is the risk, the amount of work, the stories they've heard, but we always try to coach people on framing it as a positive. These are going to be the benefits of transitioning. You're doing this for a reason. You didn't come to this decision lightly. There's also a mindset shift that happens when you make a move. It's a new environment, and maybe you grew complacent or things were on autopilot. Now it's a way to get back in touch with the business and really focus on growth.

Duncan MacPherson:

Well said.

Louis Diamond:

One last question, Duncan, then we'll let you go. Is there a tactic or anything you'd recommend folks that are listening in, something they can do now or begin to implement now that will begin paying dividends for their business? Don't give away the secret sauce, but any parting words to share?

Duncan MacPherson:

I have to say just based on everything that's going on in the world right now and just having an understanding of the signal-to-noise ratio, the real signal as a gentle reminder is appreciate what you have as you aspire to what you want. Stay ambitious, keep setting goals, but don't take anything for granted, number one. Number two, focus more on who you're becoming than what you're getting. I mean, the monetization is measurable, but ultimately, what matters is moving in the direction of the best version of ourselves, self-actualization. To paraphrase Hemingway, he said, "Your goal isn't to be better than someone else. Your goal is to be better than your former self." That requires a methodical, disciplined approach to working on yourself.

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Louis, I got to tell you, at this stage of my life, every time I say this, I get to hear it myself. It's a gentle reminder that's what matters. The other stuff matters too, but some things matter more. I'd like to think that little reminder matters a lot because the better you take care of yourself, the better you can take care of everybody else. You can't pour from an empty cup. Don't let somebody else's success come at your own expense. You take care of everybody else by taking impeccable care of yourself and your fulfillment and your sense of purpose gets amped up to another level. So, that's just my little insight there.

Louis Diamond:

To me, that's extremely actionable. Anyone, no matter what industry, they should take time to appreciate what they've accomplished, appreciate where they've come from, and instead of just focusing on, "Well, how am I going to do that again next year?" or "I just got that client. Time for the next one." Take a second, be comfortable in the pause, and really just celebrate what you've accomplished. I'm with you. That drives mindset, which drives growth, and it's everything we've been talking about. So, there's plenty more we can hit on.

There's like 20 other questions I was hoping to get to, but we'll have to do a follow-up on this topic because there's a lot of alignment between the way that we look at the world. I'm confident that our advisor audience got a ton of nuggets of wisdom here, whether it was just the mindsets to have, some really creative strategies for how to prime a client if you are going to make a change, and just some really good ways to think about growth both organically but also growing sustainably. So, really appreciate spending time with us today and opening up the kimono a little bit on what you're accomplishing at Pareto Systems.

Duncan MacPherson:

My pleasure. I really appreciate it and I look forward to doing it again. Yeah, I completely agree. We're completely in sync and philosophically aligned and your reputational equity, now that I understand why that is a thing and everybody that's on your team, very impressive. So, I appreciate you making the time and you asked some great questions. Yeah, let's do it again.

Mindy Diamond:

Curious about where, why, and how advisors like you are moving? Download the latest advisor transition report to learn more, including intel on recruiting deals and our insight and analysis on the latest trends in the wealth management space. You'll find it at diamond-consultants.com/transitionreport, or if you'd like to talk, feel free to give us a call at (908) 879-1002.