

# Practice management at a time like this?

OCTOBER 24, 2008

Kevin Bishopp,  
Practice Management  
Consultant

Absolutely! It may sound out of touch to consider building your business at a time like this. However, the greatest obstacles you face provide the greatest opportunities to brilliantly shine. Not only can you shine brightly in the eyes of your clients, you can shine so brightly that you differentiate your practice from that of your competition. How do you want to emerge from this most recent market downturn? Surviving or shining?

Jack Welch said it well. "When the rate of change on the outside exceeds the rate of change on the inside, the end is in sight." How are you going to change? What are you going to do differently so the end is not in sight?

I believe you can do four things now that will help you emerge from this most recent market correction with *positive* momentum. I stress positive, because advisors are going to emerge from this downturn with momentum, but for many it will be momentum in the wrong direction.

**#1 – Set the tone by practicing learned optimism.** Martin Seligman is commonly referred to as the father of positive psychology. His research suggests that a pessimist will generally view circumstances as permanent, pervasive and personal. On the other hand, the optimist will view events as temporary, specific and external. I believe that at the core most advisors view this market event as temporary (duration to be determined), with limited effects on clients' overall sense of well being and beyond anyone's control. If that is the case, why not communicate this with your clients? Approach your clients with an appropriate amount of learned optimism.

The concept of learned optimism is not only vital for your clients, it is imperative that your team feels the same way. You are the leader of your team, and as the leader, you are responsible for setting the tone. Don't let this market environment derail your vision of a thriving, vibrant business where you do great work for clients. Use this environment as a means to rally the team and figure out new, different, and better ways to serve clients. Jack Welch provided a great summary of leadership with the four E's framework: positive energy, ability to energize others, maintaining the edge (ability to make tough decisions), and execution. These are within your control. Focus on these four E's to dramatically increase the positive momentum with which you exit the current downturn.

**#2 – Serve your relationships at an unprecedented level.** Be proactive. Do everything within your power to stay tightly connected to your most valuable relationships. *Important note:* An unprecedented level may mean different things for different relationships. You only have so many hours in a day and all of your clients are entitled to the appropriate level of service. With the current market conditions, it would be nearly impossible to over communicate with your clients, but given that you have limited time, how do you communicate? The same way with every client? You have to make strategic decisions about the way you service your clients. Some clients may get a phone call, some an e-mail, but all will appreciate that you're being proactive. And raising the bar during times like these is vital for two reasons. First, consider the investment you have made to obtain your clients. Combine that with their lifetime

---

revenue stream and potential lifetime referral value, and this simple cost/benefit analysis clearly shows that client retention is crucial. Second, staying tightly connected with your best relationships will keep you on their minds. Last week, an advisor told me that he never wants one of his valuable clients to feel they haven't heard from him and aren't completely satisfied with his level of communication. This is the right mentality. He has chosen to play offense in this difficult environment and is encouraging his clients to ask their friends and colleagues what they are hearing from their advisor. If the friend or colleague says that they aren't happy with the communication, this advisor wants to have a conversation with them.

**#3 – *Change the conversation with clients.*** This is not an attempt to sidestep the current reality. Instead, consider refocusing your conversations on client goals and their overall progress towards those objectives. Advisors who use their meetings and quarterly reviews to reinforce their goals-based approach are weathering this storm better than those who focus on performance. A differentiated, goals-based approach provides the appropriate context for prudent decision making.

Again, this is not to say that you should ignore the pressing questions about the market environment or current economic crisis but do not dwell on them. Most of your clients are dissatisfied with the absolute value of their accounts but do they know — or have you shown them — the overall impact it has had on their long-term objectives? My observation is that many advisors are so caught up in the day-to-day market movements that they haven't really looked at the long-term impact.

There is no doubt that some of your clients with shorter time horizons have been stung. They may not have the time horizon to recover and may be faced with the difficult reality of working longer or taking less income. In these situations, it's vital to have courageous conversations about the most prudent action to take. Don't sugarcoat them. Have the tough conversations.

**#4 – *Believe in your ability.*** Stanford Ph.D. and world-renowned researcher Al Bandura is considered the foremost authority in the area of self-efficacy theory – your belief in your ability to make things happen. According to his research, we are limited more by our beliefs about our ability than what is objectively the case. Resist the urge to doubt your ability and don't be shaken by the current environment. Focus on what is within your control and continue to do great work for your clients. Can you even imagine where your clients would be without your help?

A wise colleague once told me the following: "If bulls didn't have horns, everyone would be a matador." The reality is that this bull (the market) has vicious horns. Translation: this is a tough business. You and your clients have the good fortune of benefiting from market appreciation over time. The trade-offs are periods like these.

By being optimistic, serving your most valuable relationships well, focusing on client goals, and believing in your ability, you and your clients will come out better on the other side.

---

Russell Investment Group, a Washington USA corporation, operates through subsidiaries worldwide, including Russell Investments, and is a subsidiary of The Northwestern Mutual Life Insurance Company.

The Russell logo is a trademark and service mark of Russell Investments.

Copyright © Russell Investments 2008. All rights reserved. This material is proprietary and may not be reproduced, transferred, or distributed in any form without prior written permission from Russell Investments. It is delivered on an "as is" basis without warranty.

First used: October 2008

RFD 08-1224