The Leadership Challenge of the DoL Rule

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Good morning everyone. Wonderful to be here and I'm excited for what you have ahead of you today as you grapple with the concept of Leadership. Since this is Music City USA, I guess I am the warm up act. We're going to cover all 1,000 pages of DoL in the next 30 minutes, so pour yourself another coffee and listen fast.

I think back to the last time the industry called on us to lead our advisors through a difficult change. My Rubicon happened to be during another breakfast. The day started with a meeting between the two regional bank presidents, my boss the head of wealth, me and a few other business leaders. "You have to send Sam and Andrew on the top producer rewards trip. They have both been here since we started over 15 years ago, our top two producers out of 400 advisors, each grossing over $1 million in production in 2003. Their revenue flows to the region and I'm the president of the region, they are our advisors, so they need to go on the rewards trip to Grand Cayman. They will leave if we don't send them and it will be your fault for hurting our business. I can overrule you so they are going to go."

You all know the joys of matrix management.

At the beginning of the year we had decided that making advisory business a core component of what we offer was going to be our business priority, so we included advisory performance parameters in addition to gross production to attend. We had reminded the advisors throughout the year about their progress. These two advisors didn't sell advisory even though they far exceeded the production threshold, so they didn't qualify.

How does this relate to the DoL Fiduciary change we are facing today? The way we lead our team through this change is every bit as important as what we know about the rule. That is what I learned from my experience with transitioning to advisory business. And your role is much more about how you lead the team than being the expert.

The DoL Rule is impacting every aspect of the way we do business. So, how do we best navigate through this change?

Be resolute in setting expectations. You may not get the 2017 business performance goals changed to an amount reflective of the true post-DoL environment, but it is your job to outline very clearly what happens if they aren't. Describe in writing what will happen. You aren't disagreeing with what your boss tells you to do, but you are doing him or her a favor so that when the results unfold as you described there are no surprises. If you aren't doing this, what benefit are your years of experience providing for you? Just agreeing isn't setting expectations. With advisory, before the year began I said, "Here are three levels of advisory commitment and what we would have to do to get each. How interested in advisory are you and are you willing to deal with the consequences?" The expectation was set, not just for the performance but consistent with what it takes to get the performance.

Have you done what is necessary to set 2017 and 2018 business expectations, get agreement and provide the likely outcome if your recommendations are or aren't followed? Have you set the objectives with your team to put in place your plan to mitigate the potential business disruption? This is not the year to accept a plan number that you know is based on aspiration and not on reason.

Have the courage to fail, and you won't. This will require you to prioritize your activity. Embrace it. How many meetings, emails, conversations are ones that advance your objectives? I bet if you tracked it, the vast majority of the time you are meeting other people's goals. Just look at your calendar for verification. You can't afford that next year. You have to be the champion and this gives you the opportunity to solve a major visible problem. I had a list next to my computer of what the real priorities were for the business. Not a long list. But they were my priorities. Every time I found myself working on something, looking at my calendar to schedule a meeting, etc., I would check myself against that list. If I weren't doing something that directly advanced that list, I wouldn't do it. You would be amazed at how much you can really do, if you are given the opportunity to do it. Of course, advisory business was on my really short list. I believed in it and publically told everyone that I owned the results. I asked for more input from advisors. Even when I had heard it all I kept asking. I put my best employees on it and removed other responsibilities. It received top billing in everything we did. If advisory didn't succeed then I didn't succeed, and I was okay with that.

This is an ideal opportunity for you to showcase your talent. You are really good. You have a lot of experience and live your business. The bank needs you and rarely do you get an opportunity this visible to make a play.

So in some strange way, you can thank Thomas Perez for advancing your career.

Walk the walk. This is where I have found banks really struggle. We're focused on everything. Everything is a priority, just some things are more of a priority. In the retail bank, referrals to investments is usually a stated focus, it is one-third of the front-line banker's job. Yet come review time, no one has ever been fired or experienced a diminished raise for missing on that objective. But if you don't balance your cash drawer twice a month or don't do enough $15,000 car loans, you are out of there. All focuses aren't created equally. With advisory, I was given this wonderful opportunity to walk the walk.

Back to that fateful day when I refused to compromise our policy of not sending advisors who didn't meet our objectives on the top producer trip. We finally got to the point where if we let them attend, we will be nothing but talk and will never be able to advance advisory or for that matter anything else. But by sticking to our commitment we had the opportunity to prove that when we say how important it is to sell advisory, we actually mean it. A lot more heated, and I mean heated, discussions ensued, but the leader that ran wealth, now the CEO of the Bank, agreed that Sam and Andrew wouldn't attend. We had the trip, and the top two producing advisors weren't there because they didn't sell advisory. I was extremely fortunate that Sam and Andrew weren't interested in moving to advisory that year, because the next year we turned the corner on advisory and it was easy from that point on, because we finally had actions aligned with our objectives. We walked the walk.

Is the Fiduciary rule the same as the shift to advisory? Not exactly, but the leadership role you perform is.

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Have the courage to fail, and you won't.
Walk the walk.