Want to get to the Next Level? Not Until You Close the Workload-Capacity Gap in Your Business

By Stephen A. Saenz

Several years ago, I stumbled across something, which I now believe is the single biggest barrier that keeps investment professionals from getting to the next level. I call it the "Workload-Capacity Gap" (WCG) and it exists to one degree or another in every investment practice I have seen. If you want to maximize the potential of your business you must understand what it is and begin closing this gap.

In a nutshell, the WCG is the difference between the amount of work it takes to run a World-Class Business and the capacity that is in place to do the work. "Capacity" in this case is what I have been referring to as the STRUCTURE of a business.

Before I give you a real life example, let me remind you that in order to determine the proper STRUCTURE for your business, you must first QUANTIFY your workload. WORKLOAD is the sum of everything you do and SHOULD be doing for every new client and every existing client you have. In other words, it is the work that has to be done to operate your business at its OPTIMAL level.

My "discovery" came after years of helping successful consultants (million-dollar producers) quantify their workloads. If you have tried to do this, you know that it can be a very challenging and frustrating exercise. I now believe that the reason it is so difficult to quantify workload is that the WCG in most investment practices is so large that most financial consultants can't see the proverbial forest for the trees. They are simply trying to do the impossible. Let me explain…

Consider a rookie broker (at a wire house) coming into the business ten years ago. Mind you, this is not just ANY rookie broker; this is a future million-dollar producer (MDP)! What is MDP's first year like? He has lots of time, but very few clients. Kind of reminds me of Dr. Stanley's "big hat, no cattle" metaphor. Now that I think about it, that's pretty much how most of us acted during our first year in the business. Big hat, no clients (you know who I'm talking about). In any event, MDP is jazzed and pumped. He LOVES smilin' and dialin'. In fact he is darn good at it! Next thing you know, MDP wins a trip to Hawaii. He has opened more accounts in his first 6 months than most brokers open in a lifetime! He finishes Year 1 numero uno in his class in production and in the top 10 in the FIRM in new accounts. Branch Office Manager is very happy. Regional Director is even happier. With 200 new accounts in his first year, this guy is going to be a STAR, a MDP for sure. And so it goes in Year 2, 3, 4… You get the picture.

During the early years, while PRODUCTION is looking like a red-hot IPO on the first day of trading, what's happening to ASSET growth? Exploding, right? This is an EXCELLENT investment advisor. He is an asset gathering MACHINE! What about the number of RELATIONSHIPS he is trying to manage? Same thing. This guy is a one-man wrecking crew. He has opened an account with every breathing person in his hometown. He has now moved on to the next town and is about to kick some you know what and take some more names. And this is only Year 3! In Year 6, he sees the light and starts converting his book to managed money. In Years 7, 8, and 9, he is the firm's leader in managed money and begins offering estate-planning reviews to his clients. He is forming strategic alliances with accountants and attorneys, and by this time has converted almost 70% of his book to fee-based managed money. In Year 10, we propose a toast to MDP because he hits the $1 million mark. Cheers!

Here's the best part. What happened to his CAPACITY (to do the work he created) during his first ten years in the business? Let's look at it. Remember that MDP is a machine. He started out working 60 hours per week. He has a strong work ethic. In his first year, he got 1/5 of a sales assistant (we'll be generous). In Year 2, BOM put him 4 on 1 because he saw that MDP had good potential. In Years 3 and 4 he was 3 on 1, and in Year 5 he got to share an SA with one other broker, a female version of MDP (you know, hole in the wall, shared a Quotron). They shared that hole for another four years until Year 10 when he got (and deserved) his OWN sales assistant!

If we measure "capacity" in terms of MAN-HOURS PER WEEK it breaks down something like this:

Year 1 = 68 (his 60 plus 1/5 of a S/A)

Year 2 = 70 (his 60 plus 1/4 of a S/A)

Years 3 - 4 = 73 (his 60 plus 1/3 of a S/A)

Years 5 - 9 = 80 (his 60 plus 1/2 of a S/A)

Year 10 = 100 (his 60 plus 1 S/A)

In other words, his CAPACITY during this 10-year period basically increased by 47% (from 68 to 100). Let's see what happened to MDP's WORKLOAD during the same time period. While it is very difficult to quantify workload, we can get a pretty good idea by looking at his business today. Production = $1 million, Assets = $120 million, Accounts = 1700, Client Relationships (households) = 800. You get the picture? THAT is the Workload-Capacity Gap!

As stated at the outset of this article, I believe that the WCG is the mother of all root causes in most investment practices. Yes, his back and home office resources add "capacity" to MDP's business, but I don't think it would make much of a difference given the size of the gap in his business.

Do you really think all 800 clients are being serviced? No! How long will it take for some of those clients to leave due to being ignored by MDP? It's already happening! It took 10 years for MDP to become a MDP. If he invested in his business and brought own his own SA around year 5, do you think he would have become a MDP faster? Yes!

Throw out all the rules as you know them and reduce your Workload-Capacity Gap today! Reduce WORKLOAD before you add CAPACITY. Work smarter not harder!

Workload-Capacity Gap