

# How to Recruit & Compensate Top Talent

**Kelli Cruz**

**Founder & Managing Director**



# About the Speaker

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**KELLI CRUZ** brings more than 20 years of experience to her role as the founder of Cruz Consulting Group, working closely with advisory firm owners and executives of financial services institutions. She leads consulting engagements in strategic planning and human capital, including organizational design, compensation planning, performance management, and business succession.

She is a frequent speaker at national industry conferences and a regular columnist for *Financial Planning* on practice management related topics.

Prior to founding CCG, Kelli lead InvestmentNews Adviser Solutions and oversaw advisor consulting engagements as well as the InvestmentNews/Moss Adams research studies. Kelli was a director in Advisor Services at Charles Schwab where she pioneered the industry's first human capital practice management program covering issues from organizational strategy and design, compensation design, talent management, and succession planning for RIA advisory firms.



# Agenda

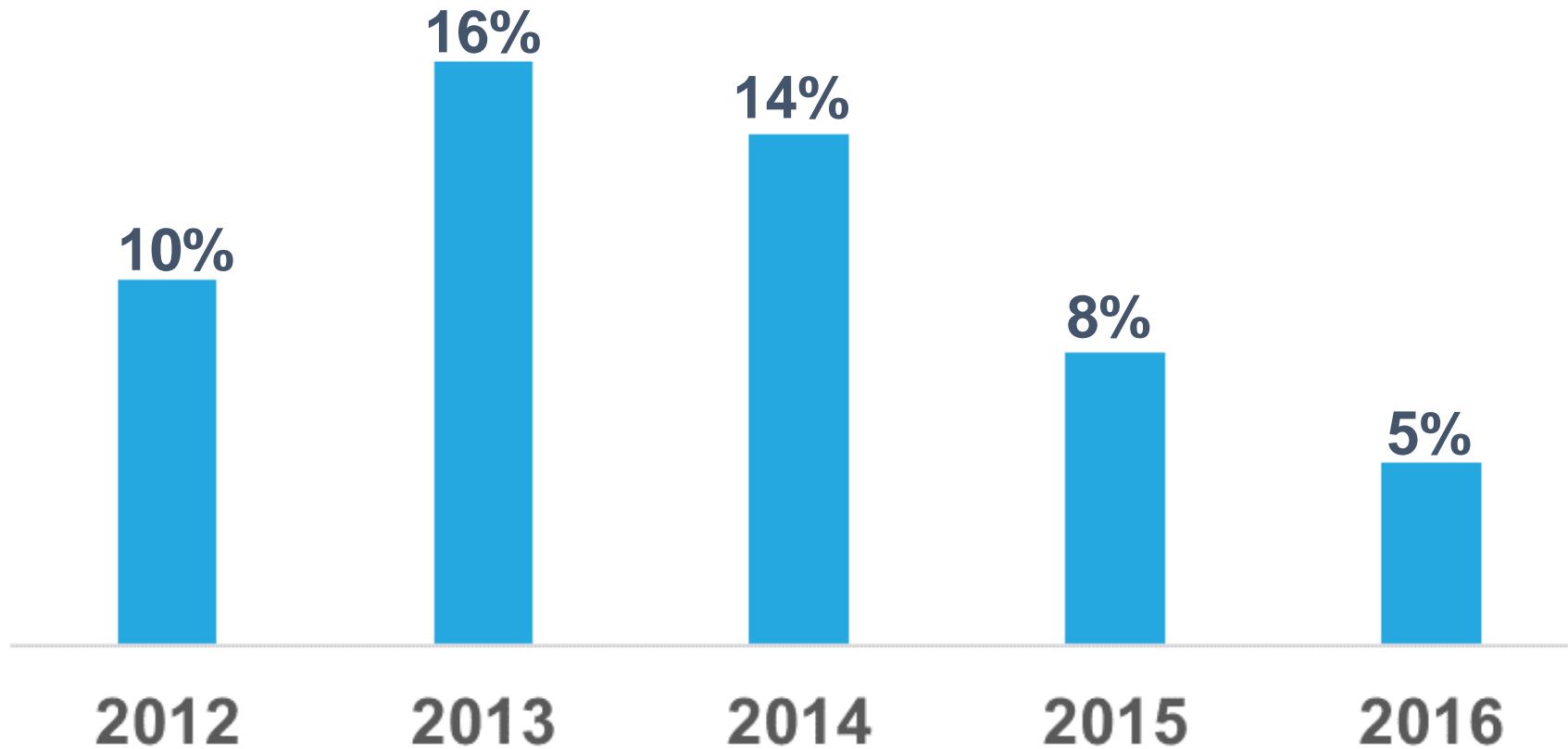
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- Strategic Roadmap
- Talent Acquisition
- Recruiting & Rewarding Strategies for the Generations
- Performance Management
- Successful Compensation Plans
- Final Thoughts and Q&A

# Slowing Growth

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Advisory Firm median revenue growth past 5 years

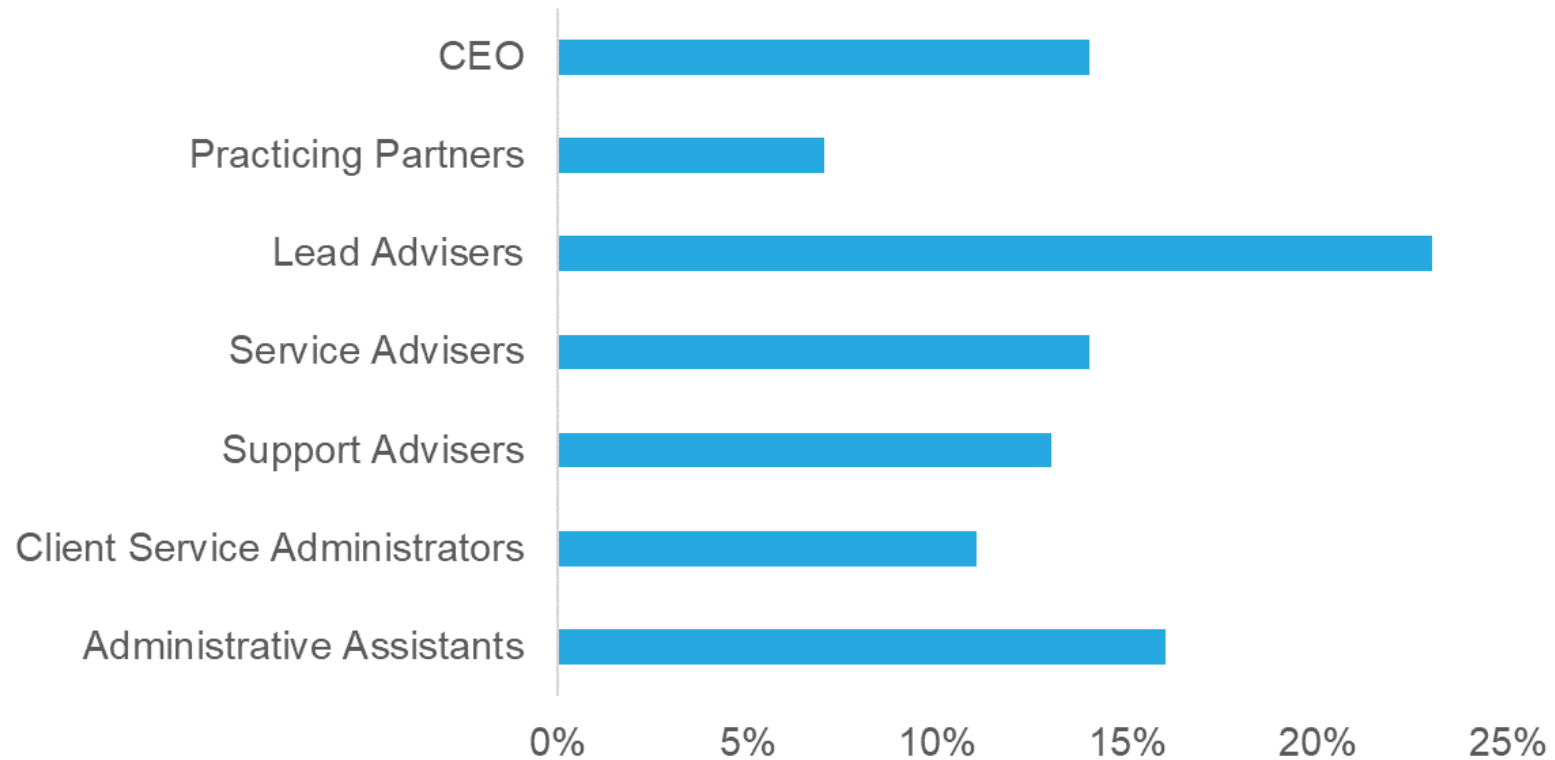


Source: 2017 InvestmentNews Adviser Compensation & Staffing Study

# Rising Salaries

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Growth in salaries for professional positions 2015 and 2017



Source: 2017 InvestmentNews Adviser Compensation & Staffing Study



# The Roadmap To Success

# Talent Roadmap



# Talent Acquisition & Management

# Top Hiring Mistakes

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- Hiring the first candidate you interview out of desperation.
- Hiring the resume instead of the candidate.
- Hiring a candidate who doesn't match with your firm culture.
- Not listening to your gut.
- Changing your compensation structure for the candidate.
- Not onboarding the new hire.

# The Hiring Process

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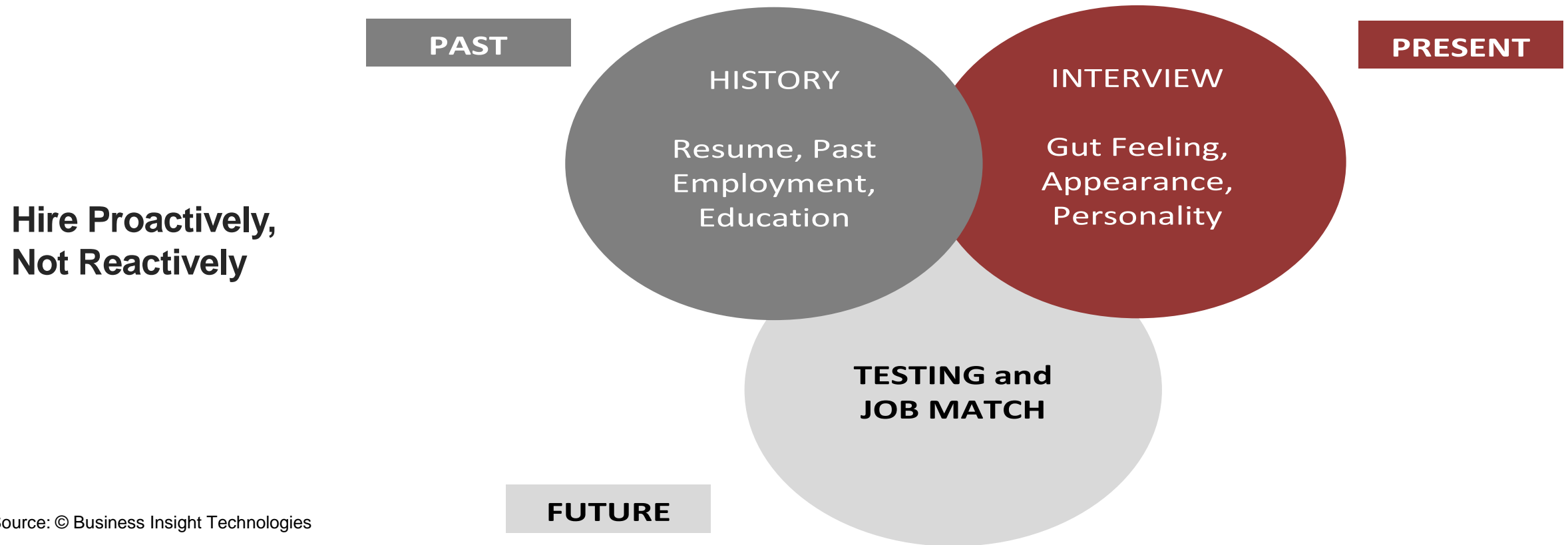
## Step 1: Job Descriptions

- Job match and culture match
- Integrated approach – great place to work

# Talent Acquisition: Sourcing & Selection

How will you define, recruit, select and deploy the right talent at the right time?

## Employee Selection Process



Source: © Business Insight Technologies

# Job Match & Culture Match

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## Hire for Values; Train for Skill:

- Balance technical qualifications with defined cultural characteristics of your firm and business mix:
  - Focus on must-haves vs. nice-to-haves
  - Hire for what isn't trainable:
    - Trainable—industry and job responsibilities
    - Not trainable—values, work ethic, attitude
- Identify qualities of your best employees and blueprint those commonalities.
- Ask interview questions that help match the candidate to the 'ideal' profile.

# Invest in the Interview Process

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## Evaluate the Candidate:

- Resume
- History of employment
- Conduct phone interview first
- Pay attention:
  - Listen to the candidate
  - Listen to your gut
- Interviews with the team (principals, involve all critical staff members)
- Employee assessment tools
- Conduct thorough reference checks

# Recruit All The Time

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## Tactics for Conducting Your Own Search:

- Network; Ask for referrals!
- Colleagues and associates
- Centers of Influence (e.g. CPAs, attorney's)
- Vendor representatives
- Clients
- Employees
- Custodian and/or broker dealer
- Search Professionals
- Tap professional organizations & industry conferences
  - IMCA, CFA, FPA, NAPFA
- Use Online & Social Media Resources
  - Association Job Listings
  - Networking Web sites (e.g., LinkedIn, etc.)
  - Social Media (Twitter, Facebook, etc.)
- PFP University Programs

# Talent Pools

## Talent Pools Tapped by Firms Across All Role Types

Hiring Source	Share of Firms Targeting Hiring Source by Role Type		
	Revenue Roles	Management	All Other Roles
Independent RIA firm	66%	36%	40%
Elsewhere in financial services	33%	36%	44%
Recent college graduate	31%	0%	62%
Wirehouse	28%	18%	13%
Independent or insurance B-D	26%	9%	14%
Bank	20%	18%	20%
Non-financial services company	9%	18%	36%
Other	3%	0%	7%

Source: 2017 FA Insight Study of Advisory Firms: People and Pay

# Recruiting & Rewarding Strategies for the Generations



## Baby Boomer (Born 1946-1964)

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- Motivated by traditional benefit packages that include deferred compensation and high matches in retirement/pension programs.
- In direct contrast to Millennials and GenXers, Baby Boomers find a sense of self in their work, public recognition in company newsletters or meetings.
- Unmistakably loyal, Boomers will remain committed to a company as long as it provides security and benefits.



## Gen X (Born 1965-1976)

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- Driven by competitive compensation packages, but value time over money.
  - Thrive on challenge think “career lattice” rather than a “career ladder.”
  - Value formal & transparent career development plans and succession strategies.
  - Respond well to performance management processes that provide direct, honest feedback.



## Millennial (Born 1977-1995)

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- Looking for a total life compensation package:
  - Flexibility is key (hours and dress code)
  - Fitness or health awareness programs
  - Technical gadgets & ear buds
  - Training & educational reimbursement
  - Seek opportunities to learn & grow



# THE CLASH

## of the Cowboys and the Collaborators

# Millennials: A Growing Influence in the Workplace

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- Over 60% of respondents ranked competitive base pay as their number one factor for staying with their current employer. Over 80% ranked competitive base pay first, second, or third.
- While competitive base pay was the top factor, 45% ranked career opportunity, interesting and challenging work, and incentive opportunity as first, second or third.
- Most survey respondents (92%) agree that competitive base pay and being paid for the value they bring to the company is important. The majority (90%) indicated that understanding how their job impacted the success of the company was important.
- 75% of respondents' incentive/bonus programs fail to use individual performance results in calculating payouts.

Source: 2017 Hub International Limited: The Millennial Influence Study

# Firms Offering Non-Traditional Benefits

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■ Flexible Work Schedules	64%
■ Subsidized Training Programs	46%
■ Telecommuting	41%
■ Maternity/Paternity Leave	36%
■ Subsidized Meals	20%
■ Bonus Days Off	16%
■ Wellness Benefits	16%
■ College Tuition Subsidies	10%

Source: 2017 FA Insight Study of Advisory Firms: People and Pay

# Performance Management



"I'm giving you a praise. It's not a raise  
but it will look good on your evaluation."

# Goal Setting & Performance Management

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Your performance management process should help facilitate a two-way dialogue between you and your employees:

## **Step 1: Set Annual Goals**

- Review current job description/role responsibilities with employee.
- Establish annual performance goals with employee.

## **Step 2: Weekly & Quarterly Check-Ins**

- Discuss progress with employee on a regular and frequent basis.

# Goal Setting & Performance Management

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## Step 3: Annual Performance Review

- Have employee complete annual self-review.
- Complete annual employee review and have performance discussion with employee - focus on the future.
- Determine annual merit increase (if appropriate).
- Provide a signed copy of annual review to employee and keep a copy for your records.

# Successful Compensation Plans

# What Is Your Compensation Philosophy?

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- How do you want to attract, retain and motivate good people?
- What pay range should you target?
- How competitive is the advisory services industry in your market?
- What is your firm's cost structure and future financial outlook?

# Sample Compensation Philosophy Statement

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**ABC Firm believes that our rewards and recognition programs are essential for communicating performance expectations, for improving service quality, and productivity and for recognizing contributions to the firm's success.**

**The objectives of our compensation programs are to:**

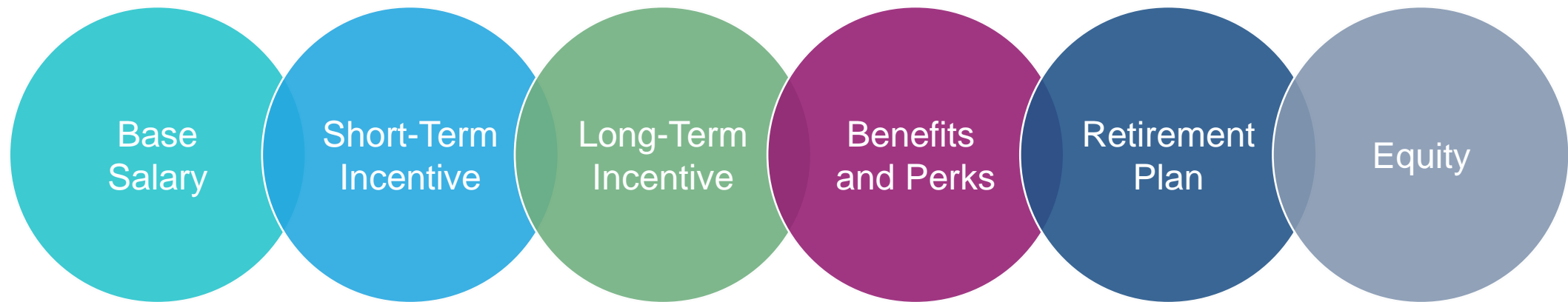
- support a performance-driven work culture that generates firm growth.
- deliver clear focus and measurement on key objectives with a meaningful link to rewards.
- provide competitive compensation opportunities that attract and retain top performers, focusing on external competitiveness as the primary driver of pay opportunities.

# What is a successful Compensation Plan?

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- Pays everyone fairly
- Retains critical employees

**A compensation plan is a combination of six major components:**



**Compensation rarely acts as a satisfier, but can often be a dis-satisfier.**

# Breaking Down the Components

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Component	Average % of Total Compensation
Base Salary	50–80%
Incentive Compensation	5–35%
Benefits & Retirement	10–15%
Taxes	6–8%

# Components of a Total Compensation Package

## Salary

Pay For Time Worked	\$42,308
Pay For Time Off	\$1,692
<b>Total Salary</b>	<b>\$44,000</b>

## Target Incentive

10% of Total Salary	\$4,000
<b>Total Target Incentive</b>	<b>\$4,000</b>

## Benefits

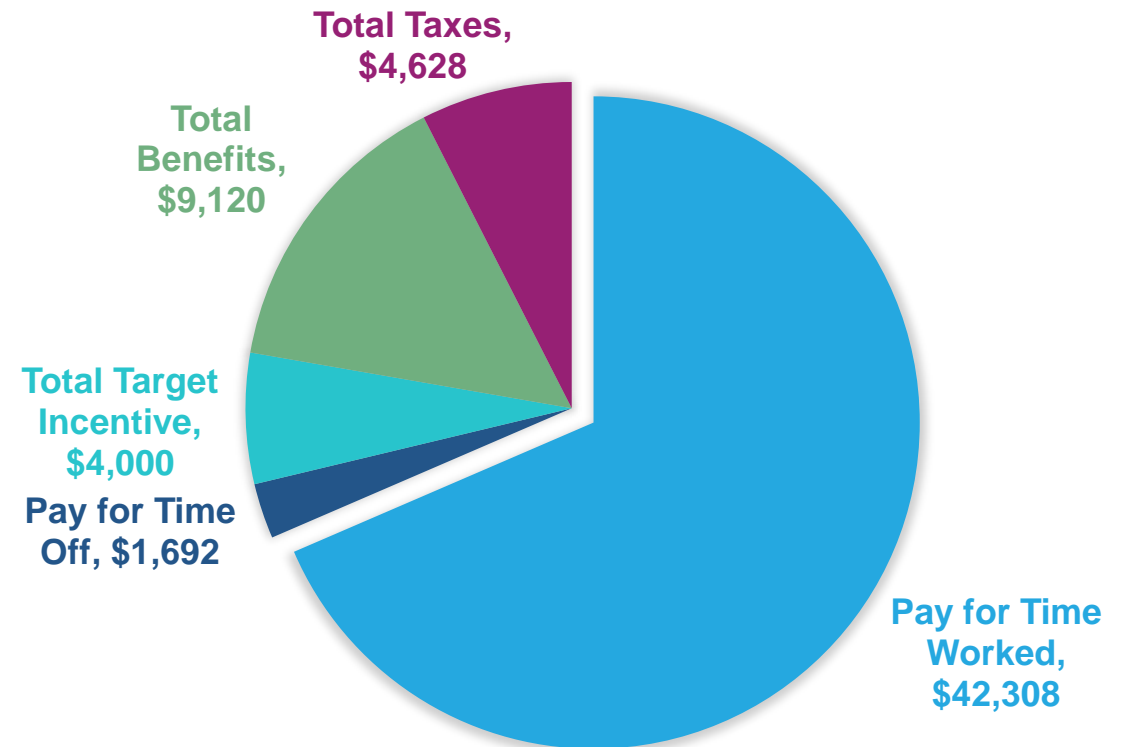
Medical	\$4,800
Dental	\$600
Vision	\$120
Life Insurance	\$180
Short Term Disability	\$120
Long Term Disability	\$360
401k Plan	\$1,320
Other Benefits 1 - Parking	\$1,200
Other Benefits 2 - Gym Membership	\$420
Other Benefits 3	\$0
<b>Total Benefits</b>	<b>\$9,120</b>

## Taxes

Social Security	\$3,410
Medicare	\$798
Unemployment	\$420
Other Tax 1	\$0
<b>Total Taxes</b>	<b>\$4,628</b>

<b>TOTAL COMPENSATION</b>	<b>\$61,748</b>
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## Total Compensation Statement for Administrative Assistant



# Comp 101: Base & Incentive Compensation

# Start With Benchmarking Data

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Labor costs are a firm's largest expense

- Comparisons should be based on actual job functions not job titles
- Benchmarking is more of *an art than a science*
- Understand the industry trends

# What is Base Salary?

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## Fair compensation for the role and responsibilities

- Define a salary range for each position based on:
  - The value of the position to your firm
  - The market value of the position
- Beware of cost-of-living adjustments.
- Move an employee within the range as their job size, responsibilities and skill sets change.

# What is Incentive?

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## Meeting or exceeding stretch goals

- Incentive plans should be tied to the overall firm strategy and vision.
- Show employees how the incentive is a financial partnership between them and the firm.
- Should build a unified vision for the firm and your employees.
- Everyone should participate.

# Advanced Comp: Developing an Incentive Plan

# Key Questions When Designing an Incentive Plan

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1. What are your firm goals for the next 12-24 months?
  - New client products & services/enhancements
  - Growth goals
  - M&A advisor acquisitions
  - Productivity/work flow improvements
  - Technology investments
2. What is your firm's overall compensation philosophy?
  - Compensation should be market driven. Do you pay at or above the median?
  - Do you emphasize individual performance or team performance?
  - Compensation structure should be easy to communicate and understand

# Key Questions When Designing an Incentive Plan

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3. What are the components of your compensation plan (Base Salary, Incentive Compensation, Benefits & Retirement)?
  - Does it meet staff expectations? Do employees have a good understanding of total cash compensation and does it motivate?
4. Which job positions are eligible to participate in the incentive plan?
5. Which positions have the highest impact on the firm's key outcomes?
6. Is your incentive compensation plan affordable? How do you fund the plan; revenue, profitability, etc.?
7. What performance criteria do you use?

# Performance Criteria (Incentive Metrics)



# Advisor Incentive Metrics

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- Personal revenue production
  - New revenue
  - Total revenue managed
- Personal client production
  - New clients
  - Client retention
  - Client satisfaction
- New assets
- Skill development, attaining certifications



# Support Staff Incentive Metrics

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- Client segmentation projects
- Client events
- Marketing projects
- Technology projects
- Client service delivery
- Skill development, attaining certifications



# Team Incentive Metrics

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- New business development
- Client referral program
- Technology initiatives
- Marketing initiatives
- Special projects

# Final Thoughts



# Rethink Your Firm's Compensation Plan

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1. For the firm, what are the pros and cons of the existing compensation plan?
2. Are you willing to make a meaningful change from the current compensation plan to something different?
3. What would the implications be for the employees and the organization?
4. What are all the behaviors you want to reward with the compensation plan?



Remember: Your business model is built on client retention,  
which in turn means it is built on employee retention as well.

# Q&A

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### Let's Face It — End-of-year Pay Talks are Painful



Let's face it, end-of-year compensation decisions and pay talks are stressful. Even the most successful owners may lack the confidence needed to have meaningful discussions. Here's a list of planning tips to improve employee pay meetings and ease the annual ritual. Dust off your firm's job descriptions and ensure you have a clear understanding of... [Read More](#)

### Time to Rethink Your Firm's Compensation Plan?



As we enter fall and the fourth quarter, you may be pondering a change to your compensation structure for next year. Although it is extremely critical to develop a salary plan that is profitable for the firm, I suggest considering the broader business context first when making changes. This involves reviewing the company's strategic priorities... [Read More](#)

### A Roadmap for Hiring Top Talent



Just as advisers are always on the lookout for their next great client, they should also be keeping an eye out for the best and brightest people to join their team. But how can you know which hires are best for you — and your clients? You can start by thinking about your current team... [Read More](#)

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