

Financial Advisors

Phase 1 Report

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1 Introduction

The subjects of our study are financial advisors who belong to the local branch of a financial services company. Because the company employs multi-level network marketing tactics, the affiliation between a financial advisor and the company is quite loose. Financial advisors' compensations are entirely commission-based, therefore their motivation is largely individually-driven.

We chose to study them because, unlike financial advisors who work for traditional financial institutions, these subjects are not limited to the usage of only firm-supplied or firm-approved software. This provides the potential for work processes to be redesigned and for the introduction of software tools that the subjects may not seek out on their own.

1.1 Roles and Tasks

Recruitment

Subjects actively recruit both clients and associates. This is done by word-of-mouth through their personal network and extended networks. Subjects are responsible for identifying individuals who may be interested in becoming financial advisors, and will recruit these people as associates. After acquiring a client or associate, subjects will attempt to expand their own network by proxy of the new recruit's network.

Training

All subjects are responsible for providing one-on-one mentorship for their recruited associates, teaching them how to become a financial advisor through a master-and-apprenticeship and shadowing process. Depending on the seniority of the subject, they may also be responsible for giving group product trainings or motivational talks to the local branch.

Advising

Selling - For new clients, subjects are responsible for collecting client information and financial goals. They will then analyze and match the client with appropriate products.

Annual Review - To maintain an ongoing client relationship, subjects conduct annual reviews of client information and product portfolio to suggest changes or new products to the client.

2 Participant Data

Initially, an individual financial advisor was contacted as a potential study participant, who will be referred to as S1 in this report.

After our first interview with S1, we identified areas which required further clarification during our group meeting. We therefore contacted S1 and requested a follow up interview. At the end of the second interview with S1, we were introduced to a senior advisor who also works at the same office. We eventually agreed upon a date for an interview with the senior advisor, who will be referred to as S2 henceforth.

Both subjects share many parts of the office space, including the training room (Figure 2.1) and the meeting room (Figure 2.2). They also share a printer, which was discovered in S2's office space.



Figure 2.1 - Training Room

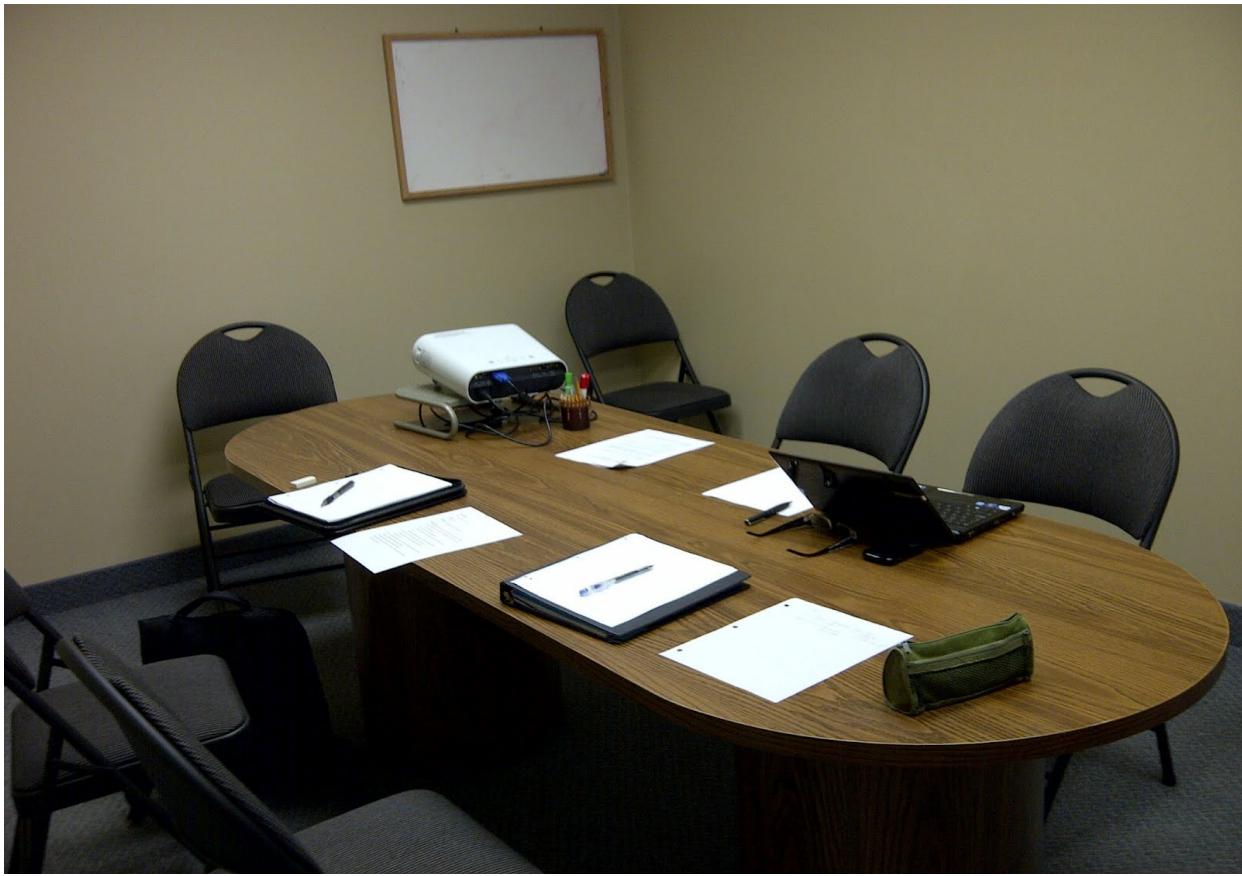


Figure 2.2 - Meeting Room

The training room and meeting room are used for Business Plan Meetings (BPM), where individual advisors invite their prospects (potential clients or fellow associates) to attend and provide them a brief introduction about the company.

The prospects are first required to sign in on a form (Figure 2.3), and then are given name tags that help identify them within the meeting. BPMs begin in the training room, and all prospects are introduced to senior advisors. After about half an hour, all prospects are invited to the meeting room and the existing associates are requested to stay within the training room.

In the meeting room, participants are given a presentation on the company and a brief introduction on the market trends. The presentation discusses how a person could become either a client or an associate of the advisor who invited them. At the end of the presentation, each person is given a Seminar Form (Figure 2.4). The prospect indicates whether they are interested in becoming a client or an associate, and the advisors will use these forms to follow up with the prospect.

Figure 2.3 - Business Planning Meeting Attendance Log

Seminar Questionnaire	
Date: _____ / _____ / _____	
Guest:	Spouse:
Address:	Work Phone:
City, Province, Postal Code	Home Phone:
Who Invited You?	
THE BUSINESS	<i>I am interested in:</i>
<input type="checkbox"/> I want to begin building a part-time second income <input type="checkbox"/> I want to discuss the [REDACTED] business opportunity <input type="checkbox"/> I know someone who might be interested in the business	
THE PRODUCT AND CONCEPT	
<input type="checkbox"/> I am interested in building financial security for my family <input type="checkbox"/> I am interested in learning more about tax-advantaged plans <input type="checkbox"/> I am interested in a no-obligation review of my current investment	
APPOINTMENT	
<input type="checkbox"/> Home <input type="checkbox"/> [REDACTED] Office Mon Tues Wed Thur Fri Sat Sun	
Date: _____ / _____ / _____	Time: _____ <input type="checkbox"/> AM <input type="checkbox"/> PM

Figure 2.4 - Seminar Form

In the training room where all existing associates stayed, depending on the schedule there can be a product training or a motivational speech. In the case of product training, experts from another financial institution will be hosting the training session and provide in depth information about their products. In the case of a motivational speech, it is usually given by a senior financial advisor.

2.1 Subject 1 (S1) - Financial Advisor

Our first interview with S1 occurred at the office. We began the interview by asking S1 what they did most recently. S1 told us of the BPM that was hosted earlier that day, and a mock demonstration of the event was given. We then asked what would happen with their prospects after the BPM. S1 told us that once a prospect becomes a client, S1 would arrange an interview to discuss the client's financial situation in person.

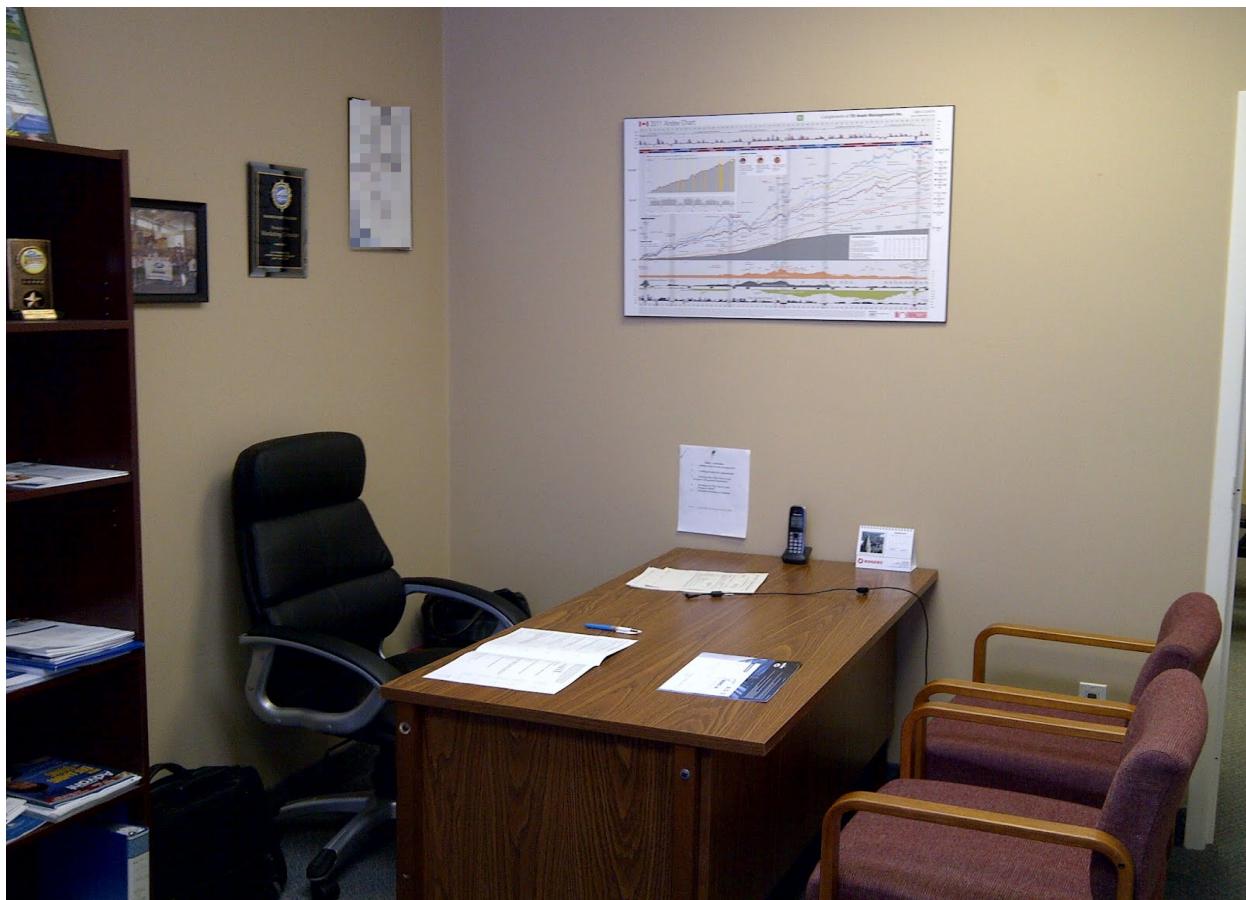


Figure 2.1.1 - Subject 1's Desk

During S1's interview with the last client, S1 asked the client questions about their financial situation and transcribed the data into paper forms (Figure 2.1.2).

After S1 collected the client's information, S1 would use their industry expertise and personal experience to identify the most appropriate set of products that could assist the client in achieving their financial goals.

We proceeded to ask S1 if any software tools were used to collect the client data. S1 answered yes, and demonstrated to us a software maintained internally at the corporate level. S1 uses this software to record clients' contact information and their financial background, but only for those who are planning on buying investments. Clients who are only purchasing insurance are recorded separately in paper records. Once client data is entered, S1 uses the system to produce reports on clients' investments, which are used for annual reviews or if the client requests an update.

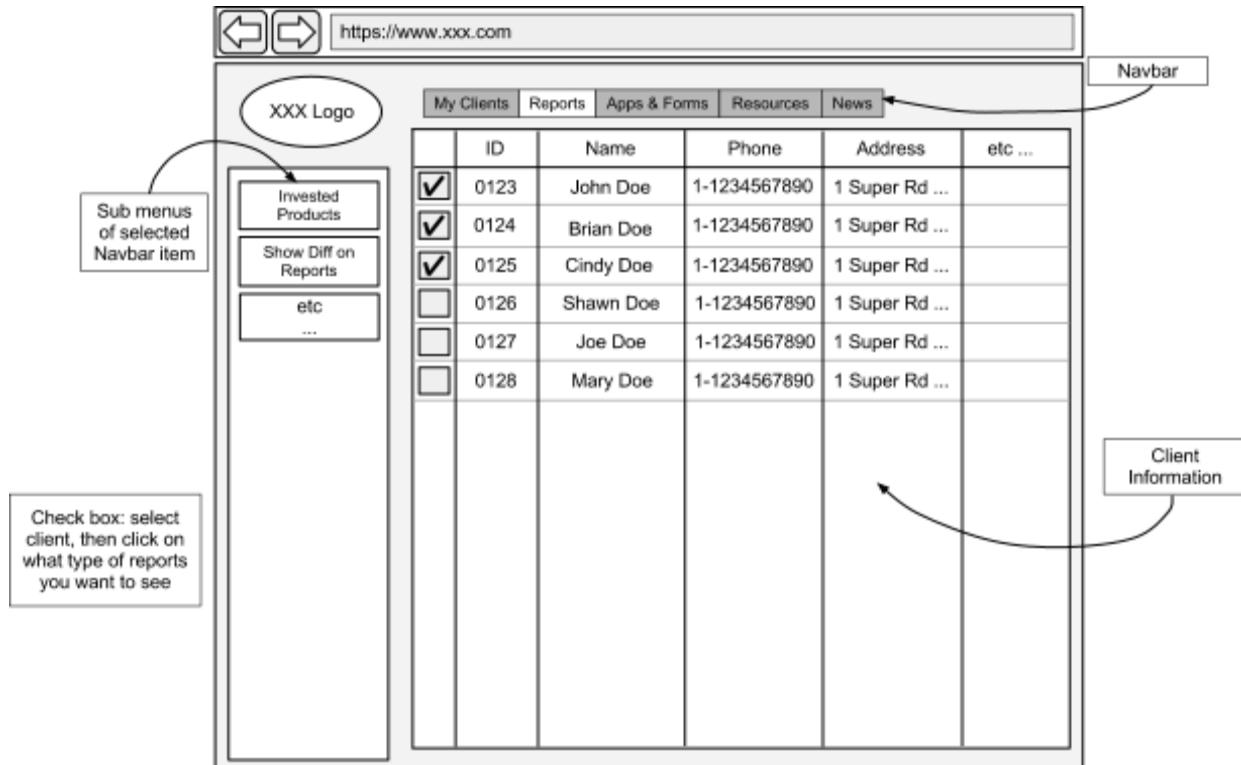


Figure 2.1.3 - Software System

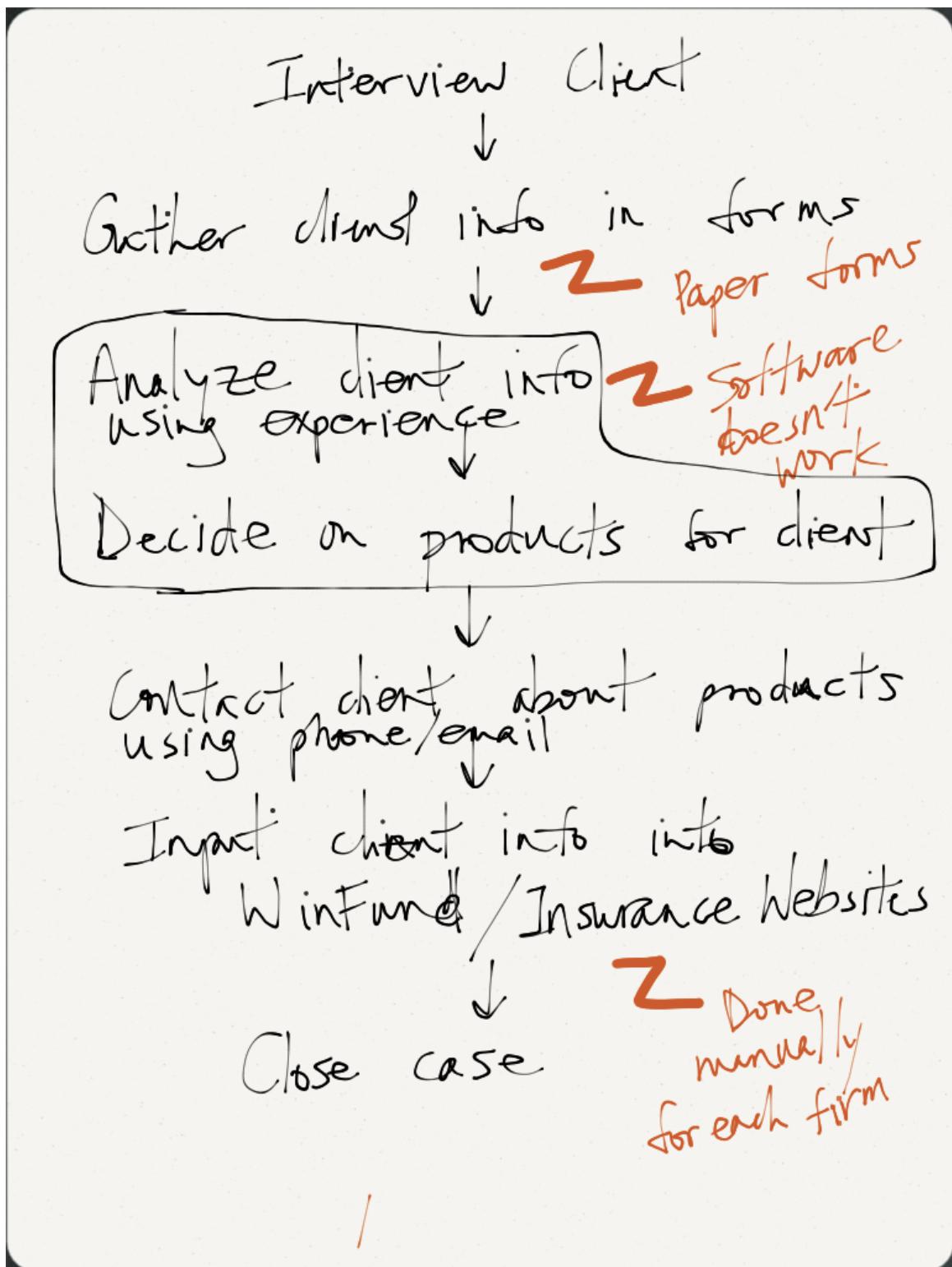


Figure 2.1.4 - Selling Sequence Model for S1

2.2 Subject 2 (S2) - Senior Financial Advisor

S2 has been with the company for a longer period of time and is therefore more senior than S1. S2 also visibly keeps more personal artifacts at their work space, including placing a digital album, piles of post-it notes, and many paper forms with client data (Figure 2.2.1).



Figure 2.2.1 - Subject 2's Workspace

In terms of how S2 performs their roles, S2 processes and analyzes information very differently from S1. As mentioned previously, S1 uses an internally-maintained software program to help manage contact information and investments only. With the exact same software program, S2 not only uses it to record client information and financial data, but also uses it to make calculations to help determine how clients can achieve their financial goals. However, S2 was very keen to express that the software only makes calculations, and that S2's industry expertise is responsible for selecting the most appropriate products for clients. S2, in contrast from S1, does not make use of the software's investment management and report-generating features.

During the interview, we asked S2 to elaborate on their record management practice. S2 clarified that client records are kept on paper, in folders, in a secure filing cabinet onsite at the branch office.

S2 also elaborated details on how annual reviews are performed. For each client, the subject reviews their folder of records, which contains the client's contact information and the products in their portfolio. S2 will then setup a meeting with the client and collect their most up-to-date information (e.g. address, marital status, income, etc.). Afterwards, S2 returns to the office and further investigates whether there are more suitable products for the particular client, taking into account any changes in their life. Finally, the client will be contacted and recommended with the products. These steps are repeated for all clients of S2 (Figure 2.2.2).

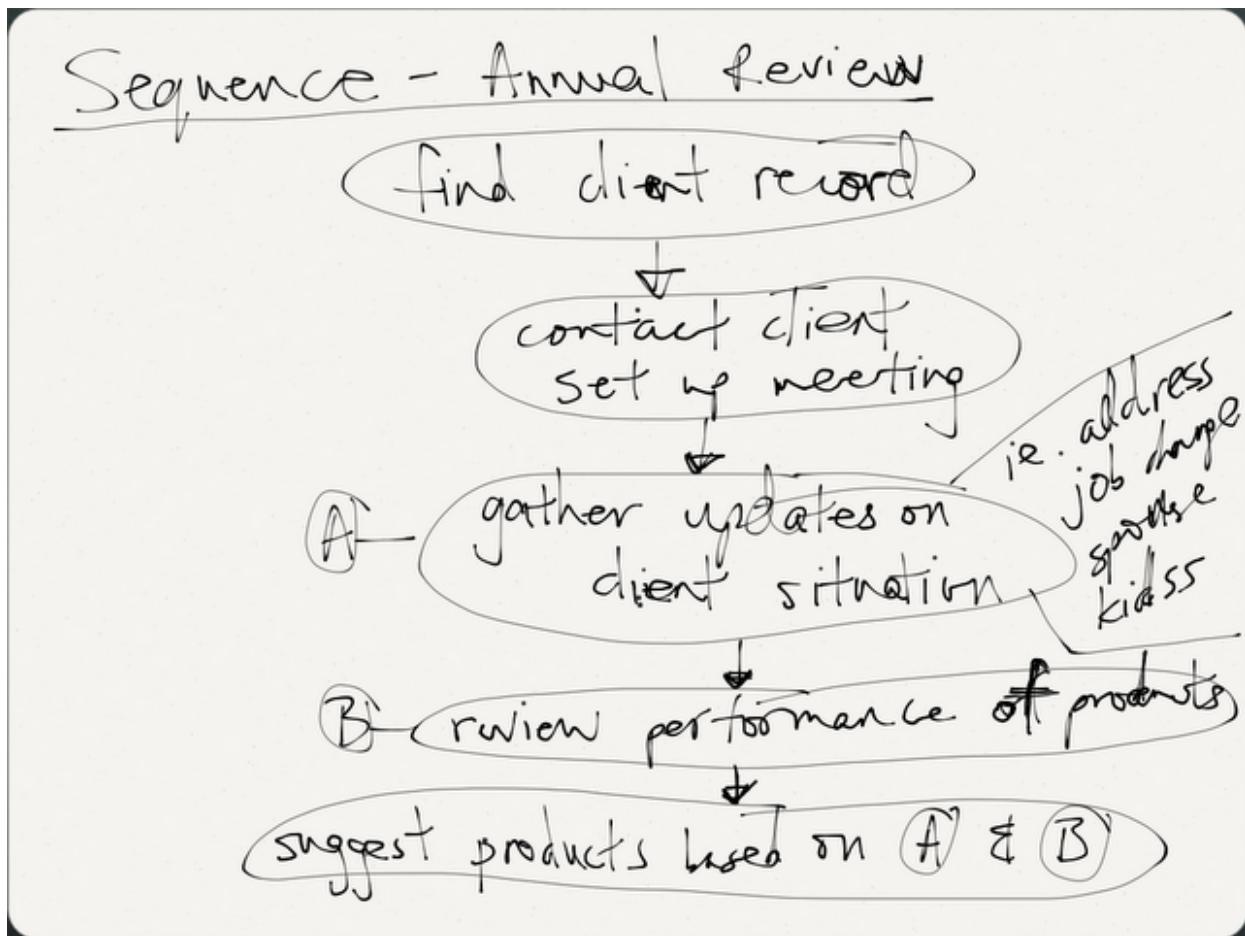


Figure 2.2.2 - Annual Review Sequence Model for S2

3 Consolidation

With the data we gathered from our interviews, we observed many common tasks and pitfalls from our subjects' workflows and environment. Our affinity diagram (Figure 3.1) demonstrates these observations, and eventually helped us in identifying breakdowns and potential work process redesigns for our subjects.

Common tasks among our subjects: recruiting, training, client information gathering and analysis, selling products, and annual reviews for each client. Our subjects also depend heavily on paper because the corporate compliance department requires paper copies of agreement forms, and most financial institutions require paper application forms.



Figure 3.1 - Affinity Diagram

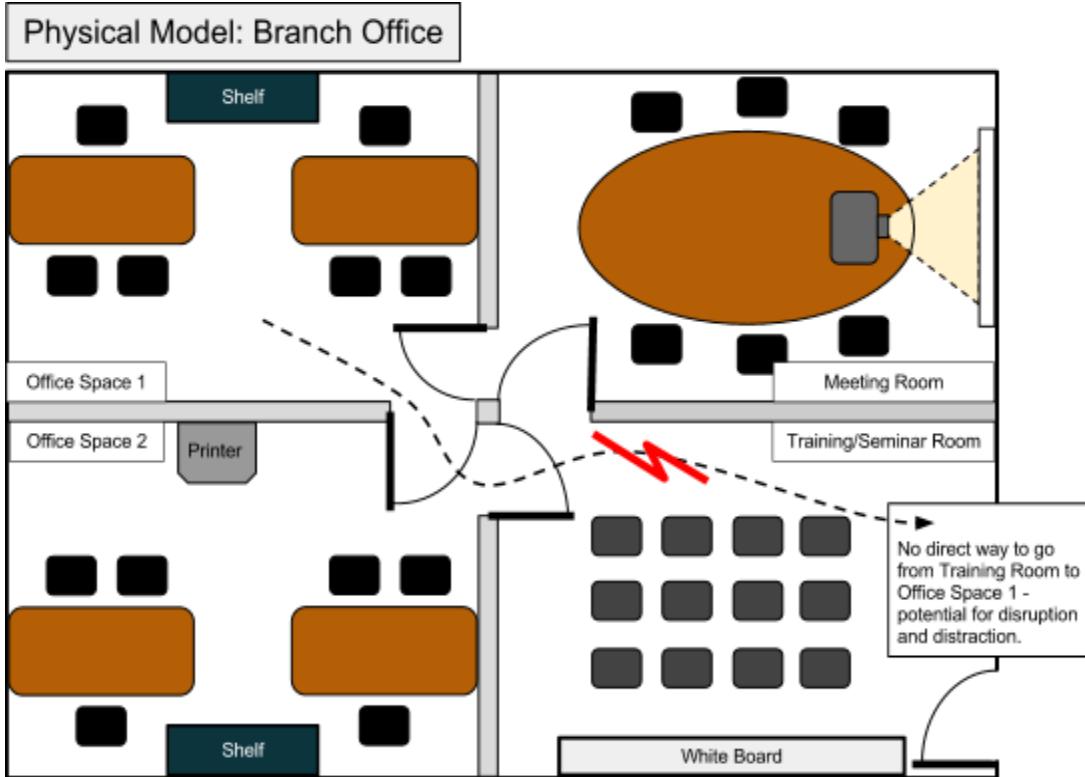


Figure 3.2 - Physical Model

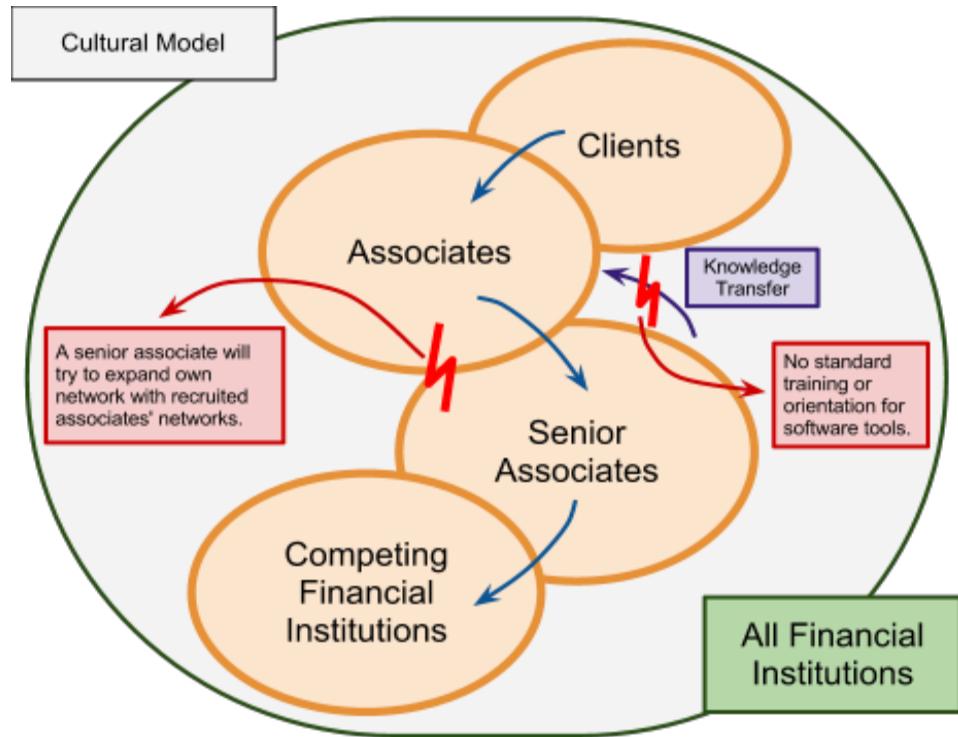


Figure 3.3 - Cultural Model

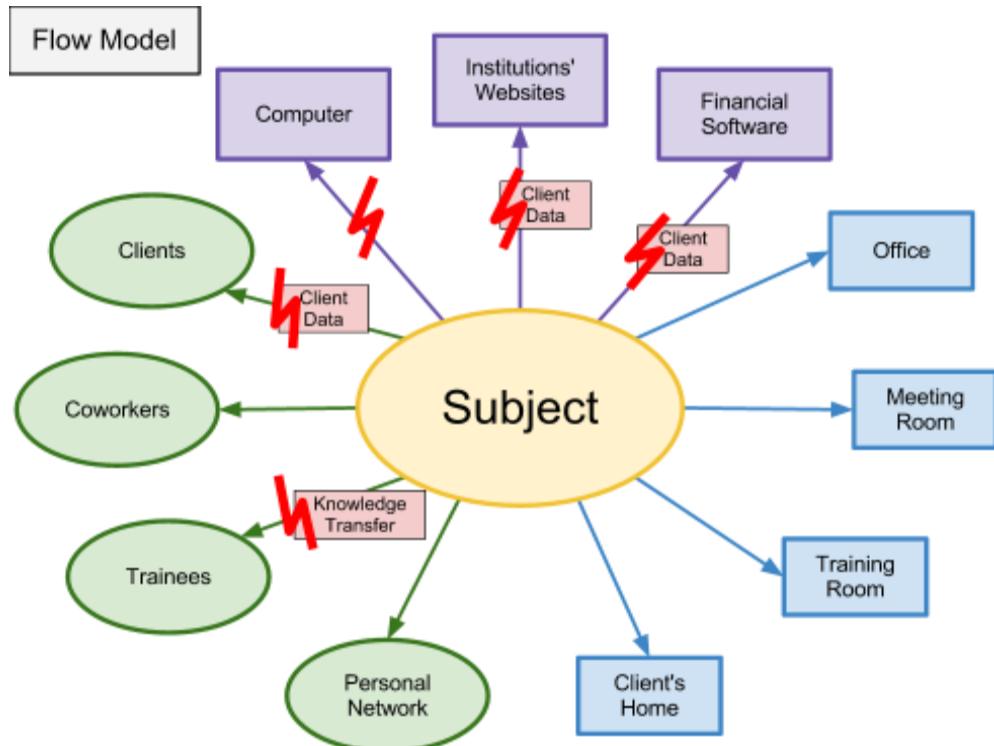


Figure 3.4 - Flow Model

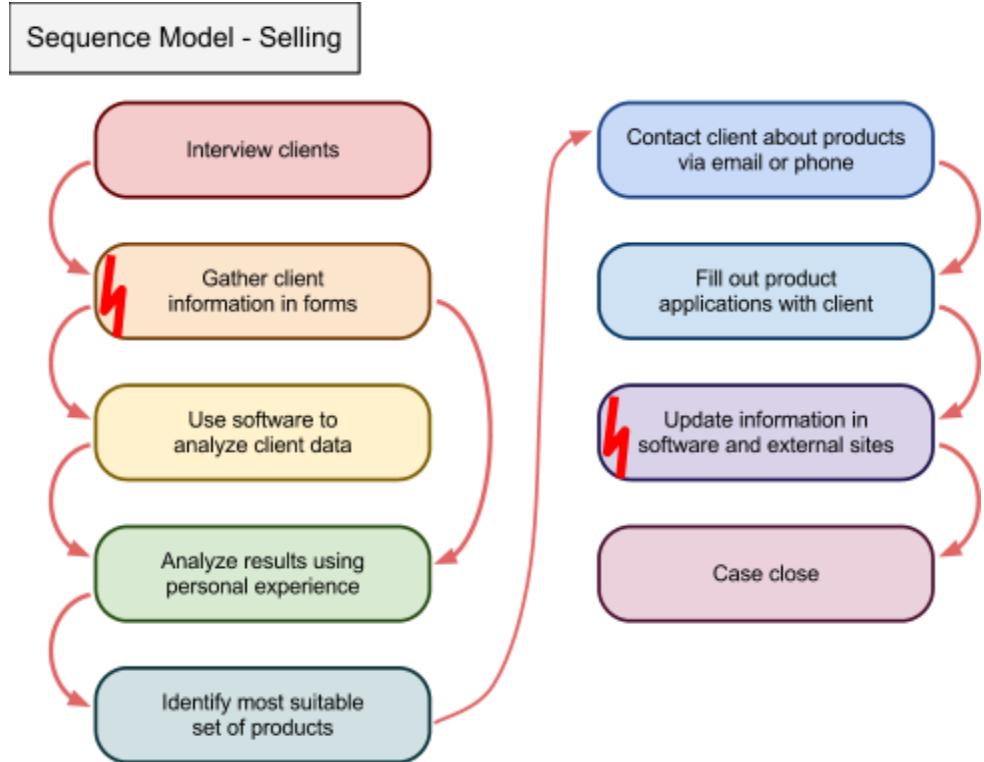


Figure 3.5 - Sequence Model for Selling

3.1 Breakdowns

From the affinity diagram and the consolidated work models, four major breakdowns were identified.

Recruiting

According to the subjects, the most time-consuming task is recruiting. The process is time-intensive because it involves word-of-mouth referrals, multiple face-to-face follow-ups, and on average about a 10-20% conversion rate from prospect to client/associate. The subjects prefer the warm marketing tactics and are adamantly averse to utilizing online social networks for recruiting, since strangers are much more difficult to convert. Therefore, it is not realistic to introduce a technological solution that can speed up this human process.

Knowledge Transfer

From the cultural model (Figure 3.3) and flow model (Figure 3.4) we noted a breakdown in the knowledge transfer and training process. Except for the product trainings provided by representatives from other financial institutions, there is no standard orientation or

training course for work processes and software tools. New associates are trained in these respects entirely by the senior associate who recruited them. Essentially, they inherit the knowledge that is available to them. Therefore, there is a high probability that the new associate is unaware of whichever software or product that their mentor is unfamiliar with, unless the new associate is self-motivated and seeks out extra training on their own. The fact that S1 and S2 used a different subset of features from the internal financial software was proof positive of this breakdown.

Data Entry

From the flow model (Figure 3.4) and sequence model (Figure 3.5) we noted a breakdown in the transfer of client information. Namely, the same data is manually entered multiple times by the subject for each client, which seems like a highly inefficient practice. Subjects first collect client data on paper forms, input that data into the internal software, and also input the same data into each financial institution's website (if necessary) and/or paper application form. When client data changes, updating is just as inefficient and repetitive.

Records Management

The most notable breakdown is in the subjects' records management practices, which is related to the repetitive data entry and rooted in the general reliance on paper. As mentioned earlier, all client information are stored using paper forms, and there is a lack of a centralized software CRM system. On one hand, the subjects are required by compliance to keep paper copies of authorization forms, so they cannot go completely paperless. On the other hand, there is a severe efficiency issue as each financial advisor needs to look through all of their paper files whenever a modification or inquiry is made by a client or a product. This makes even the simplest data update, such as an address change, extremely inefficient.

4 Conclusion

The financial advisors of our study perform three primary roles: recruiting clients and associates, training associates, and advising clients. Recruiting involves word-of-mouth marketing through personal networks. Training involves one-on-one mentorships. Advising clients involves selling financial products, and conducting annual reviews on client portfolios, with the goal of selling additional financial products.

There is a strong reliance on paper and a general aversion to technology, due to a variety of factors, such as a lack of resources and training.

We noted four main breakdowns from studying the subjects:

- **Recruiting** is slow.
- **Knowledge transfer** is non-uniform and non-standardized.
- **Data entry** is repetitive.
- **Records management** is inefficient and counterproductive.

The breakdown that provides the most opportunity for redesign would be the paper-based records management system. As discussed, manually performing search and lookup through a file cabinet of stacks of folders and papers is highly inefficient. Too many loose pieces of information is also hard to keep organized and disruptive to being productive. It could also confuse the advisors, possibly adversely affecting their accuracy when making financial decisions on behalf of their clients. It is therefore vital to have a better record management system that would eliminate these pitfalls.