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Culture Club: What Raymond James & HighTower Get Right
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If the changing and dissolution of corporate cultures that used to be the envy of the wealth management industry leads to departures and bad morale, it makes sense a consistent culture will result in low attrition and happy personnel. As Merrill Lynch and Morgan Stanley have struggled to reclaim the storied pasts, two firms, Raymond James and HighTower have made advisor-friendly cultures a crucial part of their success in both retaining their advisors and recruiting new ones.
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Any reader of the industry's trade publications reporting of recruiting wins will notice Raymond James has been very prominent with significant hires during 2014. Tash Elwyn, president of Raymond James & Associates (their employee advisor channel), states unequivocally: "Our culture is our biggest differentiator." The strength of the culture can be traced to the consistency of senior leadership as well as an unwavering laser-like focus on their core business. Raymond James was founded in 1962 and has had only three CEOs in those years. Their core business has always been wealth management. Indeed, many of the senior leaders in the firm, including Elwyn, used to be and still are advisors at Raymond James. Thomas James, the current chairman and former CEO of Raymond James Financial, remains a club-level producer. Elwyn still retains a book of clients.

EMBRACING OWNERSHIP
In 2002, Dennis Zank, Elwyn's predecessor running Raymond James & Associates, began a policy by which the firm embraced the ownership of the book by their employee advisors. The firm was the first to acknowledge and put into writing to the extent that any individual or corporation can "own" clients, while understanding clients ultimately make that choice, that right would be given to the advisor. This policy means when an advisor departs Raymond James, the firm does not solicit the clients; they expect the clients will follow the former advisor and are given instructions on how to contact him/her. Ironically, even with a policy that allows advisors to depart without competing for their clients, Raymond James' attrition is amongst the lowest in the industry. When I recently explained this policy to a large producer within Morgan Stanley, he responded: "If this firm were to do that, it would have half as many producers within six months."

So why are Raymond James advisors staying where they are even though they are free to leave? Advisors there tell me the support staff is keenly aware that without advisors, their job function within the corporation would cease to exist. This creates a level of service and responsiveness to the advisor and the end-client that keeps advisors happy. One large producer told me: "I never expect anyone or any firm to be perfect. But I expect them always to care about my problem and to be accountable for doing what they tell me what they are going to do."

EMPOWERING LEADERSHIP
Elwyn, as one of the leaders of the firm, describes his challenge in keeping the culture consistent by paraphrasing Starbucks CEO Howard Schultz: "We need to stay small while growing bigger." He does this by empowering local branch leadership to act like local business leaders. What he expects is for branch managers to attract the right people, retain the right people, act in the best interest of the client, and grow the top line while reasonably growing the bottom line.

When Elliot Weissbluth founded HighTower Advisors in 2007, he did not have the advantage of building on an established culture. Based in Chicago with a national footprint, HighTower is approaching 400 employees and $30 billion in assets under management. Cerulli Associates, in a 2013 report, called them the “gold standard” of boutique wealth management providers. HighTower has successfully recruited highly productive advisors who embrace the fiduciary standard of an independent RIA and a partnership culture of shared ideas and accountability. CEO and Founder Elliot Weissbluth states: “Culture is an asset which adds tangible value to each employee’s experience.” The end client at HighTower unequivocally understands how their advisor gets paid and how HighTower makes money. This transparency is a key part of the HighTower brand. Weissbluth believes culture is the flip side of brand; employees at HighTower unequivocally understand the six cultural beliefs that drive the behavior and results at the firm.

These core beliefs are:
1. The client comes first. Create an exceptional client experience.
2. Build boldly, making HighTower the destination of choice for clients and advisors.
3. Own it all. I (i.e. every employee) think and act as an owner.
4. Key results=YES. I act with intent to achieve results and my decisions map to key results.
5. Innovate rigorously.

FIDUCIARY RESPONSIBILITY
With employees as well as advisors owning a stake in the privately held corporation, HighTower has created a culture where advisors feel a fiduciary responsibility to each other as well as their clients. From the beginning, Weissbluth has stuck with a no “jerk” rule, whereby advisors in HighTower want to participate and contribute to the partnership with a meaningful seat at the table. Innovation into procedures and policies is encouraged at all levels of the firm, with the core beliefs being the “guidebook”. Jordan Waxman, HighTower managing director and partner, summarized for me how this works: “From leadership and involvement in the recruiting process, to collaboration among partners, field professionals and employees, to the role of Global Investment Solutions [the HT investment “platform”], to the influence of advisors on the board and advisory council, the needs of the client are prioritized and the firm’s structures, policies and critical issues are aligned with those needs.”

The recruiting marketplace is powerfully driven by the shrinking supply of top advisors; the average age of a club-level wirehouse producer is over 55 with many more advisors retiring every year than entering the industry.

TWEAKING COMPENSATION
Yet, in the face of these enormous challenges, the innovations in hiring and compensation out of the wirehouses come in the form of tweaks in the recruiting packages and the compensation plans. An advisor with whom I am working recently spent hours comparing the 30 page documents of his old firm with his prospective new firm. Both firms then announced changes for 2015. And the odds that those documents will still be the plans of these firms for the length of his contract at the new firm are greater than te odds of the Jets winning the Super Bowl next year.

In the high octane world of advisor recruiting, the conversation most often seems to revolve around the up-front dollars. The wirehouses are the largest firms, the most visible brand names to the public, yet have the least consistent cultures. Not coincidentally, they have to pay the most money to attract talent. I cannot help but be reminded of the sales axiom: Price is an issue in the absence of value.

Raymond James and HighTower, however, have been enormously successful recruiting with transition packages that are substantively less than what the wirehouses pay. Advisors departing the wirehouses and joining these firms are still interested in making money in their careers; they are simply looking at their careers beyond the length of their contracts. For the firms that bemoan the cost of needing to pay 300% and up to attract top talent, I urge you to examine the success of these two competitors and take up the challenge of innovating, of creating “culture” within your large organizations. Perhaps at the next recruiters roundtable we will be discussing an innovative new compensation plan rather than the latest two-point change to a wirehouse grid.