



N.C.I. Solutions Limited

The Trap of Business Traditions

By Michael Lobraico

-The following is based on one of Michael Lobraico's clients, Monisha Singh.

All of the names and telling details have been changed to preserve client privacy.

When forty-two-year-old Monisha Singh and her brother Sam took over the reins from their father in the family financial planning firm five years ago, Monisha was certain that the business would only continue to grow. In fact, she expected to accelerate its rate of growth. Unfortunately, revenue actually flat-lined after the takeover. And by the end of the current year, they were worried they might even be down 10%. Monisha was embarrassed by the results, but also a little angry, especially because she believed some other family members were the problem.

Another family firm I worked with referred Monisha and Sam to me. When the three of us met, Monisha said she was anxious to show growth because her father, Daman, who'd spent most of the year visiting relatives in India, was returning in a few months. Showing him another year's poor results was a fate she and her brother didn't relish.

When I asked Monisha what she thought the problem was she told me she and her brother were having trouble managing many of the younger advisors, several of whom were relatives. Alisha and Raj, their twenty-something siblings, were particularly challenging. The two of them spent far too much time on social networking sites like Facebook and

LinkedIn, instead of on the phone drumming up sales.

"They keep telling us they're on these sites for business," Monisha said, "but where's the business?"

Sam added, "The call numbers for Alisha and Raj are down and they aren't performing."

Monisha admitted that, since taking control of the business, she and Sam had let discipline slide. Their father had been strict—too strict they'd both thought—and they had wanted to create a more relaxed atmosphere. But they now realized they'd made the mistake of giving the younger generation an inch and letting them take a mile. Things were going to change now. For one, we're having our IT department

restrict network access to social networking sites starting next week.

Monisha explained that essentially what they wanted to do was go back to the methods that had made Singh Financial a success in the past.

"Our father grew this business from scratch using the Gullman Sales System," Sam said. "Our dad used to make twenty-five calls a day."

The firm had moved away from the Gullman System over the years, but both Monisha and Sam saw that as a big mistake.

"But they now realized they'd made the mistake of giving the younger generation an inch and letting them take a mile."

Monisha asked me if I could coach them on managing the younger advisors as they use the Gullman System.

“Before I answer that,” I said, “tell me what your desired outcome is.”

They both said growth.

“Then I wouldn’t recommend we do that.”

Both Monisha and Sam were taken aback.

“Why not?” Monisha said. “Before our dad started using the system, the firm was made up of three people and was generating only a few hundred thousand dollars a year in revenue. After using the system for fifteen years, he had forty people and nearly twenty million in sales.”

“That was back in the ’80s and ’90s,” I said. “And it was a very different world back then. The Gullman System was perfectly designed for that world, and your father made a brilliant choice going with it. But I always caution my clients against the temptation to revert to old methods when times get rough. That’s almost always a mistake.”

Monisha and Sam seemed unconvinced. They were very attached to the idea of the Gullman System revitalizing the firm.

“Then how come you moved away from the Gullman System in the first place?” I asked.

“Lack of discipline,” Monisha said. Their father had been its champion, she explained, but in the years before the handover, he’d already begun transitioning out of the business, spending less and less time managing. And because of that, the focus on the Gullman System waned.

I nodded and asked her and Sam if we could take a closer look at the company’s financials for the past ten or so years. The investigation proved enlightening, and revealed that profits had begun to slide long before revenue dipped—a phenomenon that masked a building problem.

I said, “I think you moved away from the Gullman System, not because of lack of discipline, but because you instinctively recognized it wasn’t working anymore. It was no longer keeping your firm

competitive and profitable. Do you think that’s possible?”

Monisha and Sam looked at each other and shrugged. “Maybe so,” Monisha said.

“One truism in business,” I said, “is that what used to make you strong will eventually make you weak, and I think that’s the case here. While your father should be revered for his great leadership and use of the Gullman System, that tradition needs to remain part of your history, part of the folklore of Singh Financial. Every business has its story of how it first became a success. But those original practices must always be examined to see if they’re still working. In your case, the Gullman System shouldn’t be incorporated into your current systems and policies. You two are going to be writing a different success story. You’ll be creating new traditions—traditions that will eventually need to be re-evaluated and possibly dropped in favour of newer, better methods.”

“I still don’t see why the Gullman System is outdated,” Sam said.

“In short, the financial services industry has moved through various paradigms over the years. In the past, you could be a success just by being a great salesperson, and that’s essentially what the Gullman System taught. It emphasized volume over quality interactions. But nowadays, you need to be more than a salesperson. You need to be a strong relationship builder and a great marketer. You need to know how to build your brand in a very cluttered marketplace.”

“What do you suggest we do?” Monisha asked.

I suggested they look into adopting a modern practice development system for the firm, and that we work together to ensure Monisha and Sam could manage their team more effectively within this new approach. “These are the steps I would recommend because they are going to support your desire for growth.”

Michael Lobraico is the founder of NCI Solutions, a company specializing in helping family businesses maximize their potential. For further information, visit his Web site at www.nci-solutions.com.

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