

The COO Roundtable with Matt Sonnen

Episode 79 – Morgan Bell & Lisa Crafford

[00:00:00] **Luke Sonnen:** Hi, I'm Luke Sonnen. Welcome to The COO Roundtable, powered by Coldstream Wealth Management.

[00:00:11] Here's your host, Matt Sonnen.

[00:00:13] **Matt Sonnen:** Quick announcement before we jump into Episode 79. This has never happened to us before, but we had some audio issues during the recording. We didn't hear anything out of the ordinary while we recorded it live. But when we listened back to the recording, there were about five or six spots where the audio was garbled for a few seconds and we've edited as much as we could. But we left some of the brief garbled audio because you can still get the gist of what they're both saying in the conversation. And it was such a great conversation.

[00:00:42] I didn't want to re-record because we would lose a lot of everything that we talked about, so we apologize to our listeners, but please bear with the short, garbled voices in about five or six places during this recording. It doesn't last long, and you'll still get a ton from this conversation, I promise.

[00:00:58] Welcome everyone to Episode 79. Today's episode has been a long time coming. These are two friends of mine that love to nerd out with me on all things RIA operations, and I have known Lisa and Morgan for a long time and we've collaborated on several projects and different speaking engagements, dating back to their time at Pershing, as well as their current roles at Constellation Wealth.

[00:01:21] So to formally introduce them, let me start with Lisa Crafford. Lisa and I have been on several panels together talking about operations, scalability, and growth. We've collaborated on an online course that we built for Pershing. That was back in COVID; I remember recording that at home. We were both proud of that course.

[00:01:39] We had lessons for both buyers and sellers in the M&A arena, and I have to thank Lisa for being such a tremendous supporter of this podcast. She single-handedly is responsible for more listeners to this podcast than anyone else I know, so thank you, Lisa. Welcome to - finally, welcome to The COO Roundtable.

[00:01:59] **Lisa Crafford:** Thank you. Long-time listener. first-time caller, and glad to be here.

[00:02:04] **Matt Sonnen:** Thank you. And, Morgan Bell and I have interacted several times while she was at Pershing, but most recently we were on a panel together earlier this year at

Wealthmanagement Edge. She was the moderator and I was one of the panelists, and so we're flipping the script today, and I'm now interviewing her. Morgan leads technology consulting at Constellation. She helps the various partner firms streamline their tech stacks and she also focuses on tech integrations, which all of our listeners know that integrating the various components of the tech stack is much more difficult than simply picking the components of the tech stack.

[00:02:40] So we're gonna dive into that a bit today. But first, welcome to the podcast, Morgan.

[00:02:45] **Morgan Bell:** Thanks Matt. It's great to be here.

[00:02:47] **Matt Sonnen:** Awesome. Well, Lisa, I've touched on both of your backgrounds, but before we dig into your resumes, tell us a little bit about Constellation Wealth.

[00:02:55] **Lisa Crafford:** Absolutely. So Constellation Wealth Capital started a couple years ago now when Karl left, Emigrant Partners to launch the business.

[00:03:04] And the vision at the time was to fill a gap in the market where larger firms were looking for capital partners on the equity side in a minority capacity, but with value added to the capital that they were getting. And so his vision was to create this, strategic advisory team, of which Morgan and I are really honored to be a part of, and post capital infusion into the RIA business. Our team gets to come in and work alongside our partners to really help them grow.

[00:03:37] And so when I was given the opportunity to build out the team, I thought about what are the different areas that an RIA needs in order to be able to scale and grow and thankfully, that ties in very nicely to the work that I've been doing since I started in this industry a long time ago. And so I reached out to Morgan and Mike, Sage, and Erica to start, and we've since added another Erica. And really what we wanted were people on the team who could be really great generalists and support our partners with whatever questions they might have about the business of the business, but then each of us also to have a specialty.

[00:04:13] And so we picked people who had deep expertise in the space, but also were able to translate that into actionable efforts in the business. And so we have someone on the team that does service and operations, right, which is often forgotten sometimes in the consulting world of like - that part of the business is really important to be able to run really smoothly.

[00:04:37] We also to have someone doing organic growth, inorganic growth, people and strategy. And obviously Morgan's running with all the things tech-based. And then after we'd closed several deals. We added Erica Farber to our team who has a long history in an RIA, in an operations position and compliance. But her role is really actually to do Salesforce development and to use her hands-on experience of being in an RIA to help us build and use Salesforce and their other technologies much more effectively and efficiently. And so the longest shot of Constellation Wealth Capital is that we are a capital provider, but we've got a lot of extra value on the side that we can bring to our partners.

[00:05:23] **Matt Sonnen:** Many of the "minority investors" out there are just - I'll say it, you don't have to say it - but it's really just money that they're giving you.

[00:05:31] And there's not a lot of practice management assistance in how to run the business. So I think it's great what you guys are doing. And I'm a, I'm a big fan of Karl Heckenberg. He's been on this podcast back in his Emigrant days. I worked with him several times with different of those Emigrant firms: he would - in my consulting days, he would bring me in to do various projects with several of those firms. So I'm a, I'm a big Karl Heckenberg fan, so I think it's great what you guys are building.

[00:05:53] **Lisa Crafford:** Yep. We are too. And it's been really fun to build it and, you know, we're just getting started here, so

[00:05:59] **Matt Sonnen:** That's great.

[00:06:00] Well, Morgan, walk us through your career path that led you to Constellation Wealth.

[00:06:05] **Morgan Bell:** Absolutely. So as both you and Lisa have now alluded to today at Constellation, I work primarily with our partner firms on anything related to technology and technology consulting. And we'll talk a little bit more about what that looks like later in today's episode.

[00:06:24] But I actually started my career as an advisor. And so I went to Virginia Tech and I graduated with a degree in finance and a concentration in financial planning, and so was one of the CFP board registered program graduates, and worked for an RIA firm in the DC metro area after college, which is actually where I met Lisa.

[00:06:48] And so I was working both as a paraplanner to start and then as an associate advisor, working directly with client teams in a financial planning capacity. And so after earning my CFP certification, I wanted to see what else was out there, but still staying in our industry, right? And so I worked at CFP Board on the corporate relations team for a little bit of time.

[00:07:09] And then prior to Constellation, I was leading technology consulting at BNY Mellon Pershing. And so really bringing a unique lens and ideation to the technology consulting piece, given that I've actually used a number of the technologies that advisors and operations individuals are using on a daily basis within their firms.

[00:07:32] **Matt Sonnen:** That's great. So Lisa, I alluded to all the work you did at Pershing, but even before that, you were actually in the seat of an operations operator, at an RIA. So walk us through your career path.

[00:07:45] **Lisa Crafford:** Yeah, actually I started as the office manager and found myself in a firm where they were willing to continue to give me additional responsibility.

[00:07:53] So pretty quickly found myself in a role where - it was not called the COO - but I basically was responsible for or had my hand in pretty much everything on the business of the business that wasn't delivering advice to clients. So, we were a small team: it was 12 of us. And yeah, everything that wasn't delivering advice to clients came down to me at some level and I got to really see and experience how an RIA gets to operate.

[00:08:20] Over the time I was there, we doubled everything from staff to locations to AUM to number of clients. We changed a lot of different technologies. We did diligence on being a seller, being a buyer, bringing in new custodians, and so really got a flavor of all of that. And then very lucky, got to meet Mark Tiberghien many years ago.

[00:08:42] We bonded over our love of Belgium and Australia and he said, oh, you should come work for me at Pershing. And so I did and I had a fantastic nine years there. I started as a relationship manager, where I got to do a lot of the guidance and advice work that I do today, but with clients of Pershing, and then after some leadership changes at Pershing in 2019, I launched what we now call the business consulting group inside of Pershing, where I no longer had RIA clients that I was responsible for from a relationship management perspective, but I was able to build out a team of consultants that were fully dedicated to the business consulting support of our clients.

[00:09:23] So I've got to meet and spend time with hundreds, if not a thousand, different RIAs around the country and seeing lots of different ways to complicate this business and some people doing it really well, and some people kind of struggling along and trying to make the changes that they need to make to, you know, enduring advisory firm.

[00:09:45] **Matt Sonnen:** So, career, and you've seen so many different RIAs and worked with so many operations folks, whether they're the COO title or not. Talk to us about the evolution you've seen in the COO role itself as our, because you, it wasn't the COO, you were basically doing everything that a COO would normally do.

[00:10:05] So, it's becoming an official role, but what have you seen in the evolution of the role?

[00:10:11] **Lisa Crafford:** Yeah. And back then, like if a firm had a billion dollars of AUM, it was a big deal. Everybody knew who you were. It was like: you have made it, this is amazing. And so, you know, our firm had \$250 when I started, \$250 million of AUM when I stopped.

[00:10:28] Um, yeah. Somebody had the C-suite title and that's great. As I was out there, a lot of us didn't have the COO and if they did, it was often one of the founding partners because someone was a CEO, CIO, CCO, COO, and they just kind of hand that out until they run out of founding partners. And then I found a lot of firms were promoting a director of operations into a COO, which I didn't love because it's not necessarily a direct leap or it's not a kind of a linear path necessarily. It could be for the right person, but I think a lot of firms were trying to recognize people for tenure and there wasn't really another step up to go from director of operations. And so for retention, they would make that play. But then I saw a phase of firms having a COO, but the COO was kind of a title-only role where that person didn't necessarily have the authority or the agency to do what they needed to do in the organization. And so then I saw a bunch of those people start moving around from one company to the next because they knew what they needed to do. They knew what the game plan was, but they weren't able to affect that in their business.

[00:11:42] As we, you know, over the years, you know, firms got in general, bigger and more complex, and the COO role really became a game changer. And I remember a visual, Matt, you had on - it might've been the PFI site back in the day - where the role of the COO was HR technology and process.

[00:12:02] **Matt Sonnen:** Yep.

[00:12:02] **Lisa Crafford:** And I'd like screenshotted that, I copied and paste it, and I would send it to all my Pershing clients. And I was like, this is a way to think about it. But now we have firms that are so big that they have a CHRO, they have a CTO, and they have a project manager. So what is the COO doing? And what's cool is that the COO - You know, if you're a firm of 15 or 500, you can have a COO and that role will look a little bit different, but what's common, regardless of the size, is it's not a - we're going to do everything that no one else wants to do anymore. The COO role, again, regardless of size, requires an enormous amount of discipline, mostly learning when to say no to things, when to invest, when to hire and promote, but really it's that core of execution in the business.

[00:12:51] And so I think the way I like to articulate to firms who are thinking about getting a COO for the first time is that the COO has one client and that client is the business. And their job is to execute on the strategy for that business. And so what that looks like changes depending on the nature of the business and the expression of that looks maybe a little bit different, but that's kind of the way that they should be thinking about it.

[00:13:17] **Matt Sonnen:** Yeah. I'll link in the episode notes to an article I wrote a while ago because I get that question all the time.

[00:13:25] Do I need a director of operations or do I need a COO? And what's the difference between the two and you said it as well, but the way I framed it in the article was: your COO is a strategic thinker, and your director of operations is an execution person, is just executing on all the tasks that, like you said, doing things - doing everything around here that's not getting done. And just executing on those tasks. But when you need that strategic thinker of - okay, I need to look forward, rather than just what's on my plate today, and get these things off of my to-do list. What is this firm going to look like in five years, et cetera. That's the big difference I've found in those two roles.

[00:13:59] **Lisa Crafford:** Yeah. And also like the director of operations, it could be client operations, right? It could be a really custody and money movement kind of role, or it could be a business kind of role. And I think that's where folks get confused, where director of operations has typically grown up out of the service and operations department, and that's a great role and that's an important role that firms should have.

[00:14:22] Director of business operations, very different.

[00:14:25] **Matt Sonnen:** Yeah. Yep. Well, you mentioned HR there - a lot of times, the COO is the one that's writing the job descriptions and running the interview process and figuring out when is it time to hire. And one thing I know both of you are very proud of is the work that you did and are doing for the next gen talent in our industry.

[00:14:45] So, Lisa, talk to us about the program that you created at Pershing for next gen.

[00:14:51] **Lisa Crafford:** Yeah, absolutely. It was my pride and joy and got to work with really amazing folks along the way. And basically we were asked - Bill Dalton and I were asked to like, think of something that we could use to engage our next gen.

[00:15:07] And so, we were thinking about, you know, the fact that we got to travel around and go meet all these amazing people and we all, we got, you know, to be friends with them and see them at their offices and get to help them in their day to day, but they never got we could together. And we were all thinking, well, all these cool consultants and industry leaders that we know that are talk.

[00:15:31] Peer group were leaving their firms and they were leaving because they didn't know what it was like elsewhere. They only had the experience of one firm or one place where they'd worked and there was a, a there leaving where they have been and where they weren't being given opportunity for equity, where they probably should have been.

[00:15:52] And, and so we were. On this, he's an advocate for us and for the program, and so we came up with the next leadership forum. It still runs today. And I love, they've, maintained that. It's a cohort program, it meets four times over a couple of years. We bring everybody together in person. Each meeting has a theme, whether it be kind of on self, and so we do management, communication and EQ, and all that, or whether it's on business management where we do, you know, M&A and valuations and marketing, and all of that.

[00:16:29] We do a simulated strategy and innovation session where we bring in coaches and judges. We used to call it Shark Tank meets The Voice, and it wasn't so much a test of people's innovation skills, but it was a test of what does group work look like? How do you work through conflict, public speaking skills, media readiness, all that sort of stuff.

[00:16:50] And so when I'd left, we were on cohort five, and it's funny - when I see people out in the wild at conferences, like I was cohort three, do you remember? You know? We were the best cohort, and what's really cool for me is to see that those people stay in touch and they've built really meaningful friendships, and I hear about it. They tell me that they call each other to ask questions or to get feedback or to test an idea. And so it's really cool to think that that program that I pitched to the Pershing executive committee - I was actually sitting in the parking lot at the Mother's Day tea at my kids' school - I had to step out and do that presentation. I remember that day like no other. And it's really cool to see that that's actually, it's working. And it's still going.

[00:17:36] **Matt Sonnen:** That's great. Well, Morgan, I know you and Lisa have brought a lot of that same energy and passion for next Gen training to Constellation Wealth.

[00:17:43] So what does the program look like today?

[00:17:46] Morgan Bell: Yeah, absolutely. So the program that we've built at Constellation today, similar to the program that Lisa was alluding to before: it's called Leadership Academy. So it's a development program for that next generation of leaders at our partner firms. So this program specifically is for those in all different roles.

[00:18:07] So we have individuals in service and operations, individuals from compliance, advisors, legal, all with the goal of providing strategic skill building, industry-relevant learning, and networking opportunities for the next generation of leadership within our partner firms. It's a two-year cohort based program with four meetings, and we invite each partner firm to select one to two participants to join that cohort.

[00:18:37] So, similar to the program that Lisa built before, we're extremely thoughtful around the selection of those participants and are really looking for those that have been

identified as future leaders. And we're also really thoughtful around the content that we're providing. So we bring in speakers to work with them on leadership management, talent development, executive presence, but then we also go into client engagement, behavioral finance, how to use data to make business decisions, media training, AI, financial modeling, crisis management, so really trying to think about things that are required for leadership. To know and be well versed in, not necessarily just the things that these individuals in their specific roles are familiar with today. And so, Erica Rodrigues and Mike Rieker on our team have done a fantastic job of running cohort one and creating a combination of presentations and hands-on learning and networking to make the time that our participants have together meaningful, but also with clear takeaways for their firm. So that's our Leadership Academy.

[00:19:53] And then we also have other communities that we've created at Constellation Wealth Capital for our partner firms. And these were really created to bring together individuals in the same role at different partner firms.

[00:20:07] And so, as you've alluded to, and as Lisa was talking about, oftentimes, individuals are an n of one at their firm, especially at a smaller firm, which as I know firsthand, can feel really lonely at times, right? And so our goal is to help provide them with a sense of community, no pun intended, by the community's title of their peers.

[00:20:31] And so we've created multiple groups to discuss hot topics, share best practices, discuss industry trends, but most importantly share their individual experiences. And so we have a community for technology, heads of advisory, service and operations, CCOs, CIOs, CEOs, corporate development, and these are evergreen groups where as we add new partner firms, the individual in that role gets to join these communities.

[00:21:00] But also we will create new groups as we see the need across our partner firms. So it's something that we are really proud of and that we're really excited about. And I think really differentiates us as a private equity firm that's investing in these RIA firms specifically.

[00:21:18] **Matt Sonnen:** Yeah, this type of training is so needed across our industry.

[00:21:22] It's funny, you know, Michael Kitces says they're accidental business owners. What we basically have said is, Hey, you're a really good advisor, which means you're a really good sales person, therefore you're the leader of your firm, and they don't necessarily have all of the skills that you just rattled off that.

[00:21:38] And where the heck do we go in our industry for training? So, I love it, what you guys are doing. So let's switch to tech. Morgan, I highlighted in the intro that you focus on tech and tech integrations. So what advice do you have for our listeners that are trying to solve that puzzle of building a scalable, efficient, and integrated tech platform?

[00:22:01] **Morgan Bell:** Well, let's start by acknowledging that this is a massive puzzle, right? And one that's especially difficult because the pieces are continually changing shape and there's always new pieces being added. And so I think oftentimes firms are so focused on picking the right vendor or the right technology that they lose sight of - to keep going on the puzzle analogy - they lose sight of the bigger picture, the bigger puzzle.

[00:22:33] If that was the case, we would see or require all of our partner firms to be using the same technology vendors, and instead we see a really nice mix of all of the different vendors and vendor categories that our partner firms have selected for their individual firm.

So instead of trying to select that scalable, efficient, integrated form, I really encourage firms of all sizes to think about which vendor is best for. is far more important than the actual vendor is the adoption of technology, how it's actually being used in the firm, across the firm on any given day for any given set of tasks or business use cases. And so the best technology is actually going to be one that your firm uses. And for each firm that's going to look a little bit different.

[00:23:39] So my biggest piece of advice when firms are looking to build this tech platform is to understand the goal of each technology vendor that you're paying or that you want to add or incorporate, and really get clear on: what are you hoping to accomplish by leveraging this technology? Or put a different way: how will this new or existing technology enable you to do something that you're interested in adding to service offerings or enabling your advisors to do? How will it tie to the strategic goals of the organization? So really taking a step back, looking at that full puzzle, getting more clear on the why.

[00:24:25] And in doing so, the more quickly firms will actually be able to put together their individual puzzle at any given point in time, knowing that it likely will change at some point in the future. And lastly, I think it's really important for firms to build a technology roadmap that's aligned to those strategic priorities of the firm, right?

[00:24:47] It's unrealistic to implement five new vendors at and I meet shiny object syndrome, and it's like we heard about this technology, this technology, and so and so reached out and we want to implement this, and we really have to help them pause and say, okay, what's most important right now? Going back to that goal setting: what is this going to enable you to do?

[00:25:13] And looking across those five, which one do you want to work on today? So understanding what the finished puzzle looks like, but then working backwards on how you're actually going to get there over the next six months, 12 months, two years, et cetera.

[00:25:30] **Matt Sonnen:** That is such good advice. I think everyone should rewind and listen to it two more times.

[00:25:35] One, you should listen to it a second time just to make sure you understand your approach as the COO or director of operations, whatever role you have, what your approach to this is, and then go back and listen to it a third time and listen to what she just said. And help craft your response to everyone at your firm that's constantly contacting you, saying, Hey, I just learned my buddy uses X, whatever that tech is, and it works great at their firm, we should have it here.

[00:26:00] Like, I think we all need to have a set response for: that's great that it works for them. They have a completely different ideal client, or they're serving a hundred clients and we're serving a thousand clients. It all comes down to what is the best tech for your firm. And we all need to have that clear in our own heads. But then, like I said, listen to that, that whole, answer from Morgan again and help craft your response to everyone. Because I know you're all getting hammered with: Hey, why aren't we using this and why aren't we using that? And so-and-so's using it. So, I love it, Morgan, that was great.

[00:26:31] **Morgan Bell:** And Matt, just one thing to add there as an actionable takeaway, if you're looking for something to implement or how to push back when you get that request of: Hey, my buddy's using this.

[00:26:43] And so something that we created as a resource for our partner firms that you all could easily create too, is a technology request template. And so you identify the owner, and you understand who all of the technology requests are going to be funneled through. Which may be the individual listening at your organization, but that mitigates people making siloed decisions for the business that aren't actually built for the greater good or tied to the strategic objectives, right? It also makes sure that there's not duplicative technology that's being implemented at the firm. But it also requires the person that's interested in adding this technology to have a little skin in the game, right? Encourage them to really think critically around this.

[00:27:31] And so as an idea of some of the things you could ask them to include: in addition to the technology naming category is, is this a new technology or a replacement technology? Where do you anticipate this improving X in our business? Is it the client experience? Is it the advisor experience? Is it a business process? What's the cost? How long does it take to implement? Why are you looking to implement it? So really helping them define what does success look like for technology. One, you might get a few fewer requests.

[00:28:07] **Matt Sonnen:** Yep.

[00:28:07] **Morgan Bell:** But two, the requests that you get will be much more thoughtful.

[00:28:12] **Matt Sonnen:** Yeah. I love it. I've, I've heard this advice from other firms that have implemented it. It's - because it's too easy for them just to throw it at you. And now this is your problem to deal with.

[00:28:21] **Morgan Bell:** And we've already talked about all the different responsibilities of a COO, right? Yeah. It's like one more thing to do. So,

[00:28:29] **Matt Sonnen:** yep. So, yeah, talking about all those responsibilities, so we've hit on how the COO role has evolved, we've talked about the HR component of the role, we've talked about the tech component of the role. So I'm curious to hear from both of you on what you think the role, where is this role headed in the next five years? So, Lisa, I'll go to you first. What new skills will a COO need in the next five years?

[00:28:54] **Lisa Crafford:** Yeah, hopefully they aren't new skills, but hopefully they can refine the skills. But I think, and I alluded to it earlier, RIA firms are in general larger and larger every year, right? The hundred billion dollar firm is not such a surprise anymore. We could probably name them all, but you know, the \$50 billion, \$20 billion - there's a lot of very large firms out there, but there's a lot of boutique firms, and I think that's one of the great things about our spaces that you can decide what kind of firm you want to be and you can be successful and profitable and have a great life and give really great outcomes to your staff and your clients.

[00:29:29] But, I think the three skills that are the most necessary and need work on for COOs is communication, which can be saying no. You know, I kind of, I was listening to Morgan, and you know, tech vendors don't love to see her coming because they know she's going to ask the hard questions, right? And she's going to push back and not just, not be a quick yes, and that's what you've got to be as the COO is the gatekeeper of the business. You've got to be okay saying no and you've got to be okay disappointing people. So you've got to be able to communicate that.

[00:30:04] I think also the vision part of it is really important, so helping set that vision and work with the, you know, visionary founder or CEO or executive team, but being a voice of reality in that as well of what that actually will look like, and what that will cost, and how it actually needs to be built. And kind of bridging the gap between vision and execution.

[00:30:26] And that last piece, I really think is execution and, at the end of the day, you got to be able to get stuff done. And that is a skill that not everybody has. There are a lot of really, really smart people in our space who have a lot of great ideas and they're really terrible at actually executing them.

[00:30:43] You've got to be able to put pen to paper and you've gotta be able to get your hands dirty and do the work. And so you've got to be that key leader in the business. But you've also got to be a person that people are drawn to and wanna trust you because I think a big part of that COO function, whether you're a small firm or a large firm, is you've gotta know what's going on in the business.

[00:31:06] And if people aren't talking to you and if you're not getting the real truth about what's going on, what tech's working, what groups are functioning the way they should be or whatnot, it's very hard to execute and set that future vision.

[00:31:20] **Matt Sonnen:** I love all three that you highlighted. I think communication is so critical. I think we underestimate how important that is for a COO. Because like you said, it is - oftentimes, it unfortunately it is a job of "no" in your - so being able to explain to people why it's a "no" or why that technology's not right for the firm, or why you're not doing this or why you are doing this is so critical to keeping everybody moving in the same direction and understanding that the vision of the firm, et cetera.

[00:31:49] So, yeah, I lo I love all three of them. That's great. So Morgan, where do you see the COO role headed in our industry?

[00:31:56] **Morgan Bell:** Yeah, I'll - Lisa and I were laughing and prepping for the podcast today as we had actually come up with a lot of similar themes and skills, and so I'll reiterate some of the pieces that she shared, but I think above all really simplifying the complex and driving execution will be the biggest piece, and that will look a little bit different if you're in a larger firm versus a smaller firm.

[00:32:23] But if I can hone in on three things, it's really clarity of the business, understanding what decisions mean for the business but also understanding people, and then execution, right?

[00:32:38] And so if you're at a larger firm, maybe that means you have a team to help execute. If you're at a smaller firm, maybe that means you're still doing some of the execution, but really helping individuals align to the greater goals of the organization and providing clarity on the when, the how, and most importantly, the why.

[00:33:02] **Matt Sonnen:** That's great. Well, as you both know, the format of this podcast, I normally sit down and interview folks that are in the operations seat in an RIA, and then they'll share their best practices of how they're running their firms and tackling the typical struggles that come up for COOs. But when I have guests like the two of you, who aren't at an RIA, but who work closely with many RIA operations folks, it's always fun to have a higher level conversation about what you've seen and what you've, you having a glimpse

into so many different firms. So, without naming names, I don't want to get any, I don't want to embarrass anyone, but I'm curious what horror stories the two of you can share.

[00:33:42] So Lisa, I'll go to you first. What lessons do you have for our listeners under the "do not do this at your firm" category?

[00:33:49] **Lisa Crafford:** Yeah, so some people may have heard on other podcasts, I worked at Blockbuster in my college days and horror was not my category of choice, and I would avoid that section. So unfortunately, though, I've, I've seen, some poorly managed RIA firms in my time.

[00:34:05] But look, there's poorly managed every kind of firm that's out there. Like, have you ever hired the perfect plumber first go round, right? So, you know, I think every poorly managed firm that I've run into is just an opportunity to get better. But a couple of ones that kind of stood out to me as - and this isn't necessarily one firm in particular, but a culmination of many firms - is that conversation around equity.

[00:34:29] I think some founders thought that the distribution of equity to their next gen was going to somehow devalue them, or they would lose their business, or they wouldn't have the control that they wanted or whatnot. And as a result, they've lost people because the next gen wanted that and see the value that they're creating by business development or risk reduction in the business, and they're not able to participate in that, or they have equitized, but they didn't actually really convey the value of that equity.

[00:35:01] Calen this week at Future Proof was talking about, you know, when you talk to people and if they think that equity is like monopoly money, you are like, oh my gosh, no. Like, this is your most valuable resource. And so, you know, if you do decide to go down the path of equitizing folks, then make sure that they understand what that actually means.

[00:35:21] I think the hardest one for me on this though is - and I saw a CEO do an interview in investment use back in the day who said that only the advisors at their firm were eligible for equity and the operations people promptly quit. Just because you're not a revenue generating person in a firm doesn't mean that you don't have rights or you shouldn't ask for equity.

[00:35:44] There's a lot of value that a really well run operations team brings to an organization and, you know, equal citizens as far as I'm concerned, in a firm. And I think there's also value given to the broad distribution of equity rather than just those that are given equity because they're seen as revenue generators.

[00:36:03] On the subject of compensation, which is everyone's favorite horror stories, is that fantastic: ah, yeah, you get a performance bonus at the end of the year and you're like, well, what's it for? Yep, performance. And you're like, okay, but what do I need to do to accomplish it? No, you just like gotta perform.

[00:36:19] You're like, no, no, I need more information. So that kind of fully discretionary bonus at the end of the year; it's not really a bonus, it's just deferred comp. And I think if you want people to perform, then give them something to aim towards. And you know what? It's okay if they miss it from time to time. We're not perfect. Things don't always go to plan, companies change, and whatnot, but I think that firms are missing out on really tapping into the value of their people by throwing out discretionary bonuses that don't mean anything.

[00:36:50] You know, Mark used to talk about: people aren't motivated, but you can create environments where motivated people can flourish. And by thinking about your organization, whether you're 10 or a hundred people or a thousand people, or however big or small you are, every single organization can run really efficiently and really effectively, and at the heart of every RIA is people. You won't find an RIA that's not - the most expensive line item on the P&L isn't people.

[00:37:19] And so I think just more time and thoughtfulness around how we compensate and equitize our folks has been the source of most of my horror stories that I've seen along the way.

[00:37:31] **Matt Sonnen:** You won't find a successful RIA whose biggest line item on the expense is people. Yeah, it's just a fact, people, if you're thinking it's not gonna be, you're setting yourself up for failure right off right outta the bat. So just get used to that. That's gonna be your biggest line item of expense, for sure.

[00:37:51] So, Morgan, what don'ts do you have to share with our listeners?

[00:37:55] **Morgan Bell:** Yeah, so I think along the lines of people, we'll start there. We see time and I'll - I won't say time and time again - but from time to time we do see situations in which there is not enough clarity in terms of ownership, and so one of the dos that I would share is have one person be in charge, right? Clear is kind. And so don't think that you're helping people by making them feel special or that they have more say in a decision making process or situation than they actually do. Assign an SME or assign a head, whether that's of a department, of a project, and give them the responsibility of execution and clarity on what they're expected to deliver. And that kind of ties back into then rewarding them for when they are executing well, but really identify one person to be in charge and create clarity around ownership, whether that's departments or projects.

[00:39:04] And then the don't that I will share is: don't gossip. It's a small industry, whether with other firms or other vendors. If you have an issue with someone or something, address it directly with the individual. Again, I think clear is kind and oftentimes Lisa was joking - they hate to see us coming, but oftentimes it's: Hey, we heard this rumor. Can you help dispel this or is this true? And more times than not, it's something that got made up somewhere along the way. And so by going directly to the source, you're able to address things more quickly and with more clarity. And so that would be paramount is: don't gossip, whether internally, externally, with clients, with vendors, with others at the firm, it's a slippery slope.

[00:39:56] **Matt Sonnen:** That's a really good one. I like that. Yep. Well, sticking with the advice theme, Morgan, what advice can you share with first-time COOs that may be joining their first RIA? What should they be doing to set themselves up for success in this role?

[00:40:12] **Morgan Bell:** I would say start with three things. Listen, interview, and read.

[00:40:17] So try to understand the business and our industry more broadly, and that really will be paramount for success, right? If you're joining your first RIA, we've seen so many RIA firms, and all of them do things differently, which is wonderful and can be overwhelming to start. But it's a really good place to get to understand all of the different ways that could be, as well as how things are done at your firm today.

[00:40:46] And so, instead of just taking everything at face value, when you're doing that - listening, interviewing, reading - try to understand the why behind why it's done that way today.

[00:40:58] And understand that not everything can be done in the first six months, right? Identify some quick wins and begin to plan for your longer strategic projects as well.

[00:41:09] **Matt Sonnen:** I think that's really important. I've seen several COOs fail because they're so excited and they want to prove how good they are. They get to a firm and they - I mean, they're like week three and they're already trying to make a bunch of changes and it freaks the firm out. You've got to go slow and understand all that institutional knowledge and why decisions were made the way they were in the past before you try to rip things out or change things. Everyone does it with good intentions, but if you try to move too fast, when you first join a firm, you're setting yourself up for failure. I love that advice.

[00:41:45] **Morgan Bell:** Well, and that's some of it too, Matt, right? Is understanding the culture at the organization and building strong relationships with individuals across the organization in different departments, so that when you're making those recommendations and making changes, you already have the support and goodwill in terms of that relationship. And so I think that's key too, right? In addition to listening and understanding, it's building those relationships so that you have buy-in and backup when you're implementing, whether they're easy or harder changes in your tenure at the company.

[00:42:23] **Matt Sonnen:** That's great. So Lisa, not what advice do you have for the people, but what advice do you have for the firms that are looking to hire COOs, especially if it's their first COO hire?

[00:42:34] We've already mentioned it - I always joke that the typical job description is just: Hey, do everything around here that's not getting done. But with that vagueness, it doesn't really set the person up for success. So what advice do you have for the firms?

[00:42:46] **Lisa Crafford:** Yeah, so it shouldn't be a surprise, right, if the firm is being thoughtful about their growth and kind of what their vision is, and they should probably have that position mapped out if they don't have a COO today.

[00:42:58] So, knowing that that need is coming, I think you should start prepping to hire probably a few months before you think you need to because it is a role that you wanna spend the time on to find the right person. As Morgan explained, that person's going to be plugging in in every single part of the organization, and so it can be incredibly disruptive to bring in the wrong person.

[00:43:20] I think there's always a little bit of nervous energy around firms who are bringing in A COO for the first time. Feels like a loss of power or control or agency in your business. And it can be kind of an overwhelmingly emotional response that I've seen founders have, but I've told them several times and experienced it - you know, I say, well, call me in six months after this person has started and tell me your life isn't better. And it normally takes them three months to call me and say like, yeah, I should have done this a year ago, or whatever time period.

[00:43:51] And so, I think for firms who are doing it, it should be part of the plan. It should be something that you're already talking about so that when you're ready, you go out there, you

find the right person, you set them up for that success, and then it isn't this emotional rollercoaster of not being involved in the nitty gritty of all the things anymore. And so if you're a founder or a CEO that's about to kind of embark on that step: good luck, have fun. There's some really amazing talent out there.

[00:44:19] I think also, I can't remember which conference it was, Matt, I'm pretty sure you were there too, but we did a panel of three COOs who had all come from outside of the industry and they were absolutely crushing it at their job. And I think there's a thought that you have to hire someone who knows our industry, has being in our space before. And actually, I think for the COO role, that's not true. I think you can find really, really great talent who understand professional services businesses or who understand business, period, who can be really effective in that function.

[00:44:51] And then if you're that CEO, what are you going to do with all your free time? How are you going to leverage that into value and growth for your organization? Because if you spend all your free time hovering and helicopter parenting over the COO once they start, they're going to quit.

[00:45:07] It's a big turning point for a company to bring in a COO, a really, really important and valuable step that they need to make. And so, you know, if you're out there and you're about to do that, I think this podcast, you know, go back to Episode one and listen to all the amazing people that have come on here and shared their stories about what they do, what their day looks like, how they think about the company. Because a really good COO has one client. They're thinking about the company all the time, and that's their focus, and they're always striving to make it better.

[00:45:38] **Matt Sonnen:** Yeah. That's great. Well, before I wrap up, I just have to point out that I have not missed the fact that you have name dropped Mark Tibergien's name three times, and our listeners know that I am the biggest Mark Tibergien fan boy out there.

[00:45:52] **Lisa Crafford:** Yeah, you are.

[00:45:54] **Matt Sonnen:** You just keep name dropping him because you want me to be jealous that you know him better than I do.

[00:45:59] **Lisa Crafford:** No. No, I, look, I think Mark's a very special person and I got incredibly lucky to get to work with him for as long as I did. And, but here's the thing, like everywhere I go, I meet people who know Mark and love Mark and have worked with Mark and or for whom Mark has made a difference in their life. And I think that's pretty cool. And I know he thinks very highly of you, Matt, so don't worry. It's not a competition. But like, here's the thing, this - as Morgan said, it's a small industry, right? Like that's what I strive to be. Like, I really hope that, you know, years from now, people can say, like, oh, Lisa helped me out one time. Or like, you know, I think this is an industry of people who give back. And so I think he kind of set the bar pretty high for us on that one. And, yeah.

[00:46:45] **Matt Sonnen:** Absolutely. Well, as I said, this interview was a long time coming, so thank you Morgan and Lisa for being here and for having such a great conversation around the role of the COO and all the challenges that operations professionals face at their firms.

[00:46:58] So you both have been great, so thank you both.

[00:47:01] **Lisa Crafford & Morgan Bell:** Thank Matt for having us, Matt.

[00:47:04] **Matt Sonnen:** Well, that is a wrap on Episode 79. We will talk to you all soon.

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