

# The COO Roundtable with Matt Sonnen

## Episode 63 – Do’s and Don’ts of COO Onboarding

[00:00:04] **Luke Sonnen:** Hi. I'm Luke Sonnen. Welcome to *The COO Roundtable*, powered by Coldstream Wealth Management. Here's your host, Matt Sonnen.

[00:00:14] **Matt Sonnen:** Welcome everyone to Ep 63...this episode is a bit different than our standard format...I don't have any guests joining me today, I'm just going to speak directly to our listeners, with a bit of a monologue. As you all know, I try not to focus on me with this podcast, I prefer to highlight our guests on each episode so we can all learn from their experiences and feel some comfort in knowing that others are struggling with the same issues you are dealing with on a daily basis; but once in a while there is a topic I want to go deep on. My most recent monologue was [Episode 52](#) in May of last year, when I first joined Coldstream as COO...I thought it would be helpful to other COOs who had recently joined an RIA to hear how I was planning to tackle my first few months at the firm, and I spoke a lot about the book, *The First 90 Days*, which I recommend to anyone taking on a new role, whether that is with a new company or maybe you're staying at your existing firm, but you've been promoted to a new role within the organization. So, I really love the book *The First 90 Days*.

I also did this with [Episode 14](#) way back in February of 2020, when I wanted to speak to RIA Buyers...I wanted to point out that to be successful in the M&A game, Buyers needed to focus on post-merger integration and be able to articulate to a potential Seller exactly how the Seller's clients would be better served if the advisor was to transition their book of business to the Buyer's RIA. Even though I recorded that rant over 4 years ago, I think that message still needs to be heard by some Buyers out there...we'll link to that episode in the notes so you can easily access that...

But for today, I don't want to talk to RIA owners about potentially integrating another RIA into their business, I want to talk directly to RIA owners about how to best integrate a COO into your business. Or, more specifically, I want to discuss how NOT to integrate a COO into your business. I wrote an article back in 2019 titled, "[Why Professional Management Fails at RIAs](#)," and when David Canter joined this podcast for [Episode 8](#) shortly after I published the article, I asked him about it. He pegged the failure rate for RIA COOs at about 50%. And he provided some very actionable steps RIA COOs should take to ensure success on Day 1, which I'll talk to shortly, but for right now, I want to say, that in my very biased opinion (I'm always taking the side of

the COO!) I think that failure rate isn't necessarily the fault of the COO – more often than not, I think the blame lies squarely on the shoulders of the RIA owner for not setting that COO up for success when they first join the firm.

And I recently wrote an update to my, “Why Professional Management Fails” article with an article for Wealthmanagement.com titled, “[Founders Bias and the COO Dilemma](#)” - we'll be sure to link to that article as well, as I think it's an incredibly important topic for our industry to be aware of, and my hope for that article is that it can be used by COO candidates and the RIA they are considering joining as the basis for a conversation *before* the COO joins the firm. Because I have spoken to COUNTLESS COOs who have excitedly joined an RIA, thinking they've found their forever home, couldn't be more excited about the prospects for joining the firm, only to find themselves resigning 6 months later.

Now, before I get into the details of how and why things go sour so quickly, let me point out that whenever I am contacted by a COO who this has happened to, I get a pit in the bottom of my stomach because I'm paranoid that somehow this podcast is to blame. You see, for 5 years, I've been screaming from the rooftops that RIAs cannot achieve their organic or inorganic growth goals without a competent COO in place. And while I am very much aware that this tiny, niche-y podcast called the COO Roundtable is nowhere near as popular as Joe Rogan's or Tim Ferris', I do feel that the message has spread that RIAs need to hire a COO. In InvestmentNews' 2022 compensation report, they stated, “The COO position has experienced a consistent rise in its recognition and value over the past four years. Since 2019, it has had the largest gains in compensation, perhaps reflecting the increase in the responsibilities and recognition of COOs across the industry.”<sup>1</sup>

So, more and more RIAs owners are hiring their first COO. And during the interview they say all the right things...they tell the COO candidate, “I'm swamped, I have too much on my plate. I got into this business to work with clients, and now I've become an 'accidental business owner,' (to steal the phrase from Michael Kitces), I realize that I am a poor manager...I want you to come in and run the business side of things so I can go back to focusing 100% of my time and energy on serving clients and prospecting for more.” And the COO candidate is beyond excited and thinks, “This is the opportunity I've been waiting for!” So they join the RIA and after conducting their initial assessment, they go to the RIA owner with their thoughts. “Let's streamline this process, and let's upgrade this technology...”. “Let's move Sally from Operations over to Client Service, and let's start driving clients to the client portal and away from the static performance reports that take our firm 4 weeks after quarter end to produce and distribute, and are completely outdated by the time the clients receive them...” And yes, if not delivered in the proper way, this can be overwhelming for the RIA owner to hear - that is something the book *The First 90 Days* discusses at great length - you

---

<sup>1</sup> <https://www.wealthmanagement.com/business-planning/founders-bias-and-coo-dilemma>

can't join the firm and act like a bull in a China shop - you have to assess the firm's capacity for change and not force the employees to move faster than they are capable of...but let's assume the COO presents these ideas in a collaborative and user-friendly manner.

Often, the RIA owner gets defensive and says, "Hey pal (or gal) - we were pretty successful before you got here...I don't want to change ANYTHING about how we deliver our service to our clients!" And the poor COO thinks, "Why am I here? Why would you have hired me and offered me this great salary if you didn't want me to come in with a fresh set of eyes and find ways to streamline and scale the business?" The answer, as I detailed in my [Wealthmanagement.com](#) article, is Founder's Bias - the owner just wants the COO to come in and affirm all the decisions that have already been made - he or she doesn't want to hear that they have been doing things wrong, and even if the COO's suggestions will allow the firm to serve more clients without the RIA's level of service dropping, the owner thinks that by adopting any of the COO's suggestions, they are admitting that they personally are a failure. The message to the COO becomes, "I'm too busy to do these things myself, so I want you to do them for me, but you have to do them in the exact way I was doing them before you got here." No matter how inefficient those processes may be.

And once the staff realizes that the COO has no authority to affect change at the organization, they very quickly tune out the COO and continue going to the owner for all of their questions, which was exactly what the owner wanted to get rid of. So now the owner thinks, "Hey, I brought you in here to free up my time, and I still have a line out my door of employees asking me questions...you must be a really bad COO!" But that line out the door is of the RIA owner's own doing - they never empowered the COO to actually take those tasks and those questions off the owner's plate.

This is also why I'm not a fan of the fractional COO. If the fractional COO is offering 10, 15, 20 hours a week, they aren't able to free up enough time for the RIA owner to have a real impact. Think about the Visionary/Integrator relationship made famous with EOS and the amazing book "Rocket Fuel" - I don't think a fractional COO, at 20 hours a week, can add enough fuel to the Rocket so to speak to make it truly soar. This is why, during my consulting days with PFI Advisors, I would say, "I'll train your COO, but I won't be your fractional COO." I wanted happy clients, not frustrated clients calling me!

Since joining Coldstream last year, for example, Kevin Fitzwilson, our managing shareholder, has been able to transition some of his direct reports over to me, in order to free up his time. He's also been able to reply to employees or wealth managers when they reach out to him by saying, "Thanks for asking - Matt is working on that!" Or, he can reply, "That's a great suggestion, let's have you work with Matt on that!" I don't think it would be as successful for him to say, "Thanks for your question...why don't you wait until next Tuesday when our fractional COO is back in the office!"

The other challenge for COOs, as discussed in my [Wealthmanagement.com](#) article, is the fact that many are given extremely short time frames in order to completely change deep-rooted cultural problems that have been ingrained for a decade or even longer at the RIA. One COO I interviewed said, "I was given 6 months to repair everything that was causing pain at the organization, and when massive progress hadn't been made, I became the scapegoat for everything that was wrong – from the technology at the firm to the number of parking spaces allocated in the office lease, which had been signed two years prior to my joining the firm." I have heard similar messages from other COOs as well.

It is imperative for COO candidates to be on the lookout for Founder's Bias or unrealistic timeframes during the interview process. And I know it's really hard to uncover these things when everyone is on their best behavior...there are countless comedians out there who have made their careers pointing out the differences between people's behavior while dating vs. their behavior once married. But my goal is that COO candidates can use articles like, "Founder's Bias and the COO Dilemma" or "Why Professional Management Fails at RIAs," or use this podcast that I'm recording right now as a way to broach these topics with RIA owners before joining their firm. I know I was on the lookout for this when I interviewed at Coldstream, again, because I've spoken to so many COOs who have had this happen to them after signing the employment contract. I was comforted by the fact that Coldstream has had two other COOs, and each had a decade-long tenure at the firm; and Kevin let me know that he was willing, able, and very much interested in delegating to me and empowering me to be successful.

But for those of you that are still searching for positive signs you're joining a firm that will set you up for success, send the RIA owner one of these articles and say, "How can we (again, put it on yourself as well!)...how can we work together to ensure we don't wind up in one of these situations that this Sonnen guy is writing about?" Listen closely to his or her answers as they assure you that this won't happen. Read their body language. Ask other employees of the firm, "Why do you think Bob or Sally is looking for a COO at this time? What can I do to best help them achieve their goals for the company?" And listen carefully to their answers, and try to read between the lines.

I know someone who recently withdrew her application for an open position at an RIA because in interviewing the staff, she could tell they were all putting a positive spin on things, but she could hear how unstructured and disorganized the firm was, and that no one at the firm had the capacity for any kind of change, whatsoever. They were clearly asking someone to join the firm and continue doing things exactly as they had been done. And she was able to determine that this wasn't a position she'd be successful in, so she pulled her name from consideration.

But let's not put all the blame on the RIA owner...let's go back to David Canter's advice on what a COO can do for themselves to ensure success. Again, when he was a guest on Ep 8, he laid out four specific action items that every COO should perform almost immediately after accepting a new job...some of these I've touched on a bit already, but to use his exact words from my interview with him:

1. Aim to take a full 360-degree review of the entire organization. He said, "Really getting the perspectives of the entire organization is key." "Look beyond the existing leadership to the folks who make the firm run day to day. It's sort of doing the job before you're actually in the job," was how he phrased it.
2. Get clarity in writing from the founders/principals on what the COO role will entail in their mind. Don't be afraid to ask how success will be defined for this role.
3. Play the long game, not the short game. He said, "The first 90 to 100 days should be [filled with] a lot of listening and absorbing. Get a great understanding of how the firm works and where the COO can make an impact." He emphasized, "You have to pick your spots wisely."
4. (And I think this is the most important) Make the first year about small, incremental steps that can pave the way for future success. Don't try to come into a new firm and make massive change immediately; it will shock people.

And David's co-guest on Episode 8 was Scott Slater, and when David was done with his list, Scott chimed in and pointed out that the COO role "...is really a political position in a lot of ways." Scott said, "In that listening that you're doing in the first 90 to 100 days, you're looking for the problems that not just the leadership struggles with, but others in the organization are frustrated with. Can you help solve those [problems] and add value to create some political support behind you throughout the organization? Then, get the flywheel moving and continue to build on that."

On this podcast, and in others that I've been a guest on, I've pointed to the scene from Ted Lasso when he first joins the soccer team, and he has absolutely no experience coaching soccer, and he knows he has nothing of value to add to the players. He says, "Hi guys - I'm your new coach! How can I help you?" and they all know that he can't help them, again, because he has no experience coaching soccer at any level, so they just stare blankly at him. Really wanting to make a good first impression and prove that he can be of service to the team, he looks around the locker room and asks, "Well, how's the water pressure in the showers?" The team says, "Now that you mention it, the water pressure is awful!" so he says, "Great! I'll get that fixed for you!" To Scott

Slater's point, Ted Lasso understood that if he could solve a problem that everyone had (and everyone on the team used the showers), he could quickly win some brownie points and start to sway the team to like him. I laughed really hard at that scene and immediately said to, Reese, my wife, "That was a COO move, right there!"

So let me go back and speak to the RIA owner for a second...one more thing that is critical in this process, if you want the hiring of your new COO to be successful – you have to define exactly what you are looking for at the very beginning of this process. You won't be able to identify a good candidate from a bad candidate if you don't have a clear vision of what you are looking for. In January 2023, I wrote an article titled, "The Importance of Strategy and How a COO Can Help,"<sup>2</sup> and in that article, I spelled out the difference between an Operations Manager, a Director of Operations, and a Chief Operating Officer. I wrote this article shortly after I had appeared on Michael Kitces' podcast – he had asked me, "As you move up the hierarchy of these positions, what additional things is an RIA getting for paying more for each of these positions?" And my answer was, "Strategic Thinking."

The value of an Operations Manager, typically, is that they will take tasks off of the RIA owner's plate. The owner is simply saying, "I'm too dang busy to handle all of these tasks, I need someone to come in here and do some of these things for me, so I can focus on clients and prospecting for more." Most of the time, these are Compliance and HR duties, that the Operations Manager is handling.

As you move from an Operations Manager to a Director of Operations, the Director of Operations is also going to take a lot of tasks off of the owner's plate, but they'll also be more strategic in their thinking. I've talked in the past that many RIA owners get caught up in the "More" game. They want more clients, more AUM, more advisors and more employees– but there's little focus on what type of clients, what specific roles and responsibilities they're hiring for, what particular talents or client focus they want from the advisors coming on board...while the owner is asking for "More," the Director of Operations will be able to take a step back and ask, "What do we want more of??"

And lastly, with a Chief Operating Officer, you have the ultimate strategic thinker. This candidate is going to have more career experience than an Operations Manager or a Director of Operations, and can help the RIA think through, "Who is our ideal client? What services do they want from us? What should we charge for those services, and how should we best deliver those services to our ideal client?" I heard Mark Tibergien say on a podcast, "RIAs have grown so fast, they've lost focus on strategy. Without clarity of strategy, it makes it difficult to know what kind of people they should hire, how they should invest in the business, and what their processes should be (for the

---

<sup>2</sup> <https://coosociety.com/the-importance-of-strategy-and-how-a-coo-can-help/>

type of firm that they're building)." You all know how much I idolize Mark Tibergien – and that's why! He succinctly cuts to the core issues so eloquently!

Every decision for the RIA starts with strategy, and many times, if not most times, an RIA owner is too distracted by serving clients and searching for more, they can't think through these strategic decisions. Starting with a clear understanding of who you are looking to serve and how you want to serve them will eliminate a lot of headaches down the line. This applies to organic or inorganic growth strategies – you must know your end goal before you can build the proper processes and infrastructure to get there. And this is exactly where a Chief Operating Officer will come in.

So don't post a job description for an Operations Manager if you really need someone to design the path forward for your organization; and don't recruit for a COO if what you really need is a junior employee to simply knock tasks off of your To Do List. Know *what* you are trying to solve for at your firm, and hire the proper operations professional to fill that role.

And lastly, please DO NOT commit the ultimate sin and hire a full-time employee if all you really need is one project to be completed. A friend of mine just had this happen to him – he turned down several employment offers to join an RIA, he was very excited to join the organization and assumed this was going to be a long-term marriage with the firm. During the interview process they told him, "Well, your first order of business will be to complete this specific project that we've been trying to get done for years, but have never had anyone able to focus on it!" So he eagerly rolled up his sleeves and got the project done over 4 or 5 months time, and literally the day the project was complete, the owner called him into his office and said, "We've decided we don't actually need a COO at this time..." They weren't really hiring a COO, they really just needed a consultant to come in and complete that one project for them...

And I've actually been asked that question before – an RIA owner will reach out to me once in a while and say, "I've been listening to your podcast for a long time, maybe now is the time I finally hire a COO...but I really just have these two problems that need to get cleaned up, and once those are done, I really don't know what I'd be paying this person for..." And if that's your thinking, you aren't ready for a full-time employee, just go hire a short-term consultant who can help you with those specific projects and get them knocked out.

Know exactly what your needs are, build a job description that clearly articulates those needs, and please assign the correct job title that is in line with the needs and expectations of that role.

I really do hope that this rant of mine has been helpful to COO candidates *and* RIA owners, and helps our industry have a better conversation during the interview process, to ensure the right people, with the right level of experience, are being hired

for the right roles. As I was preparing to record this episode, RIABiz just published an article titled, "Plague of Failed Hires at Strapped RIA Firms Come Back to Bite Them," and they cite one study published by the Ensemble Practice as saying that "RIAs experience an average 36% staff turnover for performance reasons each year," and the article cites another study by Cerulli Associates that states 57% of RIAs had resignations in 2023. The article quotes industry consultant Eliza de Pardo as saying, "RIAs hire more rapidly without necessarily having a more thoughtful recruiting process. They feel the urgency to recruit, which generally comes back to bite them." Later in the article she says, "Firms often move too quickly and, as a result, can overlook skill and experience gaps and even cultural fit that may result in a mismatch with the role at the firm. It's much easier to take time on the front end when recruiting than to exit talent and replace."<sup>3</sup> She's exactly right!

And I'm saying the same thing with this rant here...take the time to really understand what you are hiring for, and then find the candidate that matches your needs. Don't try to cram a square peg in a round hole, and make sure you let the staff know that this new hire has your full faith and he or she has full authority to implement change at the organization. And COO candidates, you have highly sought-after skills that every RIA needs – don't jump at the first job offer you receive...take the time to interview not only the owners and principals of the firm, but the employees as well, and get a really good sense of who this firm is and what the opportunity really is or is not.

Good luck to everyone out there! We'll be back next month with another great interview with some amazingly talented Operations professionals. We'll talk to you soon!

**[00:23:24] END OF AUDIO**

---

<sup>3</sup> <https://riabiz.com/a/2024/2/28/plague-of-failed-hires-at-strapped-ria-firms-come-back-to-bite-them-making-the-process-of-closing-bandwidth-deficits-falter-two-new-studies-show>