



The Sole Practitioner vs. the Enterprise

The Financial Services industry has experienced tremendous change over the past several years and it seems even more is yet to come. Unfortunately, Advisors are often left struggling to maintain pace with the radical evolution. In addition, Clients are becoming more sophisticated and financially savvy, making them more demanding. Couple all of this with increased competition and creative innovation, and we're left with a virtual battleground for Assets Under Management.

The Firms that have adapted to this progression (by adding complimentary services, embracing open architecture and technology, and recruiting effective talent) are much better positioned for growth and are far more capable of capturing opportunities than a Firm that rests idly and relies on referrals for additional business. As the landscape continues to evolve and migrate to an increasingly sophisticated model though, there will be very little room left for Firms that cannot or will not prepare.

One of the easiest ways to prepare is to make sure you're utilizing the best business structure. There is a distinct and compelling difference between a Sole Practitioner and an Enterprise – and it has nothing to do with AUM, capacity, or effectiveness. Both entities may have a sophisticated platform, insightful investment policies, and staunchly loyal Clients. However, one model's success rests entirely on a single individual which makes it more difficult to adapt to changes within the industry. The Sole Practitioner often has a very profitable business with little overhead, and offers an attractive and desirable lifestyle. Of course, this is a perfectly acceptable pursuit, but it is not without its drawbacks.

A Sole Practitioner is personally responsible, indirectly or not, for absolutely every facet of the business. From profitability and Client satisfaction to marketing and technology, the Sole Practitioner must become a jack-of-all-trades **and** a master of ALL. In addition to servicing Clients, the Sole Practitioner must also devote an appropriate amount of time to growing the business... or experience a leveling off of AUM, revenue, and new Clients. But all the time and effort expended on anything other than the Firm's Clients doesn't necessarily contribute to added revenue. Therefore the business is not running at full capacity, nor is it capitalizing on the talent and ability of the Principal – the very reasons that led to the establishment of the Firm in the first place!

Also consider the fact that there will undoubtedly come a time when the Principal realizes that there is a finite amount of Clients that he or she can work with without sacrificing the quality of the relationship. Advisors in this position are often faced with having to determine if they are capable of (and willing to) evolve into a more diversified organization – the Enterprise.

The Enterprise model is built upon an infrastructure based on the collective talents of multiple individuals with varying areas of expertise in complimentary specialties – leading to a dynamic and thorough offering to Clients (not to mention



less stress to the Principal). Essentially, the Enterprise is the evolution of the Sole Practitioner whereby the Principal has realized that it is best to focus his or her strengths and talents where they can be best utilized in the business. This will require added staff, establishing best practices, and systematizing the Client experience and investment process. Sometimes a CEO will need to be hired (if the Principal best serves as the primary rainmaker) to coordinate the personnel, services, and growth of the organization.

While this can sometimes be an emotional challenge for the entrepreneur who is accustomed to “doing it all” and having total control, the change in business structure ultimately creates scale, as well as transferable value. Building a team where there are clearly defined and segmented roles and responsibilities that focus on specific operational functions will allow the business to thrive and enable it to successfully adapt to change as the industry continues to evolve.

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