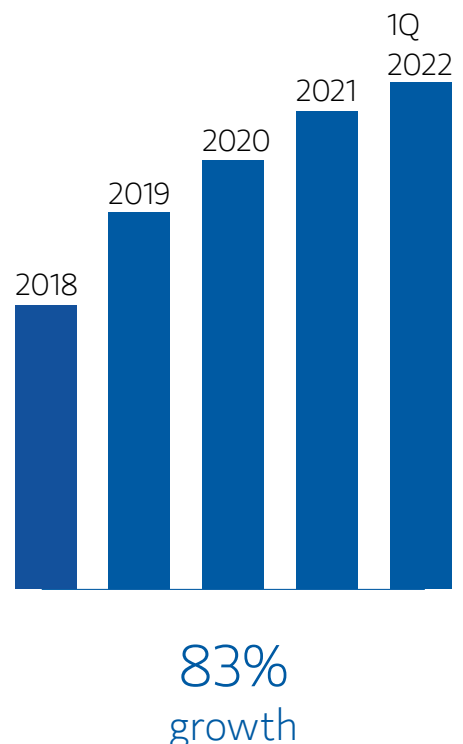


## Emerging Trend: Mega Teams

In 2021, Morgan Stanley Wealth Management published the Emerging Trends of High Performing Teams white paper which explored best practices, key challenges and emerging trends of our high performing teams. One of the key trends identified in this paper is that teams are getting larger in size.

“Mega Teams” consist of five or more Financial Advisors; a segment of our Firm’s teaming population that has grown in **number by 83% over the last four years (2018-1Q2022)**.<sup>1</sup> An interesting facet of the growth in Mega Teams is that it occurred during the pandemic. Our research, and the many interviews conducted as part of this project, suggests this trend will continue to gain momentum long after the pandemic has subsided.



# Overview

As a Firm, we remain committed to providing our Financial Advisors with best-in-class resources designed to help optimize their business. We constantly seek to further our understanding of how top teams stay competitive in the ever-changing landscape of the financial services business, while addressing the ever-evolving needs of our clients. Our purpose is to help rising teams emulate the approach of highly successful Mega Teams.

This paper focuses on three key areas:

- 1. **Catalysts:** What are the main drivers behind the growth in the size of teams?
- 2. **Challenges:** What are the obstacles these teams must overcome to achieve new levels of success?
- 3. **Benefits and Opportunities:** What are the advantages of being a Mega Team?

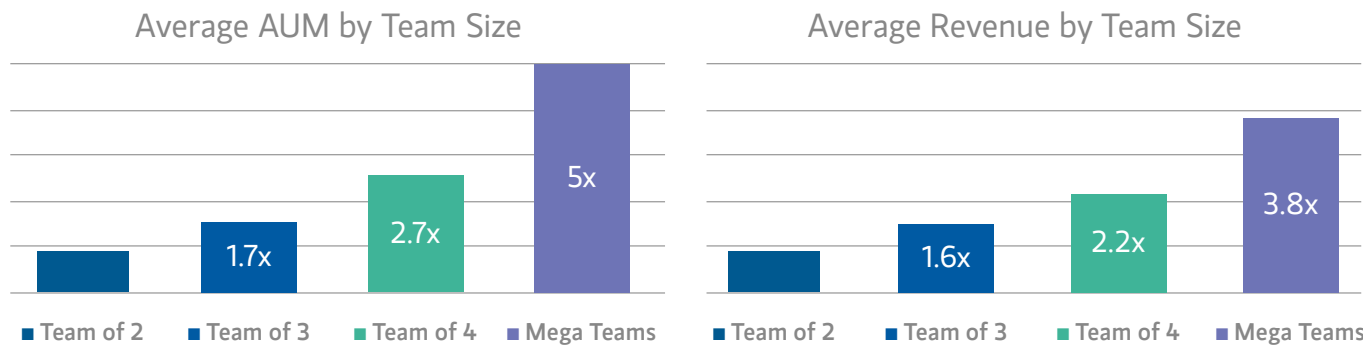
Throughout this paper we will be sharing many of the best practices experienced by Financial Advisors and Support Professionals who are on Mega Teams. You will hear more about the lessons they learned as they grew their teams, how they adapted their leadership styles and empowered

team members to make decisions. With the growth in the size of teams we see today, leaders need to be more comfortable and confident delegating roles and responsibilities, holding team members accountable, and being more inclusive in their decision-making process. Without this evolution in leadership, teams often experience a lack of team integration and fail to capitalize on their size and scale.

What is special about this group of teams is that there is no template for success. Many grew over the past decades long before a trend in Mega Teams was apparent. Others grew larger out of

necessity — their area of specialty or their client base required more Financial Advisors to deliver the client experience. Whatever the motivating factor for the expansion in size, these teams have experienced subsequent business growth and success that exceeded the collective sum of their parts. **The purpose of this paper is to examine and capture what these teams learned in the process of becoming a Mega Team and share their experiences with teams across Wealth Management. We believe many of these lessons can provide valuable insight for teams of all sizes.**

## Profile of a Mega Team



Note: Highlighted portions of this paper were obtained directly from interviews with teams.

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## I. Catalysts

Teams become Mega Teams for a variety of reasons. An over-riding catalyst is the pace of growth in the business today which demands greater capacity and scale gained through additional team members. Certain specialties require additional designated professionals to deliver their high-end offerings in a highly competitive marketplace. Succession planning is another key catalyst for Mega Team growth. Many high-producing sole practitioners, and even small to mid-size teams that have senior members looking to transition out of the business over the next decade, are looking to join larger teams for their ability to provide scale, service and financial support.

These and other catalysts — like the recent trend in team mergers and the demand for greater diversity in both team make-up, specialty and perspective — are causing an increase in the number of Mega Teams across the country.

### Key Takeaways:

- There are often several catalysts at play in the transition of a single team to Mega Team status;
- Larger teams are more competitive as they are able to deliver specialization and **specialization** in each key area of the practice;
- Team mergers are becoming more frequent as teams look to gain capacity as well as access to more resources;
- Diversity in gender, race, age, talent, experience and even geography are critical to many larger teams as they look to deliver a richer client experience to an equally diverse client base.

### a. Capacity and Scale

The pandemic has demonstrated the value of having a strong, broad platform, with the right tools and resources to meet the needs of an ever-evolving and more demanding client base. Many teams have come to realize having more Financial Advisors on the team allows them to better utilize these resources for the benefit of the client. Technology and automation, while valuable, are not a substitute for human intuition and interaction. The wealth management business has been

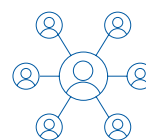
and always will be focused on personal connections. Building and strengthening client relationships takes time, and time has become scarcer for so many smaller teams and sole-practitioners. Mega Teams are born out of the need not only to create more time for client engagement, but to make that engagement as effective and meaningful as possible.

The first thing we do when we onboard a new team member is give a gift of a “reverse hour glass” — a little reminder of how much time in the day we are going to give back to them.

Mega Teams regularly demonstrate their ability to deliver more of the Firm while maintaining a focus on new growth opportunities. More seasoned Mega Teams generally have well-established processes that define the work they do, and the people necessary to deliver those processes. Processes provide structure

and help shape team culture. They also help clarify roles and responsibilities for each team member, from senior leader to support professional, and add directly to the team’s efficiency and scale. Every well-established Mega Team we interviewed was quick to talk about the differentiating nature of their processes.

There is no way a two or three person team, let alone a sole practitioner, is able to deliver what we deliver to our clients with anything close to the same consistency.



10%

Of all teams today are Mega Teams

Along with adding more Financial Advisors, the need for additional capacity has caused many teams to carefully assess their support professional help. While many smaller teams share a single support professional with other Financial Advisors in the office, larger



teams are better positioned to gain access to dedicated support. They are also able to build out their team with Financial Advisor-paid team members — Portfolio Analysts, Financial Planners, Wealth Management Associates, Business Development Associates — as they are better able to allocate the expense across what is typically a higher revenue-producing team of multiple Financial Advisors.

It should be noted that bringing new people onto the team requires capacity. It takes time and effort to introduce them to the culture of the team and acquaint them with the many processes they must adopt and follow.

One important source of new hires, both as Financial Advisors and Support Professionals, has been family members of existing team members. In many cases these family members bring relevant experience and important designations to the team. Their addition to the team often adds immediate capacity and scale.

For many Financial Advisors, the pandemic has also under-scored the importance of maintaining a positive work/life balance. For senior Financial Advisors looking to create more time to

spend with family, or to pursue passions outside of work, or to simply engage with clients more frequently, the additional capacity and scale of larger teams provide that time.

A team leader in the San Francisco Bay Area provides this perspective on capacity and how it is addressed across the team. He likens the workload of each team member to rowing a boat. The oars of the newer members of the team are smaller, so they have to row faster to have an impact on the speed of the boat. Oars get larger over time and the boat picks up more speed as Financial Advisors gain confidence and experience. Financial Advisors closer to retirement who are looking for more work/life balance are in the boat but their oars are not as frequently in the water. As part of their transition the rest of the team rows faster, providing the necessary client support. The senior leader and group director's responsibility is to ensure: those with oars in the water are all rowing in the same direction; that the client experience is delivered with consistency; and that the teamwork and collaboration required to maintain the speed of the boat continues without any major disruptions.

For us it comes down to one defining principle — if we create more capacity, we create more time and we grow faster!

## b. Specialization

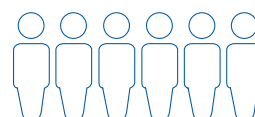
Teams that specialize in a certain private client or institutional segment often evolve over time to Mega Team status. Whether it's an institutional focus like Graystone or a Senior Portfolio Management Director team with a customized Asset Management offering, a larger infrastructure and more team members are necessary in order to consistently deliver the specialized services and advice. Teams with clear specializations are often geographically dispersed across different regions of the country, providing a "boots on the ground" approach to both the clients and the Strategic Partners they serve.

The National Strategic Partner program features many such teams. It is not uncommon to see teams of over 10 **Financial** Advisors located in multiple markets. Successful partnerships occur across complexes, indeed across regions; a byproduct of the team's geographic dispersion.

For many of these geographically dispersed teams each **Financial** Advisor often serves their own client base while promoting the brand and collaborating with key team members on new opportunities. Team members work to develop relationships with local complex management teams in order to become the "go-to" team for the right partnering opportunities. The team's service and support infrastructure often exists as a centralized hub with **Financial** Advisors contributing to the expense of the infrastructure. This infrastructure provides important capacity and scale across the team to allow the **Financial** Advisors to focus on growth.

If I didn't have my team I couldn't do what I do, but if I didn't do what I do I wouldn't need my team. Specialization demands a team structure, and the larger the team, the more consistent and comprehensive the client deliverables.

## 6 Financial Advisors



Average. Mega Team Size

One senior leader of a team in South Florida began his career focused on partnering. As larger and more complex opportunities arose, this **Financial** Advisor would quickly reach out to specialists and other **Financial** Advisors for advice. In the process of leveraging such firm resources as Consulting Group and Family Office Resource a few of these "resources" bought into this leader's vision and joined the team. Today, with the Mega Team in place, the senior **Financial** Advisor looks forward to providing solutions for the most complex client situations, and the team has become a resource for other **Financial** Advisors looking for advice on their own more complex opportunities.

Indeed, specialization, particularly within institutionally oriented teams, has required additional team members with the talent and experience to serve this demanding segment. One team based in the New York Metro region is able to consistently deliver team **specialization** in an unprecedented number of specialty areas including, among others, Corporate/Institutional, Ultra High Net Worth (UHNW) private client, stock plan/reinvestment, foundation and endowment, ERISA, deferred benefit and deferred compensation. Their recent growth in Assets Under Management (AUM) and revenues is clear evidence that this degree of specialization is differentiating.

Another example of an emerging specialty is the stock plan services or Workplace **Financial** Advisor Mega Team. These large teams **have dedicated members focusing on what**

is often a steady flow of reinvestment opportunities. Sufficient capacity is required given the amount of lead time, planning and follow-up necessary to establish new client relationships. In the meantime, other members of the team are busy delivering the entire suite of firm tools and resources—from Family Office Resources to lending to alternatives—to the more complex senior corporate executive opportunities.

It was clear with the recent acquisitions that the Firm is committed to becoming the leader in the reinvestment space. We jumped at the chance to build out our team so that we could be a key player in equity compensation.

### c. Succession Planning

Succession planning is a frequent catalyst in the formation of Mega Teams. In an effort to achieve a secure retirement as well as a lasting legacy, both sole practitioners and teams are looking to larger, well-established teams for their succession plan due to their diversity of age, experience, resources, as well as capacity and scale. Generally, these Financial Advisors are more open to considering a Former Advisor Program (FAP) arrangement with teams that have experience in Financial Advisor transitions to ensure an optimum transition experience for themselves and their clients.

One NY Metro team increased both staff and Financial Advisor headcount and developed an entire service offering around succession planning. No matter the geographic location of the transitioning Financial Advisor,

incoming calls are answered by their hub service team. Client presentations and proposals are drafted by a dedicated Financial Advisor team and delivered together with the transitioning Financial Advisor directly to the client via Skype or Zoom. Regular office visits and/or virtual meetings are made by team members in order to spend time with key clients of the transitioning Financial Advisor. Such a service model around succession planning is becoming more commonplace. Mega Teams are providing enough resources and capacity to prove that the retiring Financial Advisor and their transition team don't have to be in the same office to provide an effective transition.

Strategic succession planning within established teams is also contributing to the emergence of Mega Teams. In one example the senior leaders of a New England-based Mega Team pay close attention to the succession plans of their senior Financial Advisors. They make a concerted

effort to recruit new Financial Advisors onto the team to ensure the team has the right depth and capacity to serve clients of retiring Financial Advisors as well as the next generations of existing clients.

While we often get approached by Financial Advisors interested in establishing a succession plan with us, we are very deliberate in our decision to take on a retiree as we don't want it to distract us from our focus on growth.



#### d. Team Mergers

Another key driver of the growth in the number of Mega Teams is team mergers. We have seen evidence of this at the branch level as existing teams compete for access to resources. When (2 \$1.5MM teams in a larger branch that are each sharing a Support Professional with other Financial Advisors merge, the result is a \$3MM team with a dedicated Support Professional and the financial resources to add more Financial Advisor-paid support. Often there are additional catalysts beyond access to resources, like special talents, access to certain networks or opportunities, succession planning, etc., that only add fuel to this trend in team mergers.

It is fairly common for team mergers to have a succession planning component. High-producing, seasoned veterans who have brought on junior Financial Advisors to build out their team are sometimes hesitant to leave their entire business to the junior Financial Advisor(s) upon retirement. These veterans often look to diverse, successful, highly productive teams to provide for their transition. In this way the junior Financial Advisor(s) have more time to develop, and the senior producer is assured that the largest client relationships will be well taken care of should s/he decide to retire. These mergers often result in the formation of Mega Teams.

Team mergers have become more prevalent among teams that have clear specialties as teams look to expand their footprint across different geographies. Often their search leads them to merge with another team, which results in a Mega Team. One of the largest team mergers to date has been in Graystone. In this example, a NY-based Graystone team had established a strong working relationship with numerous partners across the country. One of their partners reached out to the senior leader of the Graystone team to talk about a possible merger. The fact that they had already built a foundation of trust in culture, competency

and character made the decision easy. The senior leader of the Graystone team immediately took this partner up on the offer. It was only the latest of a series of mergers in the history of this Graystone team that now has 18 Financial Advisors and over 30 Support Professionals.

The culture of partnering that the Firm is working so hard to build is definitely contributing to the growth in the number of Mega Teams.

#### e. Diversity

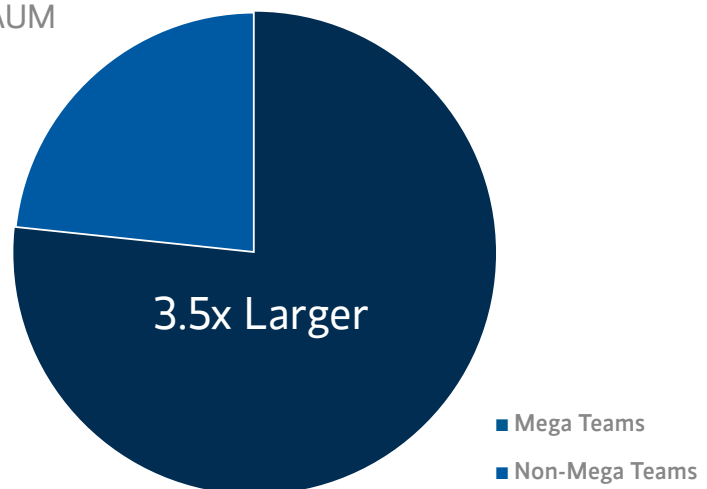
Many of the most successful teams have come to recognize that diversity is critically important to staying competitive as it contributes to an enhanced client experience as well as new growth opportunities. Most Mega Teams are a mosaic of generations, races, genders, backgrounds, talents and personalities. Indeed, Mega Teams provide outstanding evidence of the value

of diversity. The landing page of a Mega Team website, and the team photo, often underscores the diverse nature of the team. It takes time to build out a diverse Mega Team but the end result is a team that the broader market of diverse clients and prospects can relate to. Clients and prospects also see depth of experience and scale; a team they and their family can work with now and for generations to come.

Diverse Mega Teams focus on leveraging their blend of talents, experience, perspectives and personalities. They pay close attention to the personal and professional development of their team members, empower them with key roles and responsibilities, and provide regular feedback. This diverse culture has become a critical component of their success.

Every team interviewed for this paper underscored the important role diversity has played in the growth in team size, AUM and revenues.

Average AUM





## II. Challenges

Mega Teams are confronted with a unique set of obstacles and challenges. As you might suspect, the larger the team the more opportunities there are for internal conflict borne out of issues involving: decision-making, differences in personalities and working styles, as well as disagreements on strategy.

Strong team leadership and regular communication are no longer optional for Mega Teams. Processes become more difficult to implement, roles and responsibilities are tougher to define, and holding team members accountable for the proper execution of their areas of responsibility is a full-time job.

Mega Teams also face the challenge of effectively integrating new team members regardless of role. Lack of integration can be even more pronounced among geographically dispersed teams, though there are instances where geographically dispersed teams have integrated new team members extremely well.

Mega Teams often find it difficult to keep up with the team's constant evolution. For example, team photos become obsolete within months—sometimes weeks—and team capabilities, areas of specialization and client deliverables can evolve rather quickly. Staying current with team branding, marketing and social media is another full-time focus.

### Key Takeaways:

- Strong leadership, and the commitment by principals to make time for team members, is apparent on Mega Teams;
- Integration is a challenge, but the challenges are worth working through.
- Branding, including the team name and a documented set of core values and beliefs that remain consistent, are core components of Mega Team marketing.
- Careful attention to both communication and culture are key in the development of successful Mega Teams.

### a. Leadership

Mega Teams are not a 'one-size-fits-all' model. A clear example of this varied approach has to do with team leadership. Leading a Mega Team can be particularly challenging for many reasons. Many of the Mega Team leaders we spoke with did not come into the business to lead a large team. These Financial Advisors were good at finding and winning business and their team grew over time in part because of the need to service an expanding client base.

Many found it challenging to dedicate more time to the leadership of the team: the mentoring and coaching of new and existing team members, the strategic decision-making around key initiatives, and attending to the evolution of the team's culture and brand.

Mega Teams can be either vertically and horizontally structured. For those that are vertically-structured the lead Financial Advisor or what may be referred to as the Chief Executive Officer (CEO) is joined by a team of Financial Advisors. Here the CEO or team leader is involved in and responsible for much of the decision-making. There are a number of leadership challenges to this structure which include but are not limited to: capacity and scale; team member turnover; keeping the team focused on priorities and processes; building a culture where everyone buys in; team communication; and maintaining a consistent focus on growth.

To effectively address many of these common leadership challenges, the majority of Mega Teams are horizontally structured. Here different senior partners on the team "own" and lead different

areas of the practice. There may be a CEO but there is also a Chief Investment Officer (CIO), a Chief Marketing Officer (CMO) as well as a Chief Operations Officer (COO). Each role has ownership over their areas of operations with its unique set of expectations and goals.

I would describe our team as both vertically and horizontally structured. We empower our team members to make important decisions in their areas of responsibility. The bigger strategic decisions that affect the future of the team are usually made by the two senior partners.

Horizontally structured Mega Teams are commonly run by committee; smaller teams within a team that demonstrate ownership around key areas of the practice. One team we interviewed referred to these committees as “micro-teams” each with its own “captain.” A team in Florida has an “administrative committee” run by Support Professionals who meet weekly along with at least one of the equity partners to address key infrastructure issues and bottlenecks. Another senior leader expressed satisfaction in hearing that different members of the team meet regularly without him. To this leader it is proof that the horizontal structure and the culture of both ownership and empowerment are working. Leading a horizontally structured team is often about fostering this culture of collaboration.

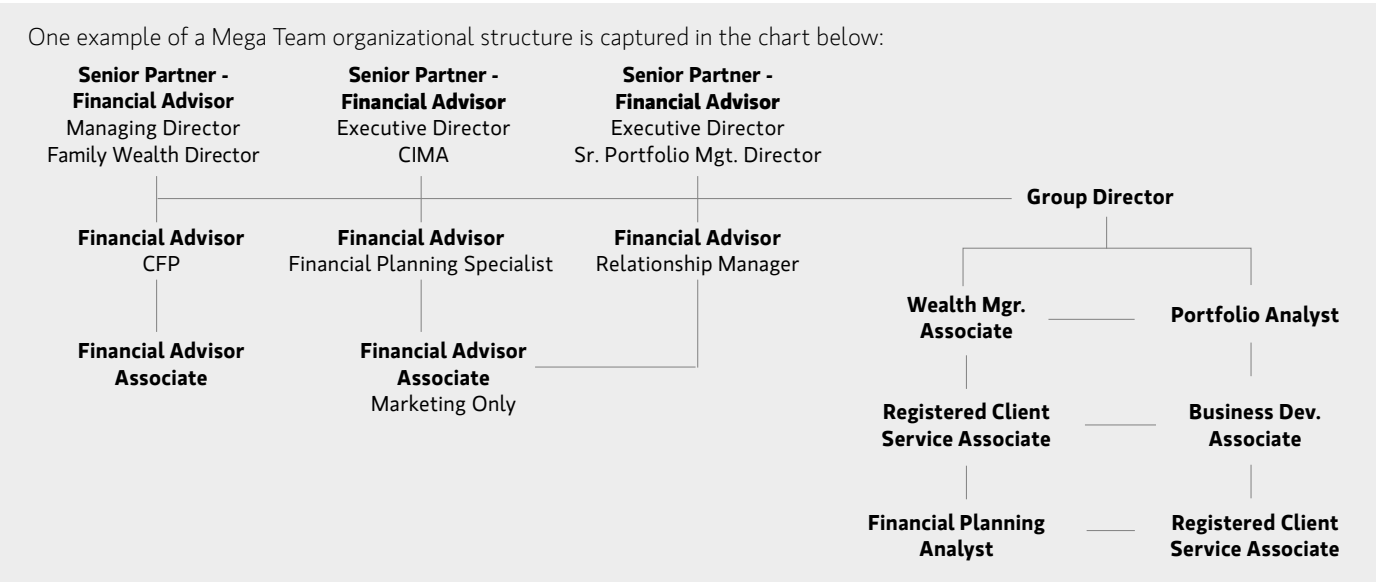
As teams grow, the need for even greater organization and leadership becomes more

apparent. In one example, a team of 17 Financial Advisors (soon to be 20) and 30 Support Professionals, are positioned in eight branches and two alternate work locations across the country. Each year they elect a new board of directors; a diverse group consisting of both seasoned and newer team members. Different team members regularly have the responsibility not only to understand the critical issues and challenges facing the team, but to promote the culture and brand of the team. This leadership structure and the diversity of thought and perspective that it brings to the team has led to creative decision-making, which in turn has had a significant impact on the team's growth trajectory.

Whether the team is vertically or horizontally structured, a Group Director often oversees the day-to-day business operations, including the hiring of Support Professionals as well as the adoption

and consistent execution of processes across the team. The Group Director regularly updates the team leader(s) on team conflicts and other issues that can detract from the team's growth. These updates allow team leader(s) more time to focus on client engagement and new business development. Nearly every team interviewed for this project has either a Group Director or has someone with a different title that performs many of the same functions as a Group Director.

I would have never made the leap to Mega Team status if I didn't have the full commitment of my Group Director.



Three or more senior, fully credentialed partners oversee key areas of the practice. “Teams within the team” serve as the lead on key client relationships depending on the needs of the client. Financial Advisors provide support around planning, business development and client relationship

management. Other newer Financial Advisors are being groomed to make important contributions to both infrastructure and growth. Reporting lines may include the Family Wealth Director working alongside the Certified Financial Planner (CFP) and the Financial Planning Analyst, or the Sr. Portfolio Management

Director working with the Financial Advisor Associate and the Portfolio Analyst. Roles and goals are clearly defined. The entire structure promotes a culture of accountability and execution.

A Group Director oversees the operational arm of the practice, reporting directly to the senior partners and overseeing the performance and career development of their reports.

**Important to Note:** The number of potential organizational structures for Mega Teams is limitless, and as such, so is the number of possible “org charts” for these teams. We wanted to include one sample team structure based on the teams we interviewed for this paper. This chart is included only to illustrate a framework for approaching team structure. We recommend team structures be reviewed at least annually. It is not uncommon to see such charts fall out of date relatively quickly as teams grow both in new team members and new clients. Organizational structure also needs to be reviewed and adapted as team member roles change and evolve.

This organizational chart is included to reinforce the fact that Mega Teams typically have a documented organizational structure where

1. Leadership is clearly defined
2. Everyone on the team knows their reporting lines and roles
3. Team members see a path forward to new roles and new responsibilities
4. Lines connect everyone on the team, reinforcing the culture of collaboration


We see challenges around leadership most often among less seasoned Mega Teams. During the early stages in a team's transition to Mega Team status conflicts around strategy are common as the culture and supporting processes are still being formed. Buy-in to the team and its vision has not been fully established. Significant investment often must be made by senior leaders to build out a sufficient infrastructure to execute what are often highly evolved and specialized client deliverables. Capacity and scale are often issues on newly formed Mega Teams as it takes significant time and effort to build out the team. Maintaining a regular communication structure can be challenging yet is critical to fostering a culture of collaboration and engagement.

One of our biggest strengths is the way we collaborate. We can bring whatever specialization to our clients and in most cases we don't have to look beyond our own team.

One common best practice in highly developed Mega Teams is the ongoing attention paid to both hiring and career development. Mega Teams are regularly on the lookout for top talent. When they see it they are usually quick to act. New hires are placed into roles where team members have an opportunity to observe strengths and provide regular feedback, coaching and training. As other roles open — or are created — they are moved into a role that aligns with their strengths. This collaborative effort typically leads to a steeper learning curve for new hires and loyal team members for years to come.

We hired someone to fill a role. It took us about six minutes to realize we had found someone with truly exceptional talents. It then became our wonderful responsibility to make sure we realized the full breadth of those talents.





The longer a team member is on the Mega Team, the more their roles and responsibilities evolve, which often leads to a greater share of ownership. It is not uncommon to see many salaried hires transition to Financial Advisor/equity partner and gain an ownership stake in the practice.

The only reason we are able to attract the kind of talent we hope to attract is our record of success in developing our people.

One Mega Team we interviewed is regularly adding junior Financial Advisors (and Financial Advisor Associates) because more seasoned Financial Advisors on the team are progressively handling larger and more complex institutional and/or private client relationships. Junior Financial Advisors fill in on the smaller and less complicated relationships with the objective of growing them over time. Junior Financial Advisors are expected to leverage team resources and collaborate with other Financial Advisors on the team whenever possible not only to deliver the optimum client experience, but also to gain valuable experience and perspective.

I never want to be in a position where I am winning major client mandates and don't have a sufficient team in place to serve both new and existing client relationships.

When building out their team, leaders of Mega Teams need to be conscious of identifying "rainmaker" talent — those who demonstrate an innate ability to win new business. Leaders often carry much of the responsibility for new business development, so it is imperative they spend time hiring, mentoring and coaching team members that will be able to contribute to the future growth of the practice, especially when nearing retirement.

It became evident in our interviews that strong leadership across a Mega Team is critical in order for the team to operate efficiently and realize their full growth potential.

## **b. Integration**

One of the more significant challenges among Mega Teams is integration. When a team is fully integrated, they:



- adhere to and consistently execute the same processes and systems;
- regularly collaborate on projects and client relationships;
- share a compensation structure that addresses each team member's value and contribution, and properly incentivizes team members when goals are met;
- trust in the talents and specialization that each team member brings to the team.

Teams that are fully integrated share the same vision and core values, and work toward the same goals. In other words, they are all rowing in the same direction. Team leaders are thoughtful when hiring people onto the team to ensure new hires bring their own strengths, experience and talents that can contribute to higher levels of growth. They are seeking diversity in thought and perspective to fuel their culture of collaboration.

Challenges of integration can begin with a lack of trust, which is evident on teams that have failed to spend the time to establish a foundation of trust, or who have ignored issues of trust on the team. Newly-formed

Mega Teams commonly lack buy-in to the team's core values, vision and goals. In such an environment trust takes longer to build and takes a genuinely collaborative effort. Mega Team leaders must lead by example in building a culture of transparency and trust; as you trust in the character and competency of your team members, so too are they more likely to trust each other.

As we have previously mentioned, succession planning is a common catalyst for team expansion. We are seeing a growing number of sole practitioners across the country joining existing Mega Teams to protect their legacy, deliver the entire firm to their clients and continue to grow their business into retirement. In many of these cases integration has been challenging given these sole-practitioners have been operating on their own often for their entire career. Some may have had a prior negative experience on a team. Many are slow to trust and hesitant to integrate. Only when trust is earned and buy-in to the benefits of a successful transition is complete can integration move forward. If trust remains elusive, teams with a Financial Advisor in transition often remain "siloeed" until efforts at integration gain traction.

We work hard to integrate new team members. As hard as we try, however, if they are not open to integration — if they are slow to leverage the team and its resources with their clients — then we acknowledge it isn't a good fit and are quick to move on.

A well-established onboarding process and a strong focus on regular team communication can result in a smooth and efficient transition, but a smooth transition is only the start of the integration process. Full integration is evident when regular collaboration occurs on new client opportunities as well as existing client relationships. When new team members are consistently leveraging the **specialization**



and resources of the team, integration has largely been achieved.

**I no longer have my own book of clients. The team has a book of clients and everyone is engaged in serving them.**

A major challenge around integration is compensation. Of the Mega Teams we interviewed many spend an inordinate amount of time dealing with compensation issues. Whether it's adding a Financial Advisor Associate (FAA) or junior Financial Advisor to the team, or merging two teams, being open and fair about compensation is critical. Teams that keep everything revenue-neutral to start and focus on longer-term incentives based on performance seem to address the challenges more effectively.

Succession is another area that presents challenges with respect to compensation. Mega Teams offer capacity, resources and specialization. In many cases they are able to offer a higher grid payout through Team Compensation, plus the potential for growth during the Financial Advisor's transition to retirement. Some Mega Teams expect the transitioning Financial Advisor to contribute to infrastructure costs through the Joint Production Number (JPN) structure in anticipation of these benefits. They support their position by demonstrating a history of growing assets and revenues of Financial Advisors who have previously retired with the team.

Similarly, junior Financial Advisors joining a Mega Team often want to see a record of success. Most Mega Teams are able to have top candidates speak to team members who were hired onto the team early in their career and enjoyed success.

Support Professionals too want to see firsthand the culture of mutual respect, trust and appreciation for the hard work involved in supporting a Mega Team before they buy in.

Of the teams we interviewed, newly formed Mega Teams have a much more challenging time addressing compensation issues. For newer Mega Teams integration of the team is often tested when the compensation structure has to include necessary investments in the infrastructure of the team. Not every Financial Advisor is keen on having his/her JPN split reflect that investment. Add to this the inevitable conflicts and stress that come from building out the team and the ability to successfully integrate becomes an uphill battle.

If we don't sacrifice and make the investment to take care of the people we have, even as we look to add more Financial Advisors and Support Professionals to the team, we know our team, our potential for growth and our own quality of life will suffer.

Teams that are intentional around the integration of new team members experience the following:

- 1 A more vibrant culture of collaboration and trust;
- 2 A greater focus on leveraging team strengths, which often leads to more

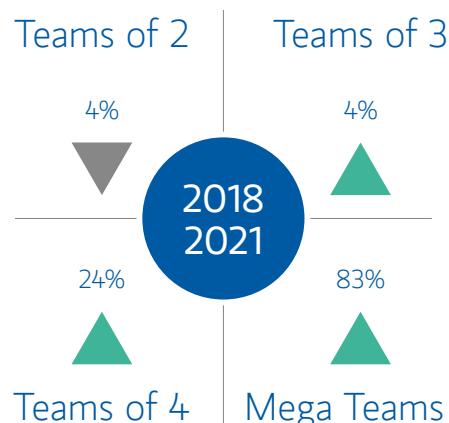
opportunities with new and existing clients; and

- 3 The ability to deliver much more in the way of firm tools and resources to clients.

During the pandemic tremendous growth opportunities sprung from money-in-motion and wealth transfer events. To address these opportunities Mega Teams were busy hiring and integrating new team members.

**The biggest challenge we have faced during the pandemic, and continue to face, is finding highly-skilled, diverse talent — that goes for Financial Advisors and Support Professionals alike.**

In fact, growth in the number of Mega Teams continues to gain momentum. Successful integration has led to new levels of productivity. Many teams have been transformed as a result of this growth.



### c. Positioning, Branding and Marketing

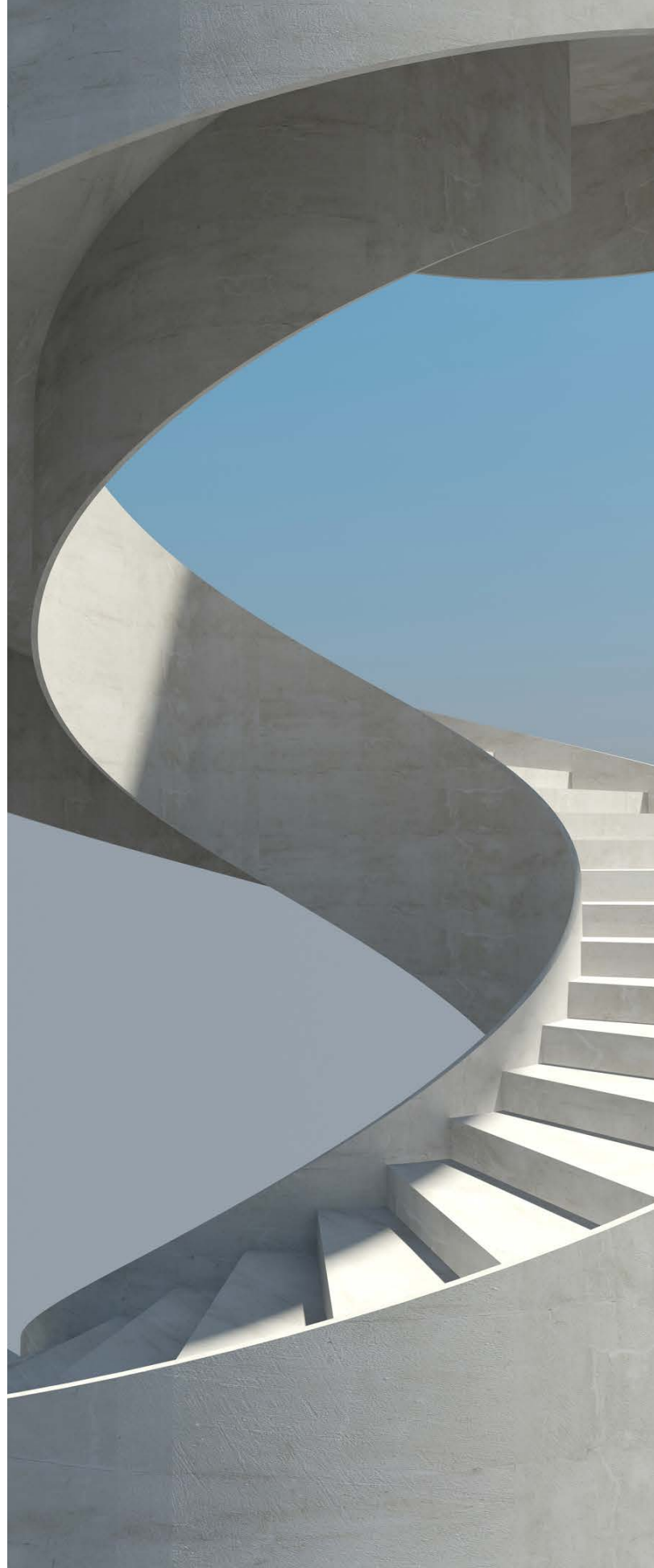
In the *Emerging Trends of High Performing Teams* white paper we highlighted some of the difficulties teams in general have experienced around positioning, branding and marketing. Many teams have yet to fully leverage the marketing resources offered by the Firm. Too often teams deliver a stale or check-the-box message on the landing page of their website and/or don't even include a team photo or individual biographies. If they do include them they are often out of date.

Many Mega Teams have a dedicated team member focused on their brand message. As a result, they are well-positioned on social media platforms. Others have taken advantage of firm resources such as the Virtual Engagement Associate (VEA) Program to refine their brand messaging. Still, the challenges in executing a consistent marketing message for Mega Teams are many:

- Constant change both through the addition of team members as well as changing roles and responsibilities.
- The evolution of the team into new specialty areas, the introduction of new client offerings, and the expansion of teams into new markets.
- The pandemic has made it more challenging for Mega Teams to capture the evolving nature of their team in both photos, bios and marketing content.

In light of these challenges, certain Mega Teams have focused on key elements of their brand that rarely change in an effort to better position them to win business. These elements include:

- A firm grasp of their core values and beliefs, which effectively frame 'why' the team does what it does;
- A clear picture of the ways clients benefit from working with the team;
- A team photo of Financial Advisors and Support Professionals alike and a comprehensive set of biographies that effectively capture the breadth, diversity and specialization of the team.



No matter how much our team evolves, our core brand and marketing message remain the same. The three pillars of our practice are integrity, stability and connection. These tenets embody our legacy and set the standard by which we expect to be measured.

Often times the best website content has very little to do with “what” the team does and “how” they do it; that content is typically available in links from the landing page. The landing page itself is more about their “why.” A professional video on a team’s “why” is less common, but more teams are seeing the value in this marketing strategy as a way to capture their “why.” This video strategy represents a clear demonstration of a team’s comfort and confidence in their marketing message as they are willing to make the financial investment as well as devote time and effort to making the video.

As teams address the challenge of maintaining an updated and current website their commitment to a strong brand is often demonstrated in other ways such as newsletters, regular email updates and, during the pandemic, a move to virtual client and prospect engagements through zoom. Each strategy keeps the team in front of clients and works to build their brand.

We strive to be top of mind within our network of relationships as we work steadily to build our brand. It is common for our executive clients to introduce us to their colleagues as well as other corporate opportunities.

#### d. Conflict

The more established Mega Teams we interviewed have demonstrated an ability to not only survive but to thrive through the pandemic. These teams regularly address the common challenges we have already mentioned; that is, maintaining team stability and culture through strong leadership, consistent communication, successful integration of new team members, and effective positioning via a well-constructed branding and marketing strategy. With processes in place, a strong culture and a shared vision that focuses on growth, everyone on the team is rowing in the same direction. When conflicts do arise it is generally healthy, constructive disagreement that is natural in a culture of ownership and empowerment. Issues are addressed, voices are heard, decisions are made, and everyone refocuses on the work at hand.

Many Mega Teams still face more basic challenges around team leadership, the development of shared processes and systems, the creation of a shared vision that everyone can buy into, and a compensation structure that properly

rewards and incentivizes team members. With so many core elements of the team still being developed and defined, disagreements on strategy are often more difficult to address quickly or easily. In many cases these problems fester, resulting in ongoing and unresolved conflicts. When issues are addressed it is often through the sacrifice, financial and otherwise, of the senior leader(s). Teams that have successfully transitioned to Mega Team status can often cite examples where senior leaders set aside their own personal vision in favor of the team’s vision. It is this demonstration of trust and empowerment that often leads to healthy collaboration and a clearer path to conflict resolution.

We have a one-team mindset. We address things as they come up and talk things out. My door is open to anyone’s opinion. We practice “active feedback” on each project, and everyone’s voice is heard.

Some Mega Teams we interviewed have returned to the office to help re-establish their culture of collaboration and support. Working together in an office environment is easing the strains brought on by the pandemic, and the result is a return to “normalcy”; feelings of comradery, friendship and fun. Regardless of their chosen work environment, regular communication and the trust and empowerment that accompany it remains a major contributor to the Mega Team culture.



We have the best group of Support Professionals in the business. Their work ethic is unmatched. They are growth-minded and care deeply for our clients. We are generous in our compensation as we don't want to run the risk of losing anyone.

Mega Teams formed through team mergers can face conflict when the two teams can't agree on a leadership structure or processes. Conflicts often arise when leaders fail to approach the merger with an open mind. Leaders must demonstrate a willingness to adapt their existing processes to form a new and better set of team processes, with a modified structure around leadership, execution and accountability. An updated team shared vision may be drafted representing a collaborative effort of the combined team. In team mergers when leaders are flexible in their approach and when voices are heard conflict can be minimized. A "my-way-or-the-highway" approach often leads to insurmountable conflict and an unsuccessful merger.

**Unresolved conflict, when allowed to fester, can only strengthen underlying feelings of resentment and bitterness,** which often leads to turnover. It is common for Mega Teams, as they evolve and transition to new levels of production, to hire an external coach to guide them through these transitions. In fact, a recent trend shows Mega Teams hiring several external coaches who specialize in different areas such as business strategy, team dynamics, even life coaching, all designed to reduce conflict and help them play to their strengths.



### III. Benefits and Opportunities

Mega Teams commonly enjoy the benefit of capacity and scale. Every team we interviewed for this project said they leverage their capacity and scale to grow the business.

Capacity and scale allow Mega Teams to deliver more of the Firm more consistently. Their combination of breadth, specialization, and diversity make them able to address the larger and more complex UHNW private client and institutional opportunities.

Mega Teams have the resources and capability to develop specialized business units within the team. Often this specialization combined with their capacity to devote to growth make Mega Teams attractive referral candidates for partnering opportunities. It's not surprising that nearly 40% of our National Strategic Partner Financial Advisors are on Mega Teams.

In addition, capacity and scale allow Mega Teams to effectively serve and support Financial Advisors who are looking to establish a succession plan.



#### Key Takeaways:

- Mega Teams leverage their capacity and scale to focus on growth;
- Mega Teams optimize Firm resources for the benefit of the clients they serve, demonstrating a level of consistency and commitment that smaller teams have difficulty matching.
- Mega Teams demonstrate an ability to specialize in certain market segments, supported by their industry designations and experience.
- Mega Teams provide an opportunity for team members to realize significant career development opportunities, especially when they are able to demonstrate an ability to contribute to the growth of the team.

#### a. Focus On Growth

There is a clear growth mindset among the teams interviewed for this project. In fact, every senior leader interviewed saw their team much larger in number of Financial Advisors, number of Support Professionals, and commensurate revenues/AUM in the coming three-five years.

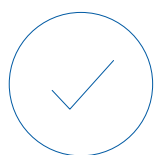
We're in a tug-of-war. The more hands we have on the rope, the harder we can pull. Our goal is to find more ropes to pull.

The Mega Team growth mindset was evident in a number of different ways. A common theme among many of these teams is staying ahead of the competition. They expressed their concern over

the competition they are experiencing, in particular from Registered Investment Advisors (RIAs).

Growth starts with a team culture formed through strong, focused leadership. Mega Team leaders interviewed for this project were much less focused on their own level of production, and much more focused on the growth of team revenues. Growth is core to the team's DNA. When the team grows, nearly everyone grows with it including Support Professionals who often participate in the team's growth through revenue share.

One Mega Team has two offsites a year where they bring the entire team together (over 50 Financial Advisors and Support Professionals) to have fun and socialize. It's expensive but worth it, according to the senior leader of the team, as it contributes to an already strong team culture. This same team also demands that no team member goes to a client meeting alone; a key driver of collaboration. Every year the senior leaders of this team lock themselves in a room for a week to develop their strategic initiatives for the coming year. Afterwards the entire team is brought in to hear the results of the meeting, ask questions, and buy into a vision where everyone is contributing to that year's goals and objectives.



20%

YOY Growth in Mega Teams  
between 2020-1Q22 alone

The rate of growth in the number of Mega Teams has increased during the pandemic and there is nothing on the horizon to suggest this momentum will slow. Financial Advisors and Support Professionals alike are clearly seeing Mega Teams as a way to develop both personally and professionally. Smaller teams are finding it more challenging not only to provide well-qualified candidates with the kind of career opportunity they seek, but to have the time to focus on growth.





## b. Delivering the Firm

In the years to come, trends suggest that the wealth management industry will continue to consolidate, as will the number of successful teams within major firms. Team mergers will be more commonplace, driven by the need for additional capacity and scale and the need to deliver “first class services in a first-class way.”

Mega Teams demonstrate a common ability to leverage the unique strengths and talents of the team. We see this in the specialized services that are common among Mega Teams. We also see this in the many designations these teams hold including Family Wealth Director, Corporate Retirement Director, Senior Institutional Consultant, Insurance Planning Director, etc.

No matter the level of complexity of the client or prospect situation, we have someone on the team immediately available to help address their needs.

The capacity and scale gained through the addition of both Financial Advisors and Support Professionals allows Mega Teams to deliver their robust processes around client experience and investment management with a level of consistency that is difficult to match by smaller teams.

## c. Specialization

Mega Teams continually explore new ways to raise their game in key areas of the practice. Often these efforts lead to specialization. Once specializations mature, branding and marketing

efforts help the team realize growth opportunities both within the Firm, i.e., through the National Strategic Partner program, and externally as their specialization is sought out by private clients and institutions alike.

In interviews we were interested to hear about emerging areas of specializations. For example, the Firm’s initiative around reinvestment through the Workplace Financial Advisor program. Teams are working hard to add both Financial Advisors and Support Professionals to not only attend to the steady flow of reinvestment opportunities, but also the ongoing service and support of existing clients. Many of these teams are becoming Mega Teams in the process.

A year ago we had four Financial Advisors serving our corporate executive clients and their company employees. Today we are eight. In a few short years I fully expect our team of Financial Advisors to double again.

Another emerging specialization is Lending. Teams have developed a specialization in this area to the point where they are being sought out by Financial Advisors and teams who don’t have the capacity to deal with what can be a complex process.

There is little complacency among Mega Teams. While constantly on the lookout for exceptional talent with unique specialization, existing team members are encouraged to acquire new designations in order to expand the team’s suite

of client service deliverables. Other teams are constantly spanning the horizon for the next major trend. One Mega Team is building their core specialization in, for example, FX.

Studying the next major trends has to be part of our team’s culture. We have to mirror the culture of the companies and clients we serve.

More teams are finding talent within their own family. Sons and daughters, brothers and sisters, nephews and cousins, with specialization in key areas — or with well-developed networks and relationships in key target markets — are joining Mega Teams and helping to drive growth.





## IV. Key Challenges

There are several key challenges that emerged from our study of Mega Teams:

**1. Leadership:** As the culture of teaming continues to gain momentum, the value of true team leadership has perhaps never been more critical. It represents one of the major challenges of Mega Teams and often distinguishes the good teams from the great teams. It is also apparent through our research that leadership comes in many forms. We see both horizontal and vertical leadership structures. We see “leadership by committee.” We see Group Directors who oversee the day-to-day activities, giving the senior Financial Advisors more time to focus on growth. We see the value of empowerment and of accountability. With Mega Teams, strong team leadership is no longer optional.

**2. Integration:** Building out a Mega Team means integrating new members into the culture of the team. It means gaining buy-in to what is typically a defined set of established processes. It means empowering each team member with ownership in key areas of the practice. It also means expecting each team member to collaborate as much as possible on growth opportunities and maximizing

the client experience. When implemented and executed the right way, integration leads directly to additional capacity and scale and the ability to deliver more of the Firm.

**3. Conflict:** As teams attract new talent and grow in size — or merge with other teams through succession planning or specialization — conflict inevitably arises. In larger teams with multiple personalities and competing priorities, conflict is common. Mega Teams accept that conflict is a natural byproduct of peak performance. Mega Team leaders recognize the value of constructive conflict and work to foster a culture of honest feedback and criticism. They see the value inherent in everyone not only having the freedom to voice their opinion but knowing that their voice is heard. They also see the challenges when conflict is personal, as this kind of conflict can threaten the very foundation upon which the team is built.

**4. Branding:** Given the constant evolution of our Mega Teams, establishing a strong brand image and the marketing message to support that brand can be challenging. Mega Teams

have addressed this challenge by focusing their marketing message on their “why” — the core values and beliefs that define who they are and why they’re in business in the first place. No matter the changing dynamics of the team, the challenge of keeping their brand current is no longer an issue because their “why” remains intact.

**5. Career Development:** Most Mega Teams are constantly looking for exceptional talent. Their pace of growth leads to the need for additional capacity and scale. One of the key challenges today for many Mega Teams is sourcing new talent. Compounding the problem is that hiring new members can draw on capacity. It takes time and effort to integrate someone onto the team. Mega Teams know there is an inherent challenge in career development, but they accept that challenge as a worthwhile cost of doing business. They are doing the right thing through their mentoring and career development efforts, plus these efforts often lead to a strong sense of loyalty to the team.



## V. Key Benefits

**1. Competition:** Many of the Mega Teams we interviewed were quick to acknowledge they had very little competition. Their size, scale and areas of specialization affords them the ability to engage with either institutional or private clients more effectively than other teams in their market. Despite their perceived edge on their competition, Mega Teams are rarely complacent. On the contrary, everyone has plans to grow even larger in number of Financial Advisors, move into new areas of specialization and stay as far ahead of their competition as possible.

**2. Diversity:** Diversity is a clear strength of Mega Teams. It's certainly apparent in their diverse ages, genders and races. What also stands out is their diversity in talent, experience, designations and areas of specialization. Mega Teams provide a "one-stop-shop" for key areas of specialization that sophisticated family offices and institutions have come to welcome. Another area of diversity is in their geographic dispersion — more Mega Teams are seeing the benefit of establishing a presence in key

markets across the country. This growing trend in geographic diversity is being fed in part by the Firm's strong culture of strategic partnering.

**3. Delivering the Firm:** Mega Teams are better equipped to optimize Firm resources for the benefit of the clients they serve. This advantage is due in part to the additional support resources these teams enjoy, from Support Professionals, Portfolio Analysts, Wealth Management Associates, Business Development Associates, Financial Planning Analysts, often led by a Group Director who ensures the entire operation runs smoothly. Processes are documented, roles and responsibilities are clear, and accountability is part of the culture of the team. The product of such a team is a level of consistent client engagement that ensures a client experience that is difficult to match by smaller teams.

**4. Succession Planning:** Mega Teams are often approached by individuals or teams in part to address succession planning. Sole Practitioners or teams see the advantage of joining a Mega Team with sufficient capacity

and scale to serve their clients. Many Mega Teams have a history of effective transitions, not only demonstrating an ability to retain the clients through retirement, but to grow the asset base and revenues in the years leading up to retirement. However, given the growth that many Mega Teams are experiencing, it is common for Mega Teams to be more selective in who they elect to transition.

**5. Growth Opportunities:** Because of the strength of their brand and the reputation that many Mega Teams have built in their respective markets, growth opportunities are abundant. Teams are often approached by individual Financial Advisors and teams for partnering opportunities. Their exceptional client service offering leads to a steady flow of client referrals. Senior leaders of Mega Teams are often asked to speak at key industry meetings and events as other Financial Advisors want to hear about the reasons behind their success. Their level of exposure both internally and externally to Morgan Stanley put them constantly in the flow for new opportunities.



## VI. Conclusion

This emerging trend around Mega Teams confirms many key concepts that are shaping the financial services industry today and perhaps for years to come:

- **Size and scale matter:** In order to compete effectively in today's environment, a team needs to have the time to focus on growth. Creating that time is done by generating greater efficiencies across the practice. Leveraging well-defined processes and a depth of personnel, Mega Teams tend to have a decided advantage.
- **Clients want it now:** We live in a world of instant gratification. When complex client situations arise, teams must have the specialization to address issues immediately or risk having the clients consider other providers. With the depth of knowledge and diverse perspective across the team, Mega Teams are able to deliver a richer, broader and more consistent client experience.
- **Specialization matters:** Having at least one area of specialization certainly helps differentiate teams and contributes to a stronger brand. Yet even this idea of specialization is being disrupted today. The trend that is re-shaping the concept of "specialization" is the emergence of Mega Teams with multiple specialties, all being delivered by members of the same team.

Building out a Mega Team is challenging. It takes significant investment in both time and money. It takes finding the right people, establishing a vision and a culture to support that vision. It takes hard work and commitment before the true benefits are realized. Once teams reach Mega Team status the growth potential becomes exponentially higher.

Today we are seeing the size of teams leap forward, much like our clients' wealth. The

When client wealth grows from \$1MM to \$5MM, clients are thrilled, and we are happy for them. When wealth leaps, as we are seeing today, into the \$20MM - \$50MM+ range, those clients need a large team to attend to the various aspects of their life.

opportunities for growth have perhaps never been as great, and Mega Teams are well positioned to take advantage of this extraordinary period of wealth creation.

While this white paper focuses on the trend toward larger teams, it is important to note that there are many examples of highly successful and thriving Financial Advisor businesses conducted by smaller teams. The key takeaway from this report should not be that teams need to increase in size, but rather that teams need to think about their long-term goals and potential challenges to growth. We find that many successful sole practitioners and smaller teams often leverage strategic partnering and other virtual team members to help realize greater capacity and efficiency in their business. Ultimately, for a team of any size, it comes down to having scalable and consistent processes that reflect the types of clients you serve and the breadth of services you offer them.

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1. The data driven analysis was designed to help us identify the Top Teams at the Firm. Teams were segmented into four peer groups based on the size of the team and their structure. The teams were then ranked using a weighted scoring methodology that looked at: Team T12 Revenue (50%), Revenue Growth over five years (20%), and Return on Assets (30%). Data source Field Personnel Hub (FPH) and Greenplum. Scope of the study included teams that have at least one Financial Advisor at the Firm for 5+ Years. Financial Advisors who joined the Firm after 2014 are not included in the study. Data is as of 1Q2022. Data excludes Cashless Exercise Only Clients and the Client Advisory Center. Team Statistics were aggregated across all clients associated with the Financial Advisors on the team.
2. The survey was sent to all Top 20% teams. Survey data is leveraged throughout the paper to produce graphs and other statistics. The Survey results are as of 2021.
3. Data Source: Top Team Survey, Data as of 2021
4. Data Source: Top Team Survey, Data as of 2021
5. Data Source: Top Team List and Firmwide Designation Roster, Data as of 2021
6. Data Source: Team Master Table, Data as of 2021
7. Data Source: Copy of Team Master Final, Data as of 3Q21
8. Data Source: Team Data 4Q18
9. Data Source: Team Master Clean
10. Data Source: 4Q2020 Teaming and Partnering Master File
11. Data Source: Mega Teams NSP List By Region, Data as of 3Q21
12. Data Source: Copy of Mega Team Roster, Data as of 3Q21
13. Data Source: Teams with Financial Advisors with Same Last Name