

10 Questions

Greg Friedman on Successful Mergers, Data Nirvana, and the Future of CRM

by Carly Schulaka



WHO: Greg Friedman, CFP®

WHAT: Founder and president of the software firm Junxure, founder and CEO of the wealth management firm Private Ocean, co-founder of the technology integration effort Your Silver Bullet, and frequent speaker at industry conferences and events.

WHAT'S ON HIS MIND: "If you're considering a merger, spend 80 percent of your efforts socializing. Go out to dinner, go to ball-games, get to know the families, get to know these people really well. Spend 20 percent working on economics and structure."



PODCAST: Listen to our podcast with Friedman at FPA.net.org/Journal/Home/PodcastPage.

He's been called the hardest working man in wealth management, and when you get a glimpse into Greg Friedman's life, you know why.

He entered the planning profession in 1991 by launching a sole proprietorship, which he grew into the nationally recognized wealth management firm Friedman & Associates. By 2001, he had founded Juxure, the well-known technology platform and CRM system. He admits he's not really a techie guy, but his vision for creating a better way to deliver premium client service is undeniable. And his desire to see better technology integration for planning professionals led to his co-founding of Your Silver Bullet in 2007. By 2009, Friedman & Associates merged with Salient Wealth Management and the new firm was soon rebranded as Private Ocean.

Today, Friedman continues to meet with clients, working on financial planning and investment strategies while also driving the technology strategy for his wealth management firm. He also maintains the helm at Junxure as

president and manages several speaking engagements each year.

His latest venture? The first Junxure adviser conference (September 16–17 in Dallas) that aims to provide actionable practice management information with a lineup of speakers that includes compliance expert Tom Giachetti and consulting pro Kelli Cruz.

Friedman sat down with the *Journal* recently, just before heading to the FPA NorCal conference to speak about using technology to solve your biggest business challenges. Here, he answers our questions on the future of CRM and tech integration, and shares his wisdom on succession planning success.

1. *You have been instrumental in the movement toward tighter technology integration in the planning profession. What is the state of technology integration today, and where would you like it to be in five years?*

Technology integration today is far better than ever before, but it really still has quite a ways to go. On a scale from

one to 10 with 10 being nirvana, we're probably still at a five.

The reason is that integration is really an incredibly difficult thing to do in a manner that produces real results. For example, when you have multiple applications and data flowing between them, which application controls? Which set of data overrides the other?

The integration concept is really simple to describe and incredibly difficult to implement. So, although we're probably at a five, it's definitely better [than ever before] and we've got great opportunity to improve it.

As for where I would like it to be in five years, first of all, I think CRM will be the hub. And I think this goes beyond our industry, but CRM will be the hub and it'll have much more robust and deeper integrations.

I want to see more situations where there is one set of data that all applications utilize. That's, I think, a real opportunity, and it's an opportunity for the custodians, because that's where a lot of this data originates. If you really had centralized data, and the applications pulled from them, then you wouldn't have some of these issues that are very problematic.

I think you're also going to see the opportunity for improvement for ease of use. As an adviser in an office, to make these integrations work, it's very difficult many times. It's not easy to set up; it's not easy to maintain. So I think you're going to see real progress in those areas.

True integration, to me, is where an application works on the same data that another application may be using. This vision goes far beyond just sharing data back and forth.

2. Do you think our industry will ever see 100 percent technology integration?

I never say never. I would offer this perspective: Fifteen or 20 years ago I was

talking to a gentleman, Dave Huxford, and he was the founder of dbCAMS software, and he used to talk about this idea of data nirvana where you'd have the centralized data of all different types and then the applications just reached in and used the data for their different needs. You didn't have syncing, and data flying back and forth and overriding things, and [the question of] which one controls, and all those different issues that come up when you're sharing data, importing, and exporting.

“Where I think the real opportunity is—it's not some new widget that's going to transform the financial planning world, it's really making the tools that are out there accessible and usable.”

Today, we would all agree the advances in technology have been profound, yet we're only marginally closer to that vision 15 years later. Now that doesn't mean that I'm not optimistic that we will keep moving toward that data nirvana, that true integration. It is definitely possible, and it is definitely in our future.

3. *You founded Junxure in 2001 with Ken Golding. Today, more than 11,000 advisers and planners use Junxure as their CRM system. How has CRM evolved in the last 12 years, and what is the future of customer relationship management software?*

When we started, the ability to send a group of clients who held a specific investment a letter and then follow up with those clients, to batch process and track all of this in a centralized system, didn't even exist—you couldn't do what I just described. And what I just described is now amazingly basic. So when we think about how [CRM] has evolved, I give you that perspective.

What it's evolved to is an amazing place where the basics are all covered and I can now do things with my CRM like business analytics and data mining to run a better business, and those more advanced features are outstanding.

How I see the future of it is as the hub or dashboard of an adviser's desktop. I see a CRM-centered world and it integrates with other applications and platforms and really runs the adviser's firm, from the basic CRM functions, to compliance, workflows, and business metrics. The other thing that's interesting is that this exists now, and only a fraction—and I would put it at a very small fraction—of adviser businesses even begin to approach this type of experience.

One more thing I would say about the future of CRM is I think applications continue to get smarter, and what I mean by that is really flipping around to proactively alert you to client events, birthdays, anniversaries, loans coming due, required minimum distributions needed, and much more based on financial planning and business rules. The exciting opportunity there is you get a new client, you plug in all this stuff and literally the work is just pumped out at you. “Hey, don't forget this.” “Hey, this is coming up.” “Oh look, interests rates just dropped to here, you might want to refinance that mortgage.” I think that's where we're headed, and I think we're headed there sooner rather than later.

4. *Has the proliferation of social media and public social updates changed the way CRM should work?*

On the one hand, I don't think so. And on the other hand, absolutely.

I think of it this way—there are many applications of social media that lend themselves to exactly what CRM does well. Things like people's interests or activities, location, all that kind of stuff. This information can be used to customize correspondence and tailor communications to clients and prospects. So there's real opportunity [with social media], and I think it lends itself perfectly well with CRM.

5. *In your opinion what's the next financial planning area or activity that is just crying out for a software solution?*

Frankly, nothing jumps out at me that's crying out for a software solution.

However, with that said, I think there's a long way to go to make integration between applications more functional and more intuitive. Truly robust functionality seems to necessitate very difficult-to-use software. I believe there are tremendous opportunities to improve this for the benefit of the end user. That's where I think the real opportunity is—it's not some new widget that's going to transform the financial planning world, it's really making the tools that are out there accessible and usable.

6. *One of your roles as CEO of Private Ocean is setting the technology strategy for the firm. What advice do you have for firm owners who know they need a technology strategy, but may not know where to start?*

Fortunately, there are great resources available today that weren't even on the road map just a few years ago.

First of all, there are independent consultants, so there are a number of

individuals and companies that do this specifically for our industry. Secondly, with custodians and broker-dealers, they now have consultants who can help with this, and they do a nice job, including making recommendations for other firms that can help. Then, the software vendors themselves are great sources of information. At Junxure we have an experienced team of consultants and offer consulting services.

With the resources today, there's no good reason why advisers shouldn't be devoting some time to thinking about strategy, and then having a technology plan, and implementing that plan. Years ago in the *Journal*, I wrote about how to develop a plan, how to think about it, how to implement it, and I can tell you, after all these years the approach has not changed, and now there's so much more great help. [See "Technology Strategy an Investment in Your Business," in the July 2005 issue.]

7. *In 2009, your firm, Friedman & Associates, merged with Salient Wealth Management LLC, and a few months later, the combined firm was re-branded as Private Ocean. How long did the merger take, and what lessons did you learn during the process?*

I could spend three hours or two weeks on this, but I'll just give you the bookends.

First, we spent a solid year just discussing merging. So from a time-frame standpoint, from "Hey, we should talk," to signing papers and merging was a full year. And it was a solid two to three years to finally feel like we were working on the business as opposed to dealing with merger issues. I subsequently learned, had I done more research on mergers in general, that that's pretty typical.

The issues that you're dealing with are all over the map. They're everything from misunderstandings to staff turmoil to

client turmoil. It was the third year before clients stopped asking about the merger.

I took a lot of time and had great professionals helping me along the way and I still managed to learn a lot. The number one lesson is spend at least as much time getting to know your prospective partners as you do talking about the economics of the deal. Becoming friends sooner can be tremendously helpful in dealing with the tough issues later. And the tough issues won't be economic. They will be decision-making around vision for the firm, philosophy, and values.

The way I describe it is 80/20, and that's being generous. People spend 80 percent of their time discussing what the deal looks like, what are the economics, and they spend maybe 20 percent of the time discussing their values, who they are, how they get along. I now stand up in front of people and say flip that around. If you're considering a merger, spend 80 percent of your efforts socializing. Go out to dinner, go to ballgames, get to know the families, get to know these people really well. Spend 20 percent working on economics and structure. I don't say that for a negative reason. I'm just saying that the issues that end up creating challenges tend to be things that [could have been avoided] had you known people better.

Number two is document. I say document all discussions and agreements so you can eliminate misunderstandings later. Again, it's not a negative thing I'm pointing to. I'm just saying if I wanted to make those two or three years easier and maybe a little shorter, we would have done better record-keeping. What happens is it's super easy in the anticipation, deal-making stage and frankly, even in the honeymoon stage, to say, "But we all agreed on that, we talked about that, and you don't remember."

The third thing is to slow down the communication and dig deep into the meaning of things. It's easy to use our industry terms and think you are saying

the exact same thing, but when it comes time to applying it, it's really something different. Something as simple as, "We highly value client service" can be everything from, "We respond quickly to client requests" to "We proactively anticipate our clients' needs and reach out to them first." Those are two very different visions described by the sentence "We highly value client service." In the discussions it's really easy to go, "Oh yeah, our firm's really about client service." You think, great, I know what that means to me, and you move on. Then you get together and find out you do client service very differently.

8. *In 2011 and 2012, Private Ocean was named one of the North Bay Business Journal's best places to work in the 20–50 employee category. What do you consider the most important factors in creating an exceptional work environment?*

I think I can narrow this down to four points. One is treat people with respect and acknowledge everyone. Assuming you have the right people in the first place, be very respectful and very acknowledging.

Second, collaborate and encourage participation, don't dictate. I sort of characterize that as lead, don't manage. I also describe it as I pull, I don't push. I create visions. I explain what's in it for them. I cheerlead. I support. My job as a leader—and I think this goes to creating an exceptional environment—is to remove every obstacle and barrier and frustration to every employee to doing their best possible work and to doing the work that they love to do.

I'm constantly asking, "How do you feel about things?" "Do you like what you're doing?" Remember, starting out, they applied for a job in a certain position and in a certain role, so they want to be there to begin with. But in general, I'm always asking about the things they like to do, and then we move tasks and duties

around to keep people doing what they like to do.

Another one is allow and provide open and honest communication. I'm very open with people, very candid, and we don't let things fester. It's really important that if somebody's got an issue, we directly address it. Don't let bad feelings harbor.

The last thing is have fun and encourage others to have fun. We promote fun. Every two to three months we make sure that as a company we do something fun. It could be that we randomly shut the office and take everybody to a movie. We'll bring in a catered lunch because it's a nice afternoon. Sometimes people call that team-building. I just call it, "Hey, we work a lot together, and let's make sure that we get out and have a little bit of fun."

9. *You now have more than 20 years of experience serving clients. In your opinion, what elements are needed for a successful client experience? Are there specific actions planners need to take to ensure their clients are not only satisfied, but willing to refer them?*

I still work with clients and I still develop those relationships. This is what it comes down to for me—show that you care about them. Take great care of your clients.

Proactively anticipate their needs and deliver. Be aware. Be aware of what they're thinking and address it.

Educate and communicate often and in plain English.

Be thorough and don't make mistakes, but when you do—and you will—own them.

Select the right clients. That's a biggie.

The last thing is, I treat clients like I treat employees. I provide lots of acknowledgment and lots of solicitation of what can be done better, how are we doing, how are you feeling, what would you like? That may be not for everybody

but it's my style, and I've been very successful with that. All of it sounds really simple and obvious, but the disciplined execution of this is not so easy.

10. *You write and speak a lot about succession planning. Can you tell us a little about your own succession or exit plan?*

Yes, I'm really proud of it. It took us a couple of years to get it in place, but now it's very specific.

Here are a couple of the elements. It applies to all owners. It's not just my succession plan, but it's a firm succession plan. An owner must start selling at age 67. It's over five years to smooth out the valuation so it's fair. You don't want to be retiring in 2009, right? Ownership is being offered to employees in the firm based on ownership criteria that we've developed, then getting invited by current owners. If there are not enough buyers at any given time, the firm will redeem the stock.

Another element of it is that we're grooming and mentoring interested people for management to run the firm in the future. It's a whole strategy around how does Private Ocean transcend from the first leaders to others with an expanded ownership, expanded management, expanded leadership that allows no huge majority king, grand poobah.

The key to succession planning is what are your goals? I mean, if you just want out, that's one thing; but both Richard [Stone] and I were very consistent in our desire that we got into this business to take great care of clients. We now have clients that we've worked with for 25, 30, 35 years. We work with multi-generations. We want them to be taken care of. How do you do that? You create an entity that transcends you. ■

Carly Schulaka is editor of the Journal. Contact her at Carly.Schulaka@FPAnet.org.