

MERRILL LYNCH REFOCUSSES ON PERFORMANCE CULTURE

This week Merrill Lynch made a very significant announcement. With a swift kick, they are abandoning the aggressive recruiting behavior that has dominated their growth strategy - and the market - for most of the past two decades. The implications of this shift may be felt across the industry for many years.

Read the Fox Business piece [here](#) or the WealthManagement.com article [here](#).

Merrill won't be the only wealth management firm to adopt this posture. The pressures on advisors and firms have been building for many years and have increased in magnitude in the past 18 months:

- Changing customer dynamics and demographics;
- New regulatory realities;
- Significant challenges to old parts of the advisor value proposition from new and emerging technology, most notably digital portfolio management services;
- Decrease in pricing power, especially in the traditional business..

All of these issues are contributing substantial pressure on revenues - especially as they relate to the traditional investment management focused value proposition.

Similarly, these issues contribute to substantially deteriorating confidence in the likely financial returns on the acquisition 'deals'. This is not a recipe for strong, long run financial performance. Couple this with the well-known and ongoing struggle to create and cultivate the right brand and culture with a collection of free agents and this moment was likely inevitable.

SO, WHERE DO THEY GO NEXT?

Where do wealth firms find the growth that drives profitability?

Merrill signals that the answer is two-fold. First, they expect to redouble efforts to build from within, only now they will take new and different approaches to find and cultivate performers. In fact there are certain things that attract the brightest millennials to companies, read more about it in our article about [Gen Y](#). After years of struggles to build a sustainable manufacturing system for financial advisors, Merrill feels they now have the right formula.

But, perhaps more importantly, Merrill will focus on existing advisors and seek to build scale and higher performance into every existing Merrill advisor. New approaches to compensation, new tools and a new philosophy of support are all expected to yield better performance in every advisor seat in the firm.

We have done a lot of thinking at Xtiva about building sales performance in financial institutions. It's not easy, but with the right combination of performance management technology and tools, sales enablement intelligence that can drive revenue, and a well-designed and strategic incentive compensation program, the destination is achievable.