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Snowden Lane Perspectives: TheValue of Culture

Article Written By: Greg Franks, President and Chief Operating Officer

When I speak with advisors that have left large banks, usually the number-one issue they cite has to do with their former firm's culture, or the absence of it. Regardless of location or experience, advisors generally want to be a part of something bigger than their own practice's agenda, and an environment that is void of culture can encourage talented people to search for better.

When it comes to a firm's culture, there will always be critics who say culture is meaningless or isn't pivotal for an organization's success. Perhaps in certain industries this may ring true, but unless your company is focused entirely on something that prohibits employees from interacting with each other, it's difficult to believe a strong culture is of little value. With the advent of automation, it could be viewed that people are no longer critical to their firm's mission. This outlook is flawed simply because the logic behind it's that having a strong culture doesn't deliver meaningful or incremental return to the bottom line. In fact, I once heard the former CEO of Merrill Lynch say that culture was overrated. I was so surprised that I shared his comments with my father who was a Marine Corps tank commander in the Korean War. He made an interesting comment, saying: "machines do not make culture, people do; your leader just said that people are overrated." He then went on to tell me that he was worried about my company if the person at the top held those views. Twelve months later that same CEO was fired and Merrill Lynch needed to be sold and bailed out by the federal government.

What so many leaders fail to understand regarding culture is that it will exist no matter what, but it's the leaders of a company who determine if it will be energizing or toxic. Wall Street lost its soul when the focus on profits and compensation superseded all else. People began to understand that personal performance, measured by dollars delivered to the bottom line, was valued more than anything else in their workplace. Similarly, employees on Wall Street began to see more investments created for the sole intention of generating profits, and clients' best interests being overshadowed by the financial needs and pressures of the organization for increased profitability. The firms who delivered weren't questioned on how they achieved success, they were simply applauded and showered with praise, promotions and more money. Over time, a culture of "whatever it takes" took over and replaced nearly a century of "The interests of the clients must come first". People who did the right thing by mitigating risk or raising concerns over aggressive business tactics were often passed over or even fired.

In 2007, the head of mortgage backed trading for Merrill Lynch voiced serious concerns that the firm was taking on too much risk in the CMO market and that no one fully understood the complexities of the product. He was told to keep his objections to himself and that in fact, he was the one who did not understand. Shocked by the response, he tried to voice his concerns again a month later and was abruptly fired. The culture change was clear: compensation and stock prices were now valued more than doing the right thing for clients. The definition of integrity, "Choosing your thoughts and actions based on values rather than personal gain, was lost.

Ultimately, the culprit behind this drastic culture change has been a combination of outside consultants and financial engineers, and it has continued to permeate ever since, with the recent Wells Fargo account fraud debacle as an excellent example. In that case, the pressure to achieve financial targets was so intense that people began to engage in unethical business practices affecting thousands of clients. In the end, this change has cost the CEO and others their jobs, the organization has paid billions in fines and penalties and now it will take decades for them to rebuild their reputation. Theranos is another excellent example, where the culture was toxic and the company's fate reflected that. It's clear that a culture of integrity and putting the interests or the clients or patients above all else would have prevented all of this from ever happening.

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Previously, Greg was a Managing Director with Merrill Lynch Wealth Management, where he was responsible for over 5000 financial advisors, $450 billion dollars in client assets and $4 billion in annual revenue.
Additionally, Greg was Maryland State President for Bank of America where he was responsible for integrating the various lines of businesses into a cohesive platform to better serve the clients of both the consumer and commercial bank and the wealth management business.
In his 28 years with Merrill Lynch, Greg held various positions including Western Division Director, Mid-Atlantic Division Director and Regional Managing Director. Greg held positions in London, England where he was Executive Director of the wealth management office and in Dubai, U.A.E., where he was Regional Director of the Middle East.

About Snowden Lane Partners

Snowden Lane is a client-focused, financial advisor-owned, and national branded independent wealth advisory firm. Through its open-architecture platform, Snowden Lane delivers wealth advisory services to high net worth individuals, families and foundations. For more information about Snowden lane, please visit www.snowdenlane.com.

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Financial advisors watched all of this happen and were appalled and embarrassed by senior leadership. They bore the painful reputational brunt of corporate the greed, manufactured apologies, historic fines and ultimately the need for a government bailed out. At the same time, clients watched all of this transpire and began to raise serious questions with and about their advisors. The catalyst was now in place to jump start the independent revolution.

En masse, financial advisors left these companies to start their own RIA or join boutique firms where the money on the table was their own. They were drawn by a positive culture and a common view of being a true fiduciary for their clients without the pressures and conflicts associated with firms that put their bottom line over the client's. An industry was born.

Since then the independent channel has blossomed. For those of us in leadership positions, it's now critical that we never make the same mistakes again and place growth or personal gain ahead of our values and clients. Now, advisors are committed to changing the way Wall Street deals with main street and are disrupting an entire industry that needed, but was unable, to change. It's a wonderful time to be in this business and wake up every day to ensure the interests of our clients always come first.

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