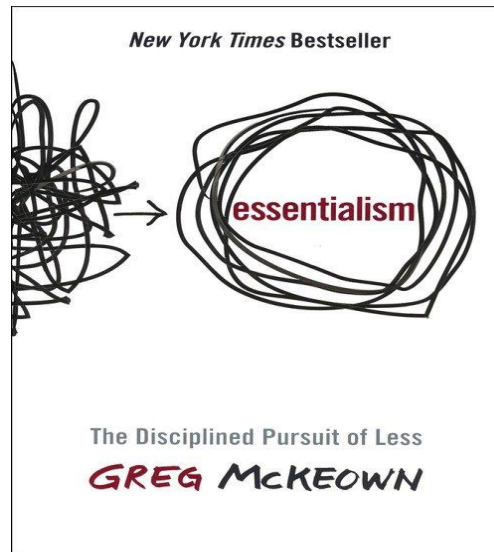


Essentialism



Filtered Thought Leadership “Top Business Books Summarized for Financial Planning Leaders”

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Presented By

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Introduction

What is “Filtered Thought Leadership”?

The purpose of “Filtered Thought Leadership” is to provide the “key concepts and ideas” from today’s top business and leadership books to professionals in the financial advice industry. I am not sure if I love the phrase “filtered” but you get the point.

It’s tough to argue against reading more, as we know it will help us be better professionals and leaders- however it can be tough to find the time and focus to complete recommended books. I found in my financial planning career, countless books were recommended to me and were even given as gifts. I had good intent to read these books however I (and most colleagues) rarely made the time to complete the books we know we should be reading.

This is an attempt to summarize books in a few pages, specific to the concepts that can best help people in our profession. This will be a tool to keep advisors and leaders aware of key studies, trends and ideas that will aid their conversations with clients or the advisors they coach.

The final pages offer my perspective on how the core concepts could be implemented by leaders in the financial planning industry. I offer the key concepts FIRST, without my suggestions, so that you can think freely of how you could apply before seeing someone else’s take on implementation.

We purposely omit fancy fonts, pictures (unless necessary) and stick to basic text to comply with reading “on the fly” and avoid formatting issues depending on your device.

This Edition

“Essentialism”

By Greg McKeown

2014 Published

Essentialism: The Disciplined Pursuit of Less was chosen for the final book review of 2020. I have seen this book quoted in a number of other books and articles I have read throughout the year. The theme of many financial advisors and especially, firm leaders & managers that has been very common in my discussions this year has been around wanting to “stop adding” to their calendar and systems. How can we do less, but do it better?

“The Focus Project” which was our November book review, quoted and was heavily influenced by “Essentialism.” I am glad I choose the book as the last one of the year as I personally will look to say NO to more in the new year and do less - something that doesn’t come natural to me as I traditionally have a “pour it on” attitude and know many readers of FTL do as well.

Key Concepts & Thoughts

The first chapter is called “the essentialist” where it references a Silicon Valley executive who was stretched too thin but extremely capable of his job after a merger. He ended up leaving the company to become a consultant where he only worked on the projects that he was great at and that the company needed the most. His work was better, and his colleagues appreciated working with him even more in this “different” capacity as a consultant. The author uses this example to explain essentialism – only once you have given yourself permission to stop trying to do it all, to stop saying yes to everyone, can you make your **HIGHEST CONTRIBUTION** towards the **THINGS THAT REALLY MATTER**.

The way of the essentialist is “less but better.” It is a discipline. It’s about how to get the **RIGHT** things done and operate at our highest point of contribution by only doing what is essential.

We need to grapple with trade-offs and make tough decisions. In many cases we can learn to make one-time decisions that takes care of a thousand future decisions, so we don’t exhaust ourselves asking the same questions again and again.

If you don’t prioritize your life, someone else will.

The paradox of success:

1. When we have clarity of purpose, it enables us to succeed at our endeavor.
2. When we succeed, we turn into a “go-to” person who is always there when you need him/her. Therefore, presented with increased options and opportunities.
3. When we have increased options, it is actually code for demands on our time and energy, ultimately diffusing our efforts - we get spread thinner and thinner.
4. We become distracted from what was our highest contribution level. Our success undermines the very clarity that led to our success in the first place.

Jim Collin’s “How the Mighty Fall” explores top companies that failed because of the paradox of success - they fell victim to the “undisciplined pursuit of more.”

Decision fatigue: the more choices we are forced to make, the more the quality of our decisions deteriorates.

The author uses “cleaning out your closet” as another metaphor for the essentialist way. We value things we already own more highly than they are worth, making it more difficult to get rid of. If you are cleaning out your closet, ask the question “If I didn’t already own this, how much would I spend to buy it?” If you weren’t already doing this activity at work, would you choose to take it on now?

The highest point of frustration is the intersection of POPULAR, EVERYTHING and NOW.

The highest point of contribution is the right THING, for the right REASON at the right TIME.

People are effective because they say “no,” because they say, “this isn’t for me.”

The ability to choose cannot be taken away or even given away - it can only be forgotten.

Working hard is important, but more effort does not necessarily yield more results.

Ferran Adrià, arguably the world’s greatest chef, epitomizes ‘less but better’ in two ways. First, his specialty is reducing traditional dishes to their absolute essence and reimagine them in ways people have never thought of. Second, his restaurant, EL BULLI has two million requests per year for dinner reservations but only serves 50 people per night and closes for 6 months.

Pareto Principle: 20% of our efforts produce 80% of results.

Warren Buffett: “Our investment philosophy borders on lethargy.” He owes 90% of his wealth to just ten investments. He makes big bets on the essential few investment opportunities and says no to many “good” ones.

A non-essentialist thinks almost everything is essential. Many capable people never get to the next level because they have a belief that everything is important.

Southwest airlines, from 1972 until the book’s publishing would have provided the highest returns of any company in the S and P 500. Southwest is an essentialist example. Only point to point flights, instead of up charging for fancy meals - they don’t serve meals, instead of different classes of seats - everyone is in coach, they only fly 737s...these were all tradeoffs that exemplified essentialism and paid off.

The author feels senior executives of companies are among the worst at accepting the reality of trade-offs. Instead of asking “what do I have to give up?” ask yourself, “what do I want to go big on?”

“Without great solitude, no serious work is possible.” - Pablo Picasso

Non-essentialists react to the latest idea, respond to the last email, jump on the latest opportunity. Essentialists choose to create space to explore and ponder.

Play reduces stress and stimulates parts of the brain involved in both careful logical reasoning and carefree exploration. Columbus was at play when it dawned on him the world was round. Newton was at play when he conceived the of the force of gravity. The CEO of twitter started a comedy improv class at the company because it forces people to stretch their minds and think more creatively. How can you introduce more “play” in the workplace?

Sleep is protecting your asset. You may be familiar with Anders’ Ericson famous study of violinists (talked about in Gladwell’s “Outliers”) where Anders found that the best violinists spent more time (10,000 hours) practicing than their “good” counterparts. The second most important factor in that study was the amount of sleep the best violinists had. The best slept

8.6 hours a night which was an hour longer than the average American. They practiced more but they got MORE from those hours because they were regenerated.

A Harvard study shows that PULLING AN ALL NIGHTER induces an impairment level the same as having a BLOOD ALCOHOL LEVEL of .1%.

NO MORE YES. IT'S HELL YEAH! Or NO! From a TED talk by Derek Sivers who describes the simple technique for becoming more selective in our choices.

Vitsoe has made only one piece of furniture for 30 years.

In order to have your dream job (or business) you likely will have to say NO to many good, even very good parallel opportunities.

| | General | Concrete |
|---------------|----------------|---|
| Inspirational | Vision/Mission | Essential Intent (Make One Decision That Eliminates 1,000 Later Decisions) |
| Bland | Values | Quarterly Objectives |

Top left: “change the world” statements that sound inspirational but are so general they are ignored.

Bottom left: we have a set of vague, general vales but too generic to inspire passion.

Bottom right: shorter term objectives we pay attention to, are concrete but lack inspiration.

Essential Intent is MEANINGFUL and MEASURABLE.

After Hurricane Katrina, Brad Pitt started “Make It Right” after seeing lack of progress in rebuilding homes. His essential intent for the organization was “to build 150 affordable, green, storm resistant homes for families living in the Lower 9th Ward.” Its concreteness made it inspire and it answered the question, “how will we know if we succeeded?”

We fear saying NO because we worry we will miss out on a great opportunity.

Steven Covey: “The Main Thing is to keep The Main Thing, The Main Thing.”

Peter Drucker: “People are effective because they say no. Productivity is NOT doing anything that helps the work of other people but to spend all one’s time on the work the GOOD LORD has fitted one to do and to do that well.”

Say NO gracefully - “I would like to, but I am overcommitted right now.” The more we can think about what we are giving up when we say yes to someone, the easier it is to say no.”

Essentialists accept they cannot be popular with everyone all of the time.

A clear NO can be more graceful than a vague or non-committal YES.

The non-essentialist asks, “why stop now when I’ve already invested so much into this project?” The essentialist asks, “If I weren’t already invested in this project, how much would I invest in it now?”- The endowment effect: we undervalue things that aren’t ours and overvalue things because we already own them.

Creator of Twitter JACK DORSEY considers himself the Chief Editor of the company. There are thousands of things we could be doing but there are only one or two that are important.

Deliberate subtraction to actually add life to your highest level of contribution. It removes anything distracting.

The Latin root of the word DECISION – cis or cid- literally means to cut or to kill.

“Are you saying it as clearly and concisely as possible?”

A non-essentialist views editing as a discrete task to be performed only when things become overwhelming. But waiting too long to edit will force us to make major cuts not always of our choosing. Being an essentialist means making cutting, condensing and correcting a natural part of our daily routine - making editing a natural cadence in our lives.

“DON’T ROB PEOPLE OF THEIR PROBLEMS” - When people make their problem our problem - we are enabling them, we aren’t helping them. Think of someone who frequently pulls you off your most essential path. Make a list of your deal-breakers - the type of requests or activities from that person that you simply refuse to say yes to unless they somehow overlap with your own practices.

Buffer - How many times have you seen a presenter cut off a meaningful conversation because of feeling obliged to get through all the content they had planned? This is the default position for most speakers or facilitators. Instead of having content and leaving 10 minutes at the end of questions and comments, the best facilitator the author has seen, he would suggest 25% of the time be for this dialogue.

The planning fallacy - labeled by Daniel Kahneman in 1979- finds that people underestimate how long a task will take, even when they have done the task before.

“To attain knowledge, add things every day. To attain wisdom, subtract things every day.” - Lao Tzu.

Find your constraints. Example: On a hiking trip, a leader found that Herbie is the slowest hiker, slowing down the entire pack. The leader tries a unique approach, he puts Herbie at the front of the pack and lines up everyone, slowest to fastest behind him. It is counterintuitive but when the leader did that, the pack started to move together as 1 group. This helped first because it allowed the leader to always see the entire group - but it also helped isolate the

problem and work on the one constraint. If you can make Herbie a little bit faster and work on HIM then the whole group would go faster (and stay together). He ended up taking all the weight out of Herbie's bag and redistributing weight to the other hikers. The moral here is instead of trying to improve every aspect of your business, identify your HERBIE.

An essentialist produces more - brings forth more - by removing more instead of doing more.

Instead of focusing on adding more - (we need more sales, we add more salespeople) - focus on the constraint we need to remove. To do this: 1) identify the essential intent statement - this is when we know we are done 2) Find your slowest hiker - the one obstacle which when removed removes the majority of other obstacles 3) remove the obstacle - if it is a person - ask the person "what obstacles or bottlenecks are holding you back from achieving X, and how can I help you remove these?"

Progress - the power of small wins. The essentialist starts small and celebrates progress. Instead of going for big flashy wins, they produce small and simple wins. Big and hyped initiatives in organizations usually never end up amounting to anything.

Research shows that of all human motivation - PROGRESS is the most effective. A small, concrete win creates momentum and affirms our faith in our further success. There is something powerful about visibly seeing progress toward a goal.

DONE is better than PERFECT - popular idea in Silicon Valley.

The power of ROUTINE grows out of our brain's ability to take over entirely until the process becomes fully unconscious. 40% of our choices are deeply unconscious according to Duke University research.

Jack Dorsey's routine: Monday is management meetings. Tuesday is product development. Wednesdays is for marketing/communications. Thursdays is for developers and partnerships. Friday is for culture.

Jeff Weiner, LINKEDIN CEO sees "fewer things done better" as the most powerful mechanism for leadership. FOCUS - #FCS is his mantra. Fewer things done better. Communicate the right information to the right people at the right time. Speed and quality of decision making.

If we could only do one thing, what would it be?

Eddy's Commentary for Wealth Advisors

I believe there are many lessons in this book for any advisor but even more so for the independent advisor that serves as not just an advisor, but a true owner of their practice. Usually, an independent advisor has leaner teams which can fall victim to “pour on” tasks and responsibilities for themselves and their employees.

One idea comes to mind for advisors is essential intent. I believe sharing a well thought out essential intent statement (that is both inspirational but concrete) can lead to more purposeful referrals when you share it. Example, if your essential intent statement is “to deliver 60 new financial plans to business owners in 2021 in effort to build a stronger community”- can you share that with your centers of influence or clients to gain more ideal referrals?

Would it be a valuable exercise to have your team members/your employees to each share with you (and maybe each other) what they feel their HIGHEST CONTRIBUTION level is to your practice? Could you write out what you feel SHOULD be their highest contribution level for their role and see how aligned you and your employees are? The key here is to have your employees limit their answer to just one task or responsibility or priority that is most essential to the practice/business.

When most advisors read this, the obvious application will go to which prospects should I say “no” to. If you have a lead-advisor on your team, it may give you the ability to implement Derek Sivers’ “If it isn’t a HELL YEAH, then it should be a NO” test to be spending time with clients. In order to have your dream practice you will likely have to say no to many good opportunities.

Who on your team is most likely to say YES to everything you assign? Can you coach them on being a bit more of an essentialist, so their critical work stays sharp? Explain to them that there should be “trade off” conversations when a new project or responsibility is initiated.

The planning fallacy by Daniel Kahneman states people underestimate how long a task will take, even when they have done the task before. As an advisor you likely anticipated a client to take action more quickly than they did. Would showing a visual timeline of the planning process steps for your client (mapped out with decisions that need to be made in what time period) help create urgency in the client acquisition process?

“Are you saying it as clearly and concisely as possible?” When you write out new client interaction language or presentation language, think through an editing lens of cutting away words and clunky concepts - edit away, edit away, edit away.

Finally - when preparing for a presentation- can you cut your presentation time down by 25% to allow more interactive dialogue with clients or to ensure you aren’t feeling obliged to get through all the content YOU WANT TO versus the content your CLIENT wants to.

Eddy's Commentary for Firm Leaders

You likely wrapped up or about to go on your annual planning retreat to assess 2020 results and plan for 2021. There were likely many priorities and initiatives discussed. It may be helpful, before the start of the new year to make sure the most essential priority - if you only had to pick one - is crystal clear to the people that are tied to it.

Going back to the CONCRETE/INSPIRTAIONAL matrix, firm leaders often have a generic mission statement, cliché values, specific quarterly objectives - but how many have an inspirational and concrete essential intent statement that can MOVE an organization but also lets them know when an accomplishment is made? “We will deliver 5000 comprehensive financial plans to better educate and secure the local marketplace....” People may connect to that statement more so than “To deliver financial security to the marketplace for generations.”

How can we help new advisors “edit” their language to “cut away” unnecessary words and concepts to help them concisely communicate to their clients?

Buffet owes 90% of his wealth to 10 investments. Pareto principle 20% of efforts = 80% results.... What advisors are you BETTING big on with your resources and attention? If you feel like you cannot help them because their success has outgrown your expertise as a leader - then find other resources where you can stack your chips on the most essential practices in your firm.

Easier said than done - but how can you and your team adopt the “IF IT ISN'T HELL YES, to a new recruit than it must be a NO” as a selection philosophy? This could be relative to each manager or leader on your team. If a new recruit is a “NO” to one seasoned manager in terms of being coached by him or her - could you repurpose that candidate to a less seasoned manager that would be a HELL YES to? (Then figure out any economics).

When facilitating training or a session, cut your content by 25% and leave that for discussion!