



# EMBEDDED WORKFLOWS

THE MISSING LINK IN YOUR BUSINESS PRACTICE INFRASTRUCTURE



**IMPORTANT DISCLOSURE:**

This paper was developed and is published by Schwab Intelligent Technologies (“SIT”) and is intended solely for independent registered investment advisor (“RIA”) firms. The paper is intended for general informational purposes only and is not intended to provide financial, investment, regulatory compliance, legal, or tax advice. Any guidance taken from the paper is not tailored to the particular circumstances of any reader of the paper or their firm.

This paper relies, in part, on studies, reports, white papers, information, and observations (together “Research”) that Schwab Advisor Services has gained from the experience and insight of hundreds of business and technology consultations and its leadership position in serving RIAs (nearly 7,000 advisors and over 25 years as of this printing). More information about the methodologies used for the Research is contained in the reports of the Research cited in this paper. Those reports are available upon request.

Schwab Advisor Services includes the custody, trading, and support services of Charles Schwab & Co., Inc. (“CS&Co”), a registered broker-dealer and member SIPC. SIT provides technology solutions to independent investment advisors, while CS&Co provides them and their clients with custody, trading, and related support services. SIT and CS&Co are separate companies affiliated as subsidiaries of The Charles Schwab Corporation, but their products and services are independent of each other.

# INTRODUCTION

Registered investment advisor (RIA) firms are challenged not only to grow but also to grow profitably by making efficient use of resources. Advisors have embraced many best practices to help them reach this goal, including a rapid increase in the number of technology systems they use. One key piece of the puzzle, however, is still missing. And without it, advisors aren't likely to get the most out of their investments in both staff and technology. That missing piece of the puzzle is embedded workflows.

Compared with the manual workflows of the recent past, automated workflows embedded in the technology RIA staff use the most on a day-by-day basis—the customer relationship management system (CRM)—can have an exponential business impact. Embedded workflows can help bridge the gap between the work that front- and back-office staff do every day and the many task-specific technologies that support them.

## **A New Way to Think About Workflows**

Workflows have evolved from a way to govern rote tasks into drivers of business productivity and scale. Just as advances in technology often require a shift in mind-set, advisors should begin to think about the next generation of workflows in new ways:

- Workflows are an essential part of your company's day-to-day practice infrastructure, not simply a piece of documentation that sits idle after being completed.
- Workflows can function as the heart of an RIA firm's service model, helping the firm deliver value to clients with discipline and consistency.
- Workflows are the bridge that brings people and systems together, potentially increasing the efficiency and effectiveness of both.

Schwab Intelligent Technologies™ believes that a shift in approach to workflows can enhance the performance of RIA firms both operationally and financially while helping them deliver consistent, high levels of service to their clients.



# RIAs UNDERUSE WORKFLOWS

Workflows are an essential part of the RIA business infrastructure, yet most advisors treat them perfunctorily. The 2010 Workflow and System Integration Study from Charles Schwab & Co., Inc. indicates that, in practice, workflows are often treated as mere documentation rather than blueprints for day-to-day management. Key results include:

- Most workflows are paper-based rather than automated.
- Documented process steps are often not connected to target turnaround times, potentially creating a gap in efficiency and service quality.
- Workflows are typically updated every one or two years, so ad hoc modifications may not be captured in official records, and process consistency may suffer.

- Just under two-thirds of firms use workflows for managing client service.
- Only one-quarter of firms use workflows to manage prospecting.
- Dissatisfaction with workflows is primarily driven by a lack of defined process.

For workflows to be effective, they should define how critical tasks are best executed. Schwab Intelligent Technologies believes that workflows need to be leveraged by the entire firm, which requires that they be reviewed and updated often and be part of the firm's daily work routine—rather than stowed in a drawer, out of reach and out of sight. We believe that putting workflows at the center of the work environment (by designing, documenting, and automating them) can help RIA firms create an enduring, scalable business.



# WORKFLOWS: WHAT THEY ARE, AND WHAT THEY AREN'T

## EXHIBIT 1: SAMPLE ASSET TRANSFER WORKFLOW

### 1. RECORD ACTIVITY AND UPDATE IN CRM; CREATE FOLLOW-UP TASK LIST

Three sub-steps  
Assigned role  
Target turnaround time

### 2. PROVIDE CLIENT WITH APPLICABLE PAPERWORK

Two sub-steps  
Double-check for two common errors  
Assigned role  
Target turnaround time

### 3. REVIEW INFORMATION WITH CLIENT AND OBTAIN SIGNATURES

Five sub-steps  
Assigned role  
Target turnaround time

### 4. COMPLETE PAPERWORK USING ONLINE TOOLS AND TRACK VIA CRM

Five sub-steps  
Assigned role  
Target turnaround time

A workflow is a multipurpose tool used to assign roles and responsibilities, define deliverables and time frames, and model efficient service delivery. A workflow is a concise method of explaining how a process could be best completed. It goes well beyond simple to-do lists; it reinforces both expected behaviors and best practices. Exhibit 1 shows a high-level overview of a workflow for asset transfers, which was developed as part of the Schwab OpenView™ Workflow Library,<sup>1</sup> a resource intended for Schwab clients.

The chart includes a few important features. First, each core step is divided into sub-steps. To be effective, a workflow should document as much of the process as possible, even building in double-checks for common errors. Detailed workflows enable the firm to control and measure the overall task precisely, at each stage, for maximum productivity and quality.

Second, greater workflow detail allows for assigning roles not only at a high level but also at the level of sub-steps. That way, in addition to managing its costs, the firm can more effectively manage its service model and value promise, tracking completion against targets. For example, certain firms may involve the principal in Step 3 (reviewing information with the client) as a key validation step. Other firms may delegate this step to account administration staff and build in a validation step elsewhere.

Third, well-designed workflows—those with precise task lists and assigned roles—help identify handoff

1. The Schwab OpenView Workflow Library is a product of Schwab Intelligent Technologies made available exclusively to advisors that custody client assets with Schwab Advisor Services. See Important Disclosure at the front of this paper for information about Schwab Advisor Services.

points between team members where the process might break down. The firm can thus design and implement sub-steps at these links in the workflow to standardize the process and ensure communication and continuity.

Last, having strong processes in place is an operational best practice that could add value to the firm. Keeping the client experience consistent across the office is paramount for any firm, and documented processes are key elements of any effort to scale.

They are also important for business continuity and transition planning. Potential buyers look for operational risk, which could include continuity risk resulting from events ranging from a fire on the premises to the departure of key personnel. If the firm carefully documents and follows its own processes, potential buyers could view this favorably, which in turn could have a positive effect on the firm's value.<sup>2</sup>

## DISCIPLINED WORKFLOWS CAN PROVIDE MANY TANGIBLE BENEFITS

### Firm Productivity

- Increased productivity through streamlined and institutionalized processes across teams
- Reduced or possibly eliminated manual tasks
- Increased likelihood that tasks are completed promptly and consistently
- Improved data and process accuracy
- Visibility and control and improved accountability

### Client Experience Improvements

- Better-defined, more consistent client experience
- Faster, more efficient responses to clients' needs
- More consistent client communications



2. Schwab Advisor Services 2011 MKT report *Transition Planning: A Guide to Understanding Valuation and Deal Structure*, Charles Schwab & Co., Inc.

## DESIGNING OPTIMAL WORKFLOWS FOR YOUR PRACTICE

Improving a workflow starts by mapping, analyzing, and improving the processes themselves. While it might be tempting to capture existing steps of a process into a workflow sequence, RIAs report that they realize the most significant productivity gains when they take the time to review and critique key existing processes.<sup>3</sup> By examining and then documenting processes, firms can gain greater control over their operations and set effective companywide standards. They can then measure and benchmark performance at the level of the firm, group, or even individual staff member. The following diagram offers a generic approach to developing new workflows or to customizing and enhancing existing workflows.

### WORKFLOW DEVELOPMENT PROCESS

#### 1. CHOOSE A PROCESS THAT NEEDS IMPROVEMENT

You might start by determining which processes are time-consuming, prone to error, or critical for success.

#### 2. ASSEMBLE A TEAM TO EXAMINE AND DETAIL THE PROCESS

Diagram steps, inputs, outputs, and important decision points, and then identify key systems and applications used in the process.

#### 3. ANALYZE

What really happens as opposed to what should happen? Where is value being created, and where are the inefficiencies? Does the process contain redundant or unnecessary steps? Which steps suffer from the most significant problems?

#### 4. BRAINSTORM SOLUTIONS

What improvements will take the process to its desired future state? Determine which solutions make the process run more effectively and efficiently.

#### 5. IMPLEMENT

Specify action steps and assign responsibilities. Document the new, approved procedures, and then communicate with employees to ensure that they are used consistently.

#### 6. MEASURE AND ADJUST

Establish relevant metrics for evaluating the success of your workflows; revisit your results regularly to determine what additional steps, if any, are needed.

3. Schwab Advisor Services 2010 MKT report *Integrating Technology Into Your Practice: Keys to Improving Productivity*, Charles Schwab & Co., Inc.



# BRINGING PEOPLE AND TECHNOLOGY TOGETHER

Over the past several years, RIA firms have emphasized technology as an enabler of productivity and growth, increasing their reliance on and investment in key systems. (See Exhibit 2.) But while individual technology solutions may be excellent for their specific tasks, they often operate in silos. In other words, they lack cross-system efficiency.

These gaps in cross-system efficiency can cause problems for firms because they force staff to execute multiple tasks in multiple systems to complete a single business process. This complexity also creates the risk of process failure should one or more of the tasks be missed or executed out of order. In fact, half of advisors (47%) surveyed in the 2011 RIA Benchmarking Study<sup>4</sup> from Charles Schwab & Co., Inc. cite “designing changes to workflows or processes” as a top challenge, ranking it among the top three technology challenges in the study.

The key benefit of strong workflows is that they enable the firm to see through individual tasks to the underlying process (that is, how the tasks are connected) and to the deliverables for the client and the firm. Once the firm maps the process components—and understands the value delivered at each step—it can link those workflow steps to features and functionality in its systems.

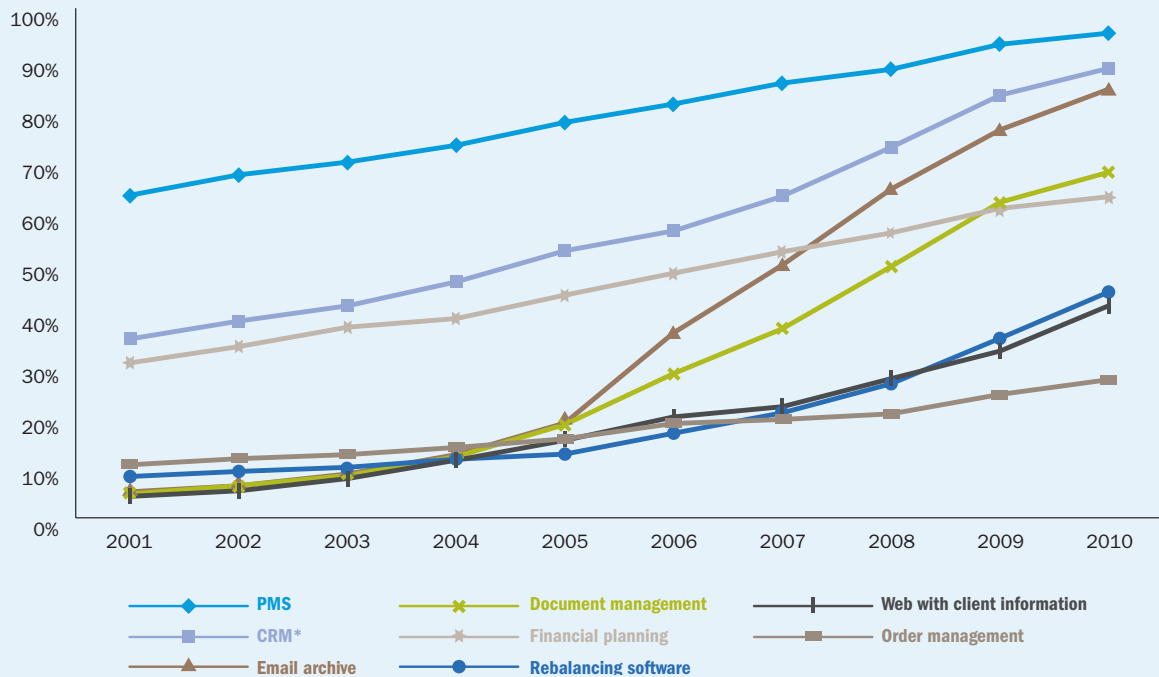
This process is essentially the reverse of what many firms do, which is to identify the main capabilities of their key systems and then look for ways to use those functions. Schwab Intelligent Technologies advocates mapping the workflow first to identify key steps in value delivery, and then mining the firm’s systems to identify specific features and functions that can most efficiently deliver the targeted value at each step of the process.

This reverse approach might help firms get more from their technology because systems deployment will be tied directly to business goals (related to both efficiency and value delivery), rather than merely to executing specific tasks. It can also help firms design and implement best-practice processes that are able to be customized, updated, and automated—key factors in optimizing the way people and systems interact. Even in environments that lack systems integration, effective workflows can ensure that processes are executed the right way to deliver on the firm’s service model; the best way the firm knows how to do it, at any given time; and automatically for all staff, the same way, every time. Thus, workflows can help people and technology work at their best, combining optimal functionality of systems with best practices for staff to deliver maximum impact for clients.

4. The 2011 RIA Benchmarking Study from Charles Schwab & Co., Inc. comprises self-reported data from advisory firms that custody their assets with Charles Schwab. The study was fielded in February and March 2011 and includes self-reported data from 820 firms.



## EXHIBIT 2: ADOPTION OF KEY SYSTEMS



\* Includes Microsoft® Outlook or basic contact management.  
Results shown for \$100MM+ AUM firms.

Source: 2010 RIA Benchmarking Study from Charles Schwab & Co., Inc., fielded February and March 2010. Study contains self-reported data from 870 firms spanning 2006–2009.

Finally, strong workflows can help streamline integration efforts by identifying the places in the process where systems most need to work together. Rather than undertaking big, generic integration initiatives, the firm can target a few focused and

limited integration needs that might be faster and less expensive to implement. But such an approach is difficult if the firm does not have insight into where those system linkages are most critical—insight that workflows can often provide.

# CRM: THE HUB OF YOUR PRACTICE

CRM has emerged as the central application of RIA firms' technology platforms and the primary gateway to client relationships, used by firms to track client contacts and handle core day-to-day tasks. It can provide the most comprehensive view of a client relationship—not only assets but also communications, interactions, life events, key relationships, and investment decisions. What's more, the CRM can be the central repository for vital client information, probably used by more members of an advisory firm's staff than any other technology. In many ways, it's already the go-to technology for the majority of advisors' teams.

The ultimate goal is to make the CRM the window onto all the other technologies in the office—including the portfolio management, custodial information, email, and document management systems. An integrated CRM system can give anyone in the firm an immediate and holistic view of a client's financial picture in one central location—and address requests quickly and efficiently as a result.<sup>5</sup>

## Embedding Workflows in Your CRM

Schwab Intelligent Technologies believes the CRM system is the optimal place for implementing workflows because of its central role in supporting many facets of the advisory relationship.

There are two important concepts at the heart of embedding workflows in CRM:

- **Centralization.** RIA firms improve their performance by identifying a hub for their business practices. Centralizing workflows for daily tasks in one core application that will serve as the primary “desktop” for the majority of staff can significantly improve staff productivity and consistency in service delivery.
- **Automation.** Currently, most advisors typically document workflows and store that information as basic word processing or spreadsheet documents, where process documentation can get outdated quickly and can even be ignored. As a result, firms are missing an opportunity for their workflows to have a major impact on their practices. Embedding a workflow in the CRM puts those processes at the fingertips of employees—*initiating those workflows automatically within the firm's core systems*—and then guides employees through critical tasks, according to the firm's established best practices.

5. Schwab Advisor Services 2010 MKT report *Integrating Technology Into Your Practice: Keys to Improving Productivity*, Charles Schwab & Co., Inc.

This combination of centralization and automation is referred to as “embedding” workflows in the CRM system. With embedded workflows, tasks can be easily organized, initiated, assigned to team members, and then tracked. In effect, anyone with the right permissions can know the exact status of a task at any moment and, more important, what needs to be done next, by whom, and in what time frame. And if the process comes under stress (for example, a key staff member takes a sick day), another team member can take over the task and follow up on any request in a consistent and timely manner.

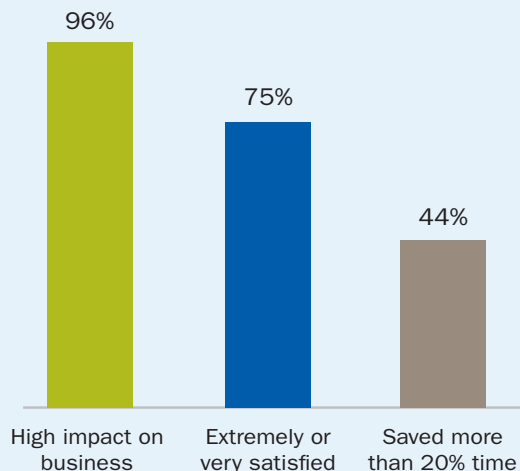
In addition, embedding automated workflows in the CRM can enable the firm to update its processes at any time. Modifications and new best practices can be consistently implemented without any time lag, which often occurs with paper-based workflows that need to be manually updated and then rolled out. Automation can also reduce the risk of staff reverting to old methods out of habit.

Moreover, according to the 2010 RIA Benchmarking Study from Charles Schwab & Co., Inc., integrating workflows and other systems with CRM results in a notable increase in the level of satisfaction, time savings, and impact on business. (See Exhibit 3.)

### EXHIBIT 3: CRM AND WORKFLOW INTEGRATION INCREASES PRODUCTIVITY AND SATISFACTION

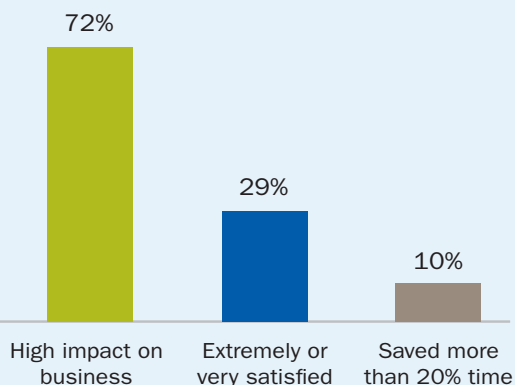
#### Firms Using CRM and Workflow Integration\*

Percentage of \$100MM+ firms



#### Firms Using Basic CRM Without Workflow Integration

Percentage of \$100MM+ firms



\*Using at least two office integration functions: tracking workflows or task lists, plus integration into document management or portfolio management system.

Source: 2010 RIA Benchmarking Study from Charles Schwab & Co., Inc.

# CONCLUSION

People, process, and technology are the key levers in a workflow process, and successful workflows should optimize all three. Workflows should document the tasks performed by staff, the functions performed by technology, and the optimal integration of the two, *based on the specific deliverables and service model of the firm*. In this way, workflows carefully define best practices for each firm, and they engineer processes to drive efficiency and consistency for that specific value proposition.

Schwab Intelligent Technologies anticipates that the near- and midterm evolution of CRM-centric technologies will start to address many workflow-technology challenges faced by advisors. New CRM solutions are increasingly workflow-oriented, have higher integration capabilities, and feature greater cross-system efficiency that can improve both the advisor and client experiences.

Whether firms build or refine their own workflows or use off-the-shelf solutions, data from successful firms point to significant potential benefits from a more regimented approach to developing and managing them.<sup>6</sup> We believe these benefits will be best realized by embedding automated workflows

into the CRM system, which typically functions as the hub for firm information, many of the firm's systems, and staff activities. Workflows integrated in the CRM help guide staff as they execute critical tasks, and changes can be made easily in a central location and communicated firmwide. Moreover, customizable workflow solutions like Schwab Intelligent Technologies OpenView Gateway™ Workflow Library allow you to quickly implement embedded workflows and leverage the cross-industry knowledge used to build them in your practice.

For more information, contact your relationship manager or technology consultant, or go online to [schwabintelligenttechnologies.com](http://schwabintelligenttechnologies.com).

The following MKT reports from Schwab Advisor Services contain relevant content and are also available electronically or as hard copies to advisors who custody their clients' assets at Schwab.

- *Integrating Technology Into Your Practice: Keys to Improving Productivity*, 2010
- *Getting the Most Out of Your CRM Investment: Customer Relationship Management Best Practices*, 2009

6. 2010 RIA Benchmarking Study from Charles Schwab & Co., Inc.

©2011 Schwab Intelligent Technologies™. All rights reserved. Schwab Intelligent Technologies (“SIT”) is a business of the Charles Schwab Corporation separate from its affiliate Charles Schwab & Co., Inc. (“CS&Co”) that, through Schwab Advisor Services™, provides custody, trading, and related services to independent investment advisors, while Schwab Intelligent Technologies provides advisors with related technology products and services. Advisors are solely responsible for evaluating, selecting, and purchasing products and services offered by Schwab Intelligent Technologies. Independent investment advisors are not owned by, affiliated with, or supervised by CS&Co.

(1011-5894) MKT64718 (11/11)

*charles* SCHWAB