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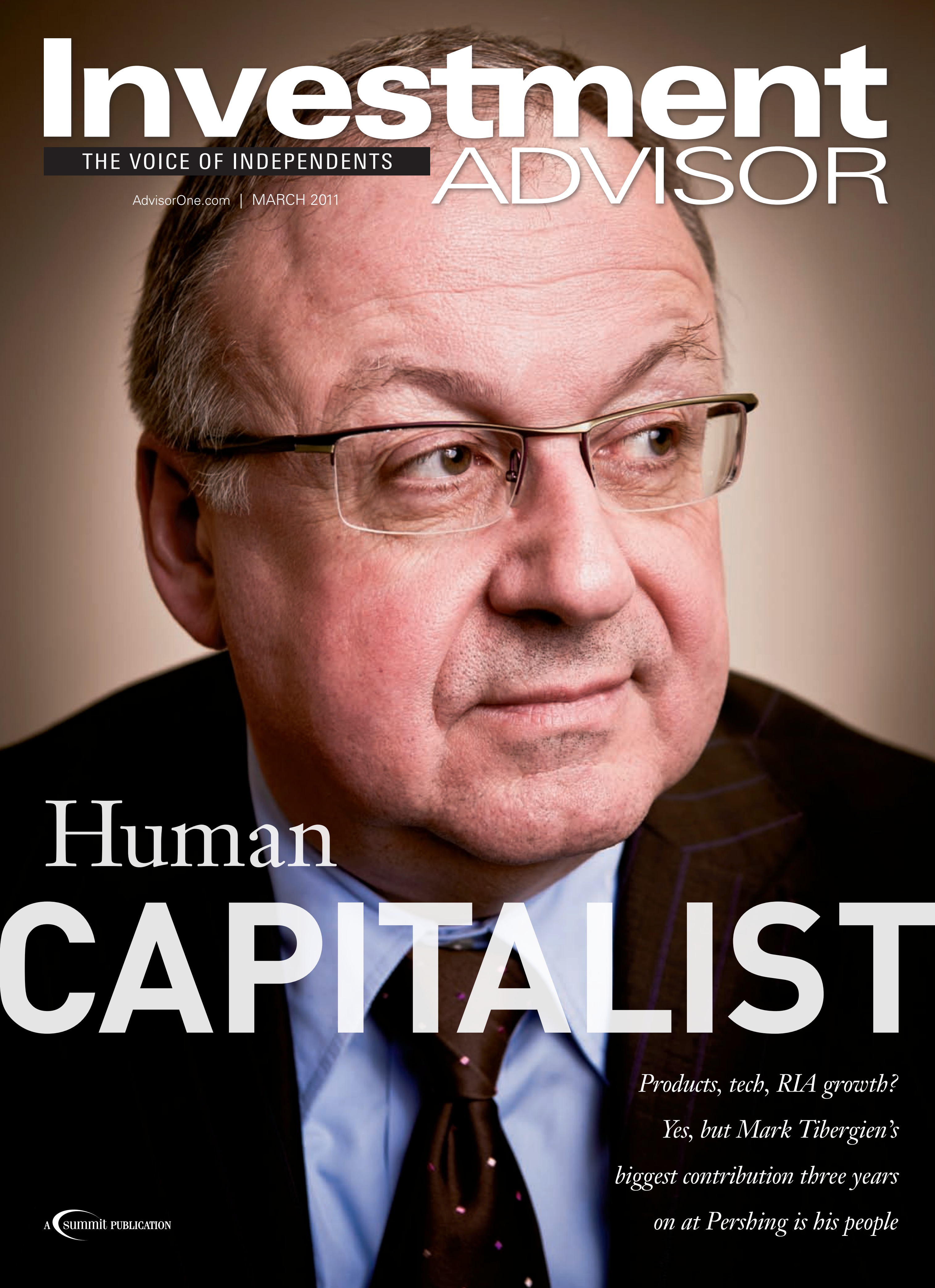


Human CAPITALIST

Products, tech, RIA growth? Yes, but Mark Tibergien's biggest contribution three years on at Pershing is his people

A Summit PUBLICATION

HUMAN CAPIT

By JAMES J. GREEN

Photography by DAVID JOHNSON

At Pershing Advisor Solutions, the emphasis is on putting the right people in the right spots to serve high-end advisors »

There's plenty going on at Pershing Advisor Solutions, the RIA custody arm of Pershing, which is the clearing and custody arm for Bank of New York Mellon. **Mark Tibergien**, who joined PAS in October 2007 and whose fingerprints are all over the company now, likes to talk about the global reach of Pershing, which he says benefits advisors who want to trade on one of 30 different exchanges around the world, in that exchange's local currency. Tibergien also talks about the features that are available already on NetX360, Pershing's technology platform, such as one sign-on access to not only PAS assets, but also held-away assets. He'll speak about the benefits of Pershing providing bank custody, not just brokerage custody, of client assets to its advisors through its BNY Mellon connection. He'll talk about the importance attached to advisor customer service. He'll relate the work Pershing has done with DTCC to make it possible for advisors to confidently custody alternative assets on the PAS platform.

In the end, though, it seems that what Tibergien has created at Pershing is a company that values people in its firm so much that it will make sure it puts the appropriate people in the right spots—Pershing veterans when appropriate, and new hires when that approach is called for. That's not surprising, considering that Tibergien has been using his bully pulpit while at consulting firm Moss Adams (and in his long-time column for this magazine) to argue that advisors need to more effectively use their staffs to build better businesses, that older advisors who build succession plans for themselves and career paths for younger advisors will be more successful, and that the entire industry must find and cultivate thousands of new advisors in the few short years ahead if the industry is to continue to grow.

But in good Pershing fashion, this focus on human capital doesn't just place those leaders in the right spot, it then measures their effectiveness. People, people, people. Measure, measure, measure. There's one other thing: Pershing Advisor Solutions is a place where the people share a vision that emanates from Tibergien, but is clearly internalized.

Lest you think that PAS is one big love-fest, be aware that

Technology: Lucille Mayer


Lucille Mayer

LUCILLE MAYER, a Pershing managing director in charge of technology products and services, is one of those Pershing veterans who Mark Tibergien realized was already perfectly "aligned" in the appropriate leadership role at Pershing, which she joined in 1990. She reports that Pershing has completed rollout of the NetX360 technology platform across all PAS advisors, and is continuing to work with its advisory boards—of advisors and a separate one for advisors' assistants—to drive adoption of the platform, and for advisors and their assistants to "understand the nuances" of the feature-rich platform.

The focus this year, she says, is on providing more efficiency for advisors, and one of the NetX360 tools to help accomplish that focus is Smart Workflow, which she calls a "way for each office, each advisor, to set up their own workflow," including both Pershing and non-Pershing tasks. Smart Workflow, now in beta testing with about 10 advisory firms, provides a checklist of steps for an advisor to follow and documents to gather when completing recurrent tasks such as preparing for quarterly or semi-annual meetings with clients. Noting that Smart Workflow can be a great training tool for new hires in an advisor's practice, it also will come in handy when inspectors want to determine if your practices are following your policies and procedures manual, since it interacts with that manual.

Another new efficiency offering in NetX360 is a client meeting preparation tool, allowing an advisor, Mayer says, to "take a Black Diamond or MoneyGuidePro report and create and collate the documents" through NetX360 with templates available as well. By March 2011, Mayer says a new client onboarding tool will go into beta testing to speed the opening and funding of new accounts.

There are two more developments already on NetX360 driving advisor efficiency: an international order entry feature allowing international equity quotes and orders in local currency, and a separately managed accounts enhancement that integrates order blasting and rebalancing with a rules engine. When a client needs money, says Mayer, "I as an advisor want to go to one place to process that check." The system will work with the SMA managers to most efficiently fund that check and deliver it to the clients.

As for near-term future enhancements, Pershing will give advisors more insights into their business by releasing "in a few months" Analytics 2.0, which Mayer calls the "next generation of business intelligence tools in NetX360." It will also integrate with Smart Workflow, so insight into business practices can be translated into process.

Also on the drawing board: NetX360 integration with SalesForce.com. Mayer says, "We're talking to other CRM and performance management" software providers.

Finally but not least important, Mayer says that with Albridge now being part of Pershing, "that gives us opportunity to leverage asset aggregation and performance reporting, and to bring views of those assets natively into NetX360."

As for mobile devices, Mayer says Pershing remains committed to "anytime, anywhere access," and will "enable trading on those devices by the end of the year on iPad, iPhone and Blackberry, and for Android in the next month or two." And by June, a version of NetX360.com will be rolled out "that can be accessed from any computer; all they'll need is their ID and password."

Mr. Tibergien and those same people have a competitive streak that leads them to point out, respectfully but forcefully, where PAS shimmers while Schwab Advisor Services, Fidelity Institutional and TD Ameritrade pale by comparison.

Forget imitation being the sincerest form of flattery (though this writer last year explored another custodian that is part of a major bank—RBC Advisor Services—which seemed to share an eerily similar business model with PAS). The most telling form of flattery may be raiding the competition's executive ranks and placing them in positions of authority at PAS, as has been done with Jim Dario—whom Tibergien calls his most critical hire to date—and Kim Dellarocca, both formerly of Fidelity, in the relationship management and marketing areas. Or Natalie Wolfsen, formerly of Schwab, in product.

Or Chris Child, also formerly of Schwab, and Evan LaHuta in customer service.

"If you can't beat them," says Tibergien with his trademark pithiness, "hire them."

Product: Natalie Wolfsen, Sandra Motusesky

WHEN IT COMES to investment vehicles, advisors want everything, they want it cheap, and they want it carefully vetted before they decide to use it for their clients. So how does Pershing Advisor Solutions attempt to meet those often conflicting needs? Natalie Wolfsen, who became head of product management and development for PAS in July 2009 after holding a similar position at Schwab, says her team uses a four-point process to determine what products to include on the platform that considers the market size, growth rate, client need and competitive position of the vehicles. Then, using input from Jim Dario's relationship management team and an advisor advisory board and questionnaires to clients to help it determine not just "what" but "how" it is delivered; is it integrated with tools and research, for instance?

Since, says Wolfsen, PAS serves sophisticated advisors serving clients with complex needs, their focus is not on finding the cheapest ETF or producing proprietary products, but providing access to an open architecture platform with a wide range of products, especially global products and multi-currency trading. "We can best serve our advisors," states Wolfsen, "by providing access to low-cost ETFs manufactured by everyone."

Sandra Motusesky, director of investment solutions in the product management and development group at Pershing, uses the example of alternative investments as the "best example of where our product development is going right now." The alternative investments on the Pershing platform, she says, "are designed around what the advisors need right now."

That commitment to meeting advisor clients' needs led Pershing, says Wolfsen, to be a beta participant "with DTCC and AIP to solve the issues industry-wide." Now that the beta testing with DTCC and AIP are complete, Wolfsen says Pershing continues work "so alternative invests can be custodied on our platform." Motusesky says one of the differentiators at Pershing is that "we didn't say 'Alternatives could be a problem,' but rather 'How can we make this work?'" Wolfsen puts it another way: "We understand that our clients need investment solutions to serve the needs of their clients. Alternatives perform an important role in portfolios, and we needed to find a solution."

On ETFs, in addition to providing access to nonproprietary funds, Wolfsen says "We provide plenty of research—What are the ETFs' track records? How wide is the bid-ask spread?—and provide a managed account platform in which ETFs are used." On ETFs, Motusesky says "our value is in direct contradiction to the price wars going on right now. We're not interested in going down that path." And as for commission-free ETF trading, she wonders "What great value is that if you're not an active trader?"

In comparison, Wolfsen says that one feature of Pershing that distinguishes it from the competition is its "natural evolution of understanding bank brokerage and trust custody. If you have a family office, bank custody may be more appropriate [rather than brokerage custody]." The next "logical solution" of Pershing's NetX360 "single advisory tech platform," she suggests, is for brokerage and the advisor; the next is making it global; and the final is determining, "How do we take this platform and make it a single portal into all aspects of your clients' business? We can serve trust companies for irrevocable trusts, and bank custody that advisors need for cash purposes."

THE STATE OF PERSHING ADVISOR SOLUTIONS

"The keys to engagement" in human capital at Pershing and, by extension, at advisory firms, "are putting people in the right jobs, and creating an environment where they'll flourish," Tibergien says. Such engagement, he argues, "creates a better employee, somebody who will look for continual improvement, and act like an owner of the business."

So what is this business where the Pershing Advisor Solutions' employees are encouraged to act like an owner? Tibergien says that when he joined PAS in October 2007, the firm had already made a commitment to serving wealth managers and that it had an opportunity to be a "world-class custodian" but in a different way than its "dominant" competitors. So he began by assessing the "great talent" he had at Pershing, but who were "not aligned right; not in the right leadership positions." To begin, he placed Pershing veteran Karen Novak as COO, and Ron Canty as director of operations *(see sidebar on page 7 for more on Novak)*.

About a year into his tenure, Tibergien hired Jim Dario from Fidelity, who he says has brought "real professionalism" to relationship management and business development. He then mentions the hiring of Natalie Wolfsen from Schwab to be head of product development, and a total of 19 customer service staffers from Schwab's Lake Mary, Fla. facility, including Chris Child to run PAS customer service which, he says, "wasn't bad, but was inconsistent." *(For more on Child and customer service, see sidebar, page 6.)* Hearkening back to the people-plus-measurement ethos referenced above, Tibergien can now boast that in customer service, "we measure everything that moves—

promptness of returning calls, and with helpful answers; our customer service scores have made dramatic improvements."

He then discusses Pershing's technology investments that led to the rollout last year of the NetX360 technology platform, on which he said 500 programmers worked and on which enhancements continue to be made *(see sidebar on page 4 for an interview with Lucille Mayer that focuses on Pershing's technology offerings)*.

"People, technology, product service and practice management—which most people expected I'd have some influence on"—says Tibergien, were, and are, the focuses at PAS. As for practice management, Tibergien says it's one thing to have good ideas, and another to implement those ideas. So to help its affiliated RIAs "actually execute on the ideas they got from their custodians," PAS decided to "concentrate on a couple of areas" where advisory firms need particular help: growth, human capital, operating efficiency and risk management. "We took a disciplined approach," to those areas, he says.

The firm also took a disciplined approach to fashioning its own competitive positioning. To do so, Pershing addressed four major questions, Tibergien says.

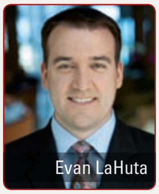
1. What are the market trends? That is, "What's happening in the RIA world that could inform how we build a new-model custodian?"

2. Accepting that there is material change going on both within the advisor community and in the environment in which they ply their trade, then, "Who is our optimal advisor to work with? What will they be addressing, or need to address?"

3. Which firms is Pershing competing with "for our optimal advisor?" Tibergien says "we knew we didn't want to out-Schwab Schwab by being a big-box retailer. We're a pure B-to-B organization, so going retail was not worth considering." Neither was Pershing interested in "attempting to replicate TD Ameritrade by focusing on the smaller advisor." Instead, Pershing defined its optimal client as having three key characteristics: committed to growth; committed to running their businesses professionally, even to the point of having professional management—"what we were offering would not be appreciated by those not professionally run;" and advisors who were serving clients with complex financial lives, beyond the mutual fund-ETF capability. What makes a difference? "Our global capability, our fixed income trading, what we were doing around alternatives."

4. What is our shareholders' definition of success? Referring to both Pershing and BNY Mellon, a priority of top management, Tibergien says, is that "we become one company that our clients worldwide will appreciate."

Service: Evan LaHuta, Chris Child


Evan LaHuta


Chris Child

IF ONE OF the four defining characteristics of Pershing Advisor Solutions is service, what's the PAS philosophy on customer service for advisors?

According to Chris Child, director of customer service for PAS, the culture is one of "customer advocacy" under which PAS customer service liaisons (CSLs) act "with alacrity and a focus on execution: we try to empower them to act on behalf of their clients."

Evan LaHuta, director for customer experience, says customer service management continually asks, "How do we reduce the effort of our advisors?" and says, "We have internal and external measures so as to reduce the effort of advisors." Child notes that in 2008–2009, the company was "focused on customer satisfaction," and what they learned "is that it comes down to reducing customer effort."

Since "you want to make sure your own house is clean before you invite anyone over," LaHuta says "we know how to measure, monitor, control and repeat," expertise that resulted in Pershing winning an American Society for Quality (ASQ) bronze medal in 2009. For advisors, says Child, that translated into breaking down the number of transactions the advisors had with the service team and how long it took to accomplish each transaction. "We then show them what the average time was for all Pershing advisors to open a new account or get a check request done," says Child, which helps the advisors benchmark their own performance—are other advisors more efficiently using the technology available to them, for instance?—and for the customer service team to identify areas of improvement.

Since so much of the experience is measured, how well is the customer service team doing? LaHuta reports that "98% of our transfers are getting done in the same day." The CSLs use the same technology platform—NetX360—as do the advisors they're serving, so Child says "we're seeing the same screen they see," and can send them a message or alert "that will appear in the way the client advisor has set up, notifying them what needs to be done.

It's measured performance, but with intelligence applied. "If you want to encourage certain behavior, you don't want customer service team members to worry about taking too long to solve a problem," Child points out. "We measure many things," says LaHuta, but "we don't get blinded by the metrics—it's managing to the metrics thoughtfully that meets the needs of advisors."

As for the teams themselves, customer service went through a process of determining that each person was in the "right role in the organization," according to Child. The teams went from a standard structure of a primary contact person, a team of CSLs and a team manager to the current structure: a team manager overseeing a team of six CSLs and an embedded service manager who can escalate issues at the point of contact up to the account manager.

PAS's three service centers—in Jersey City, Lake Mary, Fla. and Greenwood Village, Colo.—provide support from 8:00 AM to 6:30 PM Eastern time, though there is "flexibility" provided by the Denver location to West Coasters, and the trading desk is open "24/7," says LaHuta, either in the United States or overnight through Pershing's London office.

Tibergien boils down the service approach to a simple statement. "The goal here—and it's still a goal; I'm reluctant to say we've achieved perfection—is to make it easier to do business with us."

Operations: Karen Novak

WHEN KAREN NOVAK began working at what was then called Pershing Management Services in 1996, the custodian was serving "simple money managers; our target was the $0 million to $75 million RIA." Novak, who was named COO in February 2008, said that 14 years ago, "Schwab and Fidelity were already out there, so we didn't want to focus on the same—the smaller, simpler IA." While she says that at PAS "there are still some of those advisors," Mark Tibergien "helped us get centered on who is our optimal customer: professionally managed, growth-oriented small businesses serving sophisticated clients."

To do so, Pershing is a "very metric-driven organization," and using a dashboard created by Evan LaHuta, PAS's director of "customer experience," Novak says, "We know every transaction being pumped through the organization: where it originated, if there were any errors coming in and going out. It allows us to see how long it takes us to open up a new account, to fund an account transfer." Beyond how it helps Pershing internally to ensure good service to advisors, she notes that "we publish that in a monthly scoreboard provided to advisors" through the NetX360 tech platform.

"One of our goals in 2011," Novak says, is to provide that data to advisors "so their clients know how well their needs are being met," which she positions as "part of our responsibility to help advisors achieve operating efficiency. We have the data, so we're sharing it with them."

On the compliance side of the house, Novak says Pershing has introduced a quarterly compliance forum online with Pershing executives and guest speakers to address issues like the changes mandated by the SEC on Form ADV. On the competitive front, she argues that the crisis of 2008–2009 led advisors to "think about diversifying their custodial relationships," which is where, she says, the Bank of New York Mellon has become a "powerful partner for us; there are tremendous amounts of synergy in the organization."

Dario says that "our competitors are good at leveraging their strengths in retail," but "we're institutional," saying Pershing's focus is on the top 3,000 RIA firms out of the total 15,000 firms in the advisory universe. "Our intent is to be dominant among those 3,000." The demise of Bear Stearns and the troubles with the wirehouses of the past few years means that "no longer will clients put all their eggs" in one custodial basket, and that "what gives us a leg up" among advisors seeking dual custodial relationships is "our strong counterparty risk" position as part of Bank of New York Mellon.

In addition to its business priorities, Tibergien points out that Pershing is very much involved in its hometown community of Jersey City, N.J. where, despite the waterfront high-rise office buildings populated by a number of financial services firms, poverty remains a reality for many residents. As part of its "huge effort in community involvement," Tibergien points out Pershing's big intern program for local high-school kids in Jersey City. "It's not just a job," he says of Pershing's local programs, "but a commitment to the community."

BY THE NUMBERS

So how well are Pershing's people executing this commitment to service, product, technology and practice management?

One way is to look at the sheer numbers.

At year-end 2007, Pershing Advisor Solutions had 485 advisory firm relationships and $70 billion in client assets. The assets under custody dipped to $60 billion during the recession in year-end 2008 from 515 RIA firms, recovered to $72 billion from 550 firms at the end of 2009, and at year-end 2010 had 620 advisory firms custodying $85 billion in assets. Another interesting statistic: There were 30 breakaway broker firms that signed up with PAS in 2010, bringing $4.8 billion in assets.

Dario, the former Fidelity executive who runs relationship management, says we "start with the end client; we are extensions of the advisor," which requires flexibility, but through a disciplined system in which "we measure not what we see, but how advisors see us" performing.

The RIA firms that work with Pershing have to be committed to running a professionally managed firm, says Kim Dellarocca, director of segment marketing and practice management, noting that research by Pershing and others has shown that advisory firms that have a chief operating officer are more successful. In working on business development with firms, Dario says the first question he asks is whether they have a business plan. While many do already, "if not, we work with them to write a plan," he says, in addition to creating a client development plan. "We focus on the operations managers," says Dellarocca.

To demonstrate the quality of the relationship managers who work with Pershing advisors, Dario brings up Ann Smith, who Pershing hired last year as director, relationship management after the advisor firm she co-founded was sold. "That's the kind of person we want as relationship managers; she's dealt with the same issues our advisors are dealing with," noting in passing that the kind of practice management consulting PAS provides, which includes not only operational direction, but marketing suggestions as well, down to the level of recommendations on proper signage at an individual firm's office—would be "expensive if it were coming from an outside firm."

Dario says that "if we help our clients grow, we'll grow," while Dellarocca says that "at our core, we need to earn advisors' business every day." Tibergien argues that "one of our advantages in being a business-to-business organization is that we can truly empathize with the challenges advisors face." At Pershing, he says, "we get it." **IA**

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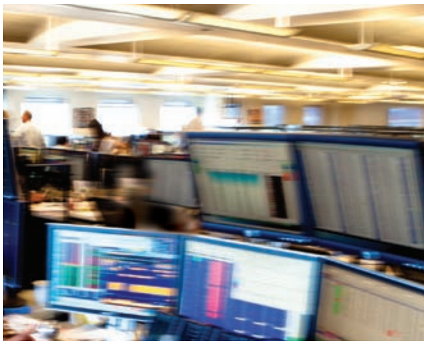

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