The COO Roundtable with Matt Sonnen

Episode 54 – Featuring Bryce Wisan & Angie Tower

[00:00:04] Luke Sonnen: Hi, I'm Luke Sonnen. Welcome to The *COO Roundtable*, powered by Coldstream Wealth Management. Here's your host, Matt Sonnen.

[00:00:14] Matt Sonnen: Welcome, everyone, to Episode 54 of The *COO Roundtable*. Our two guests today are both from firms I've worked with in the past, and I know they have a lot of valuable insights to share with our listeners. Joining us from Sepio Capital, headquartered in Salt Lake City, is Bryce Wisan, Managing Director, CFO, and COO. I'll add Bryce is the firm's acting COO, which we'll get into shortly.

Sepio Capital was actually the first breakaway that I worked with after launching PFI Advisors. I worked with the founders of the firm back in May of 2017 to help them transition out of Merrill Lynch and launched the firm in San Francisco. Bryce joined Sepio about a year and a half ago and has been a member of the COO society for quite a while now. I've gotten to know Bryce quite a bit. Bryce, welcome to the podcast.

[00:01:03] Bryce Wisan: Thank you very much, Matt.

[00:01:04] Matt: Joining Bryce is Angie Tower, Managing Director and COO at Prairie Capital Management, located in Kansas City. Prairie Capital is part of the Focus Financial family of RIAs. They joined Focus after I had left, but under PFI Advisors, I've worked with Angie and the Prairie team for about a year, right up to the point that I joined Coldstream in May of this year.

Like Bryce, Angie has been at Prairie for about a year and a half, and we'll talk about the areas she's been focused on since joining the firm. First, let me just say, welcome to The COO Roundtable, Angie.

[00:01:36] Angie Tower: Thanks, Matt. Thanks for having me.

[00:01:38] Matt: Well, Bryce, why don't you kick us off and tell us a little bit about Sepio Capital?

[00:01:43] Bryce: Sure. The firm, as you mentioned, was founded in May of 2017. We, the founders, originally broke off from Merrill. We have roughly $7 billion in AUM. The headcount right now is 28 right now, not including the summer interns and fellows.

Ideal client is an interesting question in these parts because it really does depend on our advisors. We have an advisor who's had multi-generational relationships for almost 40 years, and the ideal client of that advisor is different from some of our younger up-and-coming advisors, who really have carved out a niche serving those who have recently had exits from startups.

I think the common factors in our ideal client are either in the ultra-high-net-worth space or knocking at the door and who have the appetite for more than just a traditional portfolio. Our firm has grown quite a bit. Historically, our growth has come from exits from entrepreneurs and founders. These have been mostly relationship-driven. We have not done any marketing to speak of, so it's been through a lot of referrals, and we have grown significantly.

In terms of the future, it's interesting to see us make a transition more and more to become an asset management shop and not just a private wealth shop. I'd say, three to four years ago, Sepio was a private wealth business. Today, I describe us as a private wealth business with a growing asset management arm. I think the future for us holds a lot more focus on the asset management side and, also, leveraging the relationships to provide some additional services.

I suspect that in 5 or 10 years, we will be an asset management shop that also does private wealth, whereas today we're a private wealth shop that also does asset management. That's Sepio in a nutshell.

[00:04:18] Matt: You talk about very little marketing. Listeners to the podcast know I always like to stalk people beforehand and get as much of your bio and things. I go to sepiocapital.com, or I think that's the website, whatever the website is. It's just a landing page. There's a client login, but even your team bios aren't on there. Yes, you guys keep it under the radar for sure. Well, Angie, why don't you tell us about Prairie Capital?

[00:04:48] Angie: Sure. We actually have a fair amount in common with Bryce, which it's almost as though it's by design, Matt. We first started as a multi-family office in 1995. Customized client service has always been very important to us. We really view ourselves as a holistic wealth management firm, and we serve mostly ultra-high-net-worth and high-net-worth individuals.

You could call our average or ideal client as probably around $10 to $100 million+. It also includes endowments and foundations. We do offer a broad investment platform with a heavy emphasis on private equity and alternatives. As part of our services, we manage approximately 40 internal fund of funds that allow our clients streamlined access to managers. We manage over $6 billion in assets, approximately 250 revenue households.

We are custodian-agnostic, though our main custodian is Fidelity, and as you said, our headquarters are in Kansas City, Missouri. We do have additional remote advisors in Chicago and Denver. We now have a team of approximately 40 people serving clients in over 30 states. Even with 2 new hires starting last week, our average tenure is still around 13 years, which is very impressive and almost unheard of right now.

As of April 2021, we joined Focus Financial Partners, and their support has really provided a lot of additional services we can provide our clients. There's also been support for additional operational efficiencies, which we appreciate. Most of our growth historically has been through referrals as well. We do anticipate growth to continue through the strong relationships our managing director group has as they grow and as we refine our client service offerings, which I'll talk about later.

It's funny you mentioned the website because if I think about the timing of this and if you looked at our website before we engaged with you over a year ago, it probably did look like something that might have been designed around the mid-'90s.

[00:06:43] Matt: Yes, it did.

[00:06:43] Angie: Our marketing group, did recently refresh our website. If you checked it before this podcast, it will definitely be still brief but more refreshed and current.

[00:06:53] Matt: It's a big improvement, I will say. I like the new website, but yes, it was the first thing I thought of. It was the first thing I said to myself when I opened it. I said, "This looks like 1998." [laughter] It's a great, great firm, and we'll get into it more. Before we go more into the firm, Angie, tell us about your career path that led you to Prairie.

[00:07:17] Angie: Sure. I'm actually a recovering tax director. I graduated from the University of Missouri with my master's in accounting. I began my career at PwC as a CPA, working in a wide variety of industries and locations. At one point, I was actually splitting time between hedge funds and Utility 263, a mixed-service cost consulting. Really, two different ends of the spectrum.

Ultimately, I did specialize in the taxation of alternative investments. Something that's been important to me throughout my career is being involved in non-profits, and I just want to share a little experience I had that did impact me. A client was speaking at a Women's Employment Network (WEN) board meeting about what it was like before she joined WEN and how she asked her family and friends, "What should I do in this situation? What should I do?"

No one knew because they were all in the same position, and she told the story way better than I did. For me, it was a personal “aha” moment because I'd always tried really, really hard to put myself in other people's shoes. That was one of the moments where it really hit close that while you can try to do that, and that's good, you can never really expect them to act similar to you because they've had completely different experiences.

That's something I've really carried forward as I work with different people and with our clients as well. They've had a completely different path than I have. Actually, after the birth of my second son, I was looking for a change, and I started sharing that with my network, and I was actually treasurer of WEN at the time. I mentioned it in a finance committee meeting, and there was a president of another family office that mentioned a role to me.

A few days later, our managing partner at work mentioned it to me, and the role was a CFO of a large single-family office and private foundation that had significant alternatives exposure. People brought it up. I was looking for a change. I looked into it. Now I should say this, I went into one of the interviews, and the recruiter did mention, "Do you only have your CPA because we're interviewing people from both coasts that have many, many letters behind their names?"

I said, "Yes, just the CPA right now." I just was myself and I actually ended up with the job. The single-family office was a trust company of approximately 40 people, plus the private foundation. I love learning. I love people. It was a great challenge, and it was very different going from such a very niched area in the taxation of alternative investments to these broad amounts of accountability.

They did provide me with a wonderful executive coach that I learned so much from. I actually attended Cannon Trust School and picked up my CTFA to beef up the technical knowledge since I was officer of a trust company as well. After a couple of years, I was promoted to COO, and as it related to that, I also had the opportunity to participate in the Women's Leadership Experience at the Center for Creative Leadership to help boost my leadership after the promotion.

I'd encourage anyone who has an opportunity to do something like that to do so, to get the 360 feedback from your team and really focus on, "Hey, you can make a difference in your organization." After COVID, I was connected to Prairie through a PwC alum actually. I really liked the multi-family office aspect of it. I liked the high degree of customization, and the client service was appealing.

I thought my background in alternatives was a good fit as well, but most importantly, Prairie is full of really great people, and they just do an excellent job working together as a team. You can just see it when you're gathered with them when everyone's saying the same thing. There's a similar message, the camaraderie, and the friendship. As you said, I've been here over 18 months. I do feel really fortunate to work here because the people do make all the difference.

[00:10:54] Matt: That's great. Well, Bryce, I mentioned that you're the acting COO at Sepio, but you come from an accounting background. Tell us about your career journey and how you wound up there.

[00:11:04] Bryce: Absolutely. I do have two degrees in accounting. Back when I was in college and knew everything, I decided I didn't like accounting and took a job with a tech startup doing some tech work. It turns out that was better for my foosball skills than my prospects in the tech industry. That ended in the midst of the dot-bomb meltdown, and I ended up going from there to, ironically enough, one of the, at the time, big five accounting firms, EY in New York City and focused on derivatives valuation.

I did that for several years. That's career iteration, we'll call it number two, and from there went to work on the trading desk, what at the time was the largest hedge fund startup in the history of Wall Street. I was trading North and South American equities and some light derivatives and supporting the derivatives desk. From there, the career took another big turn, and I ended up hired by a CPA firm to open an office from scratch in Las Vegas.

For not having worked in public accounting as a CPA and with a firm that literally did not have anything there, it ended up going quite well. I was there for many years before joining Eide Bailly as a partner and was a leader in the construction practice there. I really enjoyed my time there and then joined Sepio about 18 months ago. What's been fascinating to me about my career is how I see the relevance of each stop along the way to what I'm doing today.

Even the short tech stint taught me an awful lot about databases and data and how to store and manage data and then, certainly, the valuation work at EY and the trading and strategies and accounting and reporting that I did on the trading desk of the hedge fund, and then even working as a CPA in public practice as a partner in construction has been extremely relevant to my work here at Sepio just because of the job costing aspects.

The nature of construction is such that you've got these projects that are very much like individual businesses with different reporting needs and staffing needs and challenges from an operations and accounting point of view, so it is. It's interesting how each one of those stops has been relevant to me here at Sepio. Apparently, I have an insatiable curiosity and must have some gypsy blood back in my lineage somewhere.

[00:13:57] Matt: Well, thank you both for sharing such impressive backgrounds. I say it all the time. I fear the average RIA owner thinks, "Well, we need a COO. Let's head over to Best Buy. We'll grab someone out of the Geek Squad because the COO just needs to be someone that knows how to reboot the router if that goes down." It's the reason I started this podcast – I want to show backgrounds like yours, these impressive business experiences that you've had that you're bringing to your organization.

Thank you both for sharing those impressive backgrounds. We've talked about you're both relatively new to your roles. You've been brought in primarily to add scale and efficiencies to your firm. Bryce, tell us what you've been focused on in those first 18 months.

[00:14:42] Bryce: Well, it's been interesting to come into such a dynamic environment and see how the firm has grown, and it's clear that this has been an "all-hands-on-deck." Let's roll up our sleeves and get dirty, just to accommodate the growth and the opportunities that this venture has presented itself. When I came in, I saw a lot of, I'll call them, one-offs in terms of how we get things done.

My initial focus has been to try to take and break down what we do by different functions into processes and try to turn things into processes and, in the midst of doing so, start making some benchmarks and metrics and try to standardize, where it makes sense, what we do and how we do, both for efficiency and for error reduction. For me, scale is the end goal, but we're starting with breaking things down into their fundamental elements and really trying to understand the business flows.

We've been doing a lot of postmortems and looking at what's been done in the past. I feel like we will get there with scale, and we've definitely added some efficiencies, but we are back to basics.

[00:16:13] Matt: I like that approach. Break it down to build it up. That's great. Angie, how have you tackled your role at Prairie Capital in the first year and a half you've been there?

[00:16:23] Angie: My last two roles have actually been coming in during a period of transition due to succession planning. I've really focused on three main areas really as a way, similar to Bryce, to get to scale. I've been focused on people, processes, and services. Initially, I focused on people and communication to get the lay of the land, getting to know people better, their skill sets, and their ideas.

In addition to my predecessor, our operations manager was retiring as well. We really took this opportunity to do a reorg. The group had grown over time, so we really looked at, "How do we want to provide services to our clients? How can we operate most efficiency at our current size and allow for how we might grow in the future? How can we streamline efficiencies and how groups work together and maximize individual skill sets as we serve our clients?"

Additionally, we also renovated our office space to foster collaboration in a hybrid work environment so people would be able to want to be back in the office working together and also so we could utilize more video conferencing technology more broadly when people were remote. In addition to the people area, we went into the process review, and we did really a full review of our tech stack.

We noticed as our size grew, so did our complexity. You work very differently as a team of 8 to 10 compared to 40. We looked at a few key processes. When I first started, based on feedback from the team, money movement was a big pain point, and then we did a full process review with PFI Advisors as part of a review of our tech stack. I have to say, and there's no endorsement from Matt at any part about this, but it did really help us, having an outside consultant.

It was really beneficial because it helped to reinforce the messages internally. There were some things we knew and some things that we needed to hear. Just a couple of examples of things we tackled were just reducing our customized reporting. We pride ourselves in being very customized, very client service-oriented, but really focusing on "When is that customization truly needed by the client so we could get some more scale?"

It helped to have Matt strongly saying, "You don't need over 100 different customized reports; it should be closer to 5. Save those exceptions for the true exceptions." That's a broad concept across a lot of things that we do as well. If a client is neutral and one option is more efficient for us, let's take that more efficient option so we can provide even more client service than if we're inefficient. I do feel strongly that operations contribute to client service through efficiencies.

It might be indirect, but in my mind, that efficiency contributes to better client service because you've got more time. Then another area that was really beneficial was pushing us on the use of our fund administrator to give up more control and really better utilize our fund administrator services because these were services we were paying for already and having someone who'd said, "I get it. I've been in your spot in a certain point sending out distribution notices. It's just not scalable, and you need that help, really."

The biggest part of that was thinking through what we might integrate with our CRM that we were going to implement or not, which is really the genesis of the tech review, and helping manage expectations. Really, what we are going to have is contacts and client information all in one spot. What we're not going to have is it's not going to make our breakfast. We're not going to show up in the morning. It's going to know we want a Denver omelet and bacon and hash browns.

It also helped us realize, we don't want to try and do our document storage in there, and there is a potential different solution for our sub-docs. We formed a list based on that and chunked it away over time and pretty much completed it all by now, but for us, we had to really get our processes a lot cleaner before we invested in technology. 2022 was really putting the infrastructure in place for what services we want to provide to our clients going forward and making that a more efficient process, so now in 2023, we've been working more on client segmentation and pricing analysis, really looking at, "What's the ideal client experience, and how do we want to apply that consistently?"

I do tell our managing directors, "Saying yes to someone means saying no to someone else." I do have a friend that coined the term Chief Fairness Officer, which is true about so much of what we do, so that's a lot of what we're looking at with our client segmentation. I won't go into detail now. I think we're going to talk about that a little later.

[00:20:39] Matt: Yes. Well, I'll say Coldstream employees that are listening to this are saying, "Hey, Matt's talking to us about simplifying our performance reports. Hey, Matt's talking to us about outsourcing more services to the fund administrator, et cetera," so I'm practicing what I preach. [laughs] You said you started all of this with looking at the people. Our listeners hear me say all the time. I think 75% of the COO's job is tied up in HR. Angie, how have you approached the people management side of your role?

[00:21:13] Angie: Right. I definitely agree with that, Matt, so you could describe a lot of my approach as really listening and trying to ask the right questions. That really helps me identify any roadblocks I could smooth over, any additional information I can provide that might be helpful to people to do their jobs or answer their questions, and ways that I can help them develop.

As I said before, my main focus when I started spending time with everyone was just spending time with the team, getting to know them, how they worked, their interests, and hearing directly from them where we should focus. Getting that 360-degree feedback was so important to get initially, and it's so important to continue to get because it helps twofold. It helps identifying the trends around really how we should focus our time in the office and then how I can help each individual person, which is what I love to do.

Individually, that can look like unleashing someone with new technology and letting them do what they do best, focusing strategic brains on specific projects, breaking up an overwhelming amount of work into bite-sized pieces, or encouraging confidence for people to ask for what they want. I love the coaching and mentoring aspect of this role. I love people and learning, so it just continues to be a great fit.

Office-wise, there are a few trends. One important area we did focus on and continue to focus on is communication because the informal word-of-mouth communication that worked when we were smaller just wasn't working as well or at least not as consistently anymore. I do view part of my role as just thinking about who needs to know what and when, so some of the things we're doing around that is we set office-wide goals for the office and talk through how the teams can contribute towards them and then as teams really working through, "How can individuals contribute towards these goals?"

We added more focus on utilizing our semi-annual reviews and developmental goals as well. We set regular strategic sessions to make sure we're moving forward our major initiatives. I think sometimes in RIAs, we get caught so up in the day-to-day that just having those set times where we know we're going to move them major projects as well have been helpful for us.

Really, we had a lot of opportunities just to communicate in existing meetings better. The team's really good at winging it, but we were able to make it better through utilizing agendas. We were thoughtful about what we were covering, making sure no issues were left hanging, documenting next steps, making sure the timing was clear, and doing this all with minutes so everything was very clear, and there was no walking out of meeting going, "Wait, who was going to follow up on that?" or "What was the answer?"

I also look for opportunities to involve broader groups in office projects. It provides an opportunity for people to contribute in ways different than their day-to-day and to connect with people from different teams to foster that inter-team communication. It could be an office renovation committee, a software search committee, et cetera because we really do get to a better answer than we do one person going alone.

From my perspective, it's a different approach that you can take when you've been in a role for 15 years and done all the roles in the office compared to when you're newer to the industry and the office and coming in. You just have to engage in the team, and so far, it seems like the team really enjoys it as well. One other thing I love to continue about our culture that Prairie has always done is they've always strongly encouraged the owner mindset for the team.

From an HR perspective, what they've done to encourage that is total compensation is more weighted to performance-based bonuses, and it's actually paid out twice a year. This was something that I hadn't seen before and I really like. Bonuses are paid out on 6/30 and 12/31. Now, from a tax perspective, that's not ideal, but it is a great opportunity to have those meaningful discussions directly tied to comp twice a year, and it's also a great opportunity to use those discussions to get the 360-degree feedback and check-in on what's on everyone's minds.

It helps keep the finger on the pulse, the opportunities, and potential roadblocks that are going on within the organizations that people might not stop and mention. I also like to do indirect skip meetings periodically for this same reason. I find that they're always just good at great ideas and actionable items that come out of it. Again, it just comes down to listening. Matt, you could probably confirm, I do ask a lot of questions as well.

[00:25:31] Matt: You rattled off a lot there and again, 75% of this job I think is HR. I encourage listeners to rewind and make sure you got everything Angie just rattled off. That was some great advice on the people side, so thank you, and then Bryce, I'm going to throw it to you now. How do you measure the individual contributions of your employees to the organization?

[00:25:57] Bryce: That's one of the questions that we're really asking ourselves right now. As our business becomes more diverse than the traditional multi-family private wealth business, some of the traditional compensation metrics and formulas, and expectations aren't as relevant. Given the diversity of the businesses that we are in and are entering, we are looking a lot more subjectively at people's contributions to the whole and not just as a role-based employee.

That has led to some pretty interesting conversations about value and who's doing what and how we can monitor, incentivize, and encourage the behaviors that we are looking for as a management team. One of the things that we've been very deliberate about here is a focus on the problem and not so much on the people. There's a book I love, the title is *Mistakes Were Made (But Not by Me)*.

It's all about learning from mistakes and breakdowns, and it contrasts the aviation industry with the medical profession. The essence of it is when there's an issue in the aviation industry, the whole industry comes together and does a deep dive into what happened and why, in the spirit of trying to learn and improve, whereas in the medical profession, there's a lot of finger-pointing, and there's more incentive, in some circles, to not do a deep dive into what happened and why.

Culturally, our focus has been on trying to learn from what we've done in the past, and as we've been very deliberate about focusing on process and focusing on results, it has had the additional benefit of freeing people to share what happened and to contribute ideas and to help make things better. As we get more involvement from different people, it goes back to my earlier comment about we're looking for contributions to the whole as employees of Sepio and not just on a role-based model.

Measuring individual contributions has been a challenge. It's something that we're definitely evolving, and it will continue to evolve as we continue to grow and diversify in terms of businesses.

[00:28:51] Matt: You both have provided great advice on the people side, so let's shift now into process and technology, which is obviously the other big part of a COO's role. You both are in the heart of implementing new processes and technologies here in these first 18 months. Let's talk about how you gain user adoption across the firms. Angie, I know you mentioned one of the big projects you've been working on is implementing a new CRM, so tell us how you have rolled that out.

[00:29:21] Angie: Sure. We have recently implemented a new CRM. While we've had CRM-like procedures in place, we've never had an actual CRM before. This is something the team's actually been asking for, for about 20 years. Really, the foundation was, we started with a cross-collaborative team for the software search so we could get input and have open lines of communications in and out of the different teams using it.

Actually, we did continue to use this committee as our implementation committee as well, so that way, we knew how everyone was going to use it. Everyone had a way to get feedback on how they felt about the different systems. Really, that was a good start to get buy-in for us. Before we went live, we added some new members to the committee that had a fresh set of eyes for input on, "This is both the best ways to disseminate the information and what people want to know."

It was just really helpful. We were so close to the information. It helped to have someone who came in and was asking questions and thinking about things in a different way. We were really strategic in who that was. We were looking at people who would be influential as to the engagement of the office and who were excited about the CRM. It really helped to get that different perspective on how best to roll it out, especially with the managing directors.

We did include a couple of managing directors as well, which was really helpful. What came out of this is we were looking about how to just manage this change transition because we are talking about processes and technology, but you can't talk about processes and technology without people because if people aren't using it, it's not helpful. What came out were just different ways to disseminate the information.

One thing we did is we did Prairie-specific internal trainings, and we made these optional. We made them lunch-and-learns for the broader group. It was really specific ways that the team could be using the CRM. It was an opportunity where they could walk through practical applications and practice what they were doing in parallel. It was a repeated exposure from the broad CRM trainings that Salentica really did.

It really was supplemented by our specific procedures. It was another way we could keep talking about the CRM and just really encourage questions as people were working on it. We got good feedback about it because it was a real practical application to it. Really, now what it has evolved to is we are doing that same thing, but we're doing it in each team's recurring meetings, discussing how they're using the CRM as part of the regular daily workload and getting feedback that way.

In addition to that, we did MD-specific training. We did this not as broad overviews but really with different scenarios that they would encounter in their day-to-day, so they can get their views set up based on their preferences, ask any specific questions once they've been in it for a while. This was something we did when we implemented

Addepar. It really, really helped in engaging our MDs more so than any broader training that we have really setting it up and walking through one-on-one, specifically how they can use it and setting up the views that would help them.

Additionally, as I said before, different ways to disseminate information based on different ways people learn. We really tried to put things in writing rather than sharing things just verbally, the important things were put in writing so people could refer back to them. We're not playing memory. We're not playing telephone. Everything's in one central location, so you could go there.

We put through FAQs on just key concepts and things they needed to remember about how we were using the CRM. We put together quick guides on common tasks so people could actually visualize, see the screenshots, refer back to them on both how to do it and then how Prairie specifically were going to fill out an email, a client event, et cetera, to really instill that consistency that's so important.

Then, additionally, we wanted a way to be able to track all the workflow requests that we want to put into play, all of the enhancements and additional usage that people might envision for the system as well. We have a tracker there so people can see that it's on the list and see how it's prioritized as we move forward so we can chunk away at it and focus on the highest-priority items first.

We actually do plan to continue to utilize our committee as we further build out the CRM. We have that same communication in or out, and that's how we're going to prioritize those workflows I just mentioned. Prioritize those enhancement requests and make sure that the teams are clear on how each team is using the CRM because we can't work in silos. People need to know how we're using this.

We're just going to work together better if we do that. An additional thing we did based on advice and talking to other of our peers is one of our CRM administrators is specifically tasked with monitoring the data integrity. I think that's the fear of some people when you talk to it. We're investing all this time in it, how do we know that it's kept up-to-date? How do we know that there aren't too many fingers in the pie?

How do we know it's going to stay good and we can rely on this? We have one person, and that is their duty, and they're monitoring its reports. We have checks in place, and they're also looking to make sure people are using it consistently. We got to make sure that what we implemented continues to have the same data integrity and people are using it consistently because it's going to be most useful to the team when we do that.

It's been good during our June review. It has been getting a little feedback on how has everything been going. Sometimes it feels like maybe although we're doing a lot, it's going a little slower, and I know it feels faster to others. It just makes me think of that proverb: if you want to go fast, go alone; if you want to go far, go to together. I think we're going at just the right pace for us.

[00:35:10] Matt: Perfect. That's great advice. Bryce, I know you've brought in some new technologies, including a new CRM as well. How have you approached change management at Sepio?

[00:35:21] Bryce: We have a lot of things in common with Prairie's approach. We're identifying solutions. We're very consensus-based in decision-making. We involve people from different elements of the organization to get input and try to settle on what we think is the best fit. The challenge is to figure out how to speak in terms of what's relevant to the different people in the firm as far as adoption is concerned.

I'll explain what I mean by that. We've learned that when speaking with the MDs, the senior advisors, what is helpful in adoption is tying the new solution to outcomes. What is helpful to the more junior operations people is helping tie the new tech to making their lives easier or less burdensome. For people generating, doing a lot of the work in the middle, the reviewing, meeting with clients, helping tie the new tech to accuracy and efficiency.

We are learning very much how to speak to our audience, if you will, to help drive adoption. I'll tell you, Matt, the other thing that has helped with adoption has been the realities of the hiring market. We have had some turnover. We have lost some people, and we've looked for new people to come, but we've had a difficult time finding the right fit for our culture, our organization, and our needs.

Given that reality, tech is a way to address what could be perceived as staffing shortfalls, and that [laughs] has been very helpful with adoption, right? One other thing that I think we've done well is to really engage with our key tech vendors to help us get the most out of the solutions that we're using. Regular calls is just the beginning, but asking a lot of good questions and being curious and finding out one of my favorite questions is, "What are the smart people doing?"

Finding out how others are leveraging tech and then bringing some of those case studies to Sepio and applying them to our situation, it's led to opportunities that we wouldn't have otherwise identified in terms of process; certainly, tech adoption; and user training, as well. We have ended up in some discussions with some of our vendors about how we use software and what we like and what we don't like and been involved in discussions with one vendor in particular, a very prominent one about some of the things that they have on the development horizon and what we think might make sense.

They're interested in our input, and that has come directly from our, call it, extra engagement with them that they have found valuable, and it has been extremely valuable to us. Tying that back to adoption when we get some super users, it is exciting to them. When others see the success that they're having and what they're able to do, it filters through the organization.

[00:39:09] Matt: That's great. I think the first year after you've joined a new organization, it's really just about, and this is where I'm at just in two months being at Coldstream so far, how do we do things here? Why are we doing things the way we are? You're very backwards-looking. Then you're both at that 18-month mark, so now you get the good background of the firm, but then it's, "Okay, let's look forward." Bryce, looking forward, where do you see the complexity of the business increasing in the coming years?

[00:39:40] Bryce: Well, that's an interesting question. I said in the intro that Sepio is a multi-family office private wealth shop that also does asset management and that my view of the future is that we will be an asset management shop that also does private wealth and multi-family. For us, becoming very much an asset management shop is adding a lot of complexity to us. The private funds are a tremendous opportunity for our investors, and they're also a lot of work, especially in the current regulatory environment where scrutiny continues to increase and reporting requirements continue to increase, and the compliance burden is complex and getting more and more so.

I see a lot of complexity there. We are also launching an ETF. We'll be launching an ETF later this summer. That's our first '40 Act fund. That is a very new venture for us. We're very excited about it. I think it's going to be great for our investors, also, for leveraging our IP internally, certainly going to add a lot of complexity for us, and then we're also in the midst of starting a trust company.

We have submitted an application to a state regulator and are planning on doing that and being able to launch in Q4. Our hope is that we'll be able to continue to provide these additional services to multi-generational clients and give them the same level of service that they've come to expect and appreciate. All this growth and all these new business ventures are certainly going to be the source of complexity here at Sepio for the years to come.

[00:41:38] Matt: Yes. Angie, I know alternative investments is a big part of Prairie's business. You mentioned 40 Fund of Funds. How have you dealt with those complexities around alts?

[00:41:48] Angie: Yes, it's definitely a core part of our business, and we've really been steadily adding alternative funds, both clients going directly into alternatives and our internal Fund of Funds that provide access to our clients as well. Some of the issues we encounter that we try and tackle are really just managing large amounts of data. Just if you think of everything attributed to these investments, you're getting partner capital statements, audits, K1s, performance reporting.

There's ongoing due diligence. There's monitoring the managers. You're managing capital activity. You're managing cash needs to fulfill the capital calls. There are time crunches with sub-docs that AML requests continue to amaze me. While I've not gotten a request for a blood type yet, I did recently get a request for a payslip and proof that the pay was deposited into a brokerage or bank account, which was a first.

What we've done with this is just with the large amount of data. One thing we did last year is we implemented Canoe to ingest the partner capital statements because we do manage around 1,700 different positions and 500 different unique funds. We just got to a point where it wasn't scalable anymore, and we had to add technology around that. There's a lot of mapping that involves the technology that Canoe has.

We can continue to do that as we use it better, and we use it more broadly across teams. This is not just the reporting team utilizing it. This is the client service team utilizing it. This is the research team utilizing it. We do have a great FinTech guy that's done a lot of great things in terms of better utilizing Canoe and Addepar and is already making great strides in our CRM.

What observation we've made internally is it does seem like there's a lot of overlap in FinTech overall, especially in this area. A lot of people seem to be adding Canoe-like functionality to their service offerings. That's something that we're continuing to monitor. Additional considerations around this as well is now we look at just the operations of it.

What do we store in a Canoe? What do we want to still share on our shared drive for widely-held investments or things that managing directors might want to see where they wouldn't go to Canoe? Another thing we've done as well, we've also had to implement more of a global reconciliation process to go through those alts. Just going through all of the individual ones on a client-by-client basis was no longer sustainable.

With our internal funds, we've had to look in a few different areas because, again, operating with 10 funds compared to 40 funds really differs. We saw record distributions last year. I am anticipating there's going to continue to be a pressure to get as many distributions out to our clients as possible. When we had fewer funds, we were able to retain a higher level of control and flexibility.

Why we still have a lot of flexibility, as I mentioned before, we had to utilize our fund administrator a lot more, and we actually went from one of the funds most underutilizing their services to earlier this spring, we had a planning call with them, and they actually said that we were fully utilizing all of their services. This was really the lowest-hanging fruit for us, and it was helpful.

We had operated for a long time with a small highly capable and tenured group. We had to grow that group, cross-train, develop procedures, just to really manage that group's workflows more actively. Really, we're at the point now with the volume overall where we need to build out more workflows and improve our processes. Over the next six months, the distribution process will be a big focus.

You think of the repercussions when you have a large client group invested in a large number of funds, and they do something as simple as changing their wire instructions. It's a small thing that's a big thing that impacts the team. One thing I could see us potentially do in the future as well as it relates to alts is if we continue at this pace and FinTech continues at its pace, we'll need to utilize a subscription preparation software.

We've demoed some so far, Matt, as you know with you. That's something we'll have to look at utilizing as that increases. What we're not sure how to solve for yet is just a better way to continue to manage for cash needs as much as we try to communicate with our managers and predict when calls or distributions are going to occur, really being able to add some tech around that to help manage cash flows better.

[00:46:23] Bryce: Hashtag true there. [laughter] Preach. It's funny because I keep saying here, we don't realize it, but we're a data company. We need to become a data company, and that is one of the biggest challenges that we have here. Yes, I don't know how you could have said it any better, Angie.

[00:46:41] Angie: Thank you.

[00:46:43] Matt: Well, another topic that we discuss on this podcast is the high-level philosophy that many RIAs have, which is we have a fiduciary duty to treat every client the same and offer our best and most comprehensive services to each and every single client. While that's a great thought, [laughs] when you go to execute on that philosophy, you realize very quickly that you only have 24 hours in a day.

It becomes impossible to service each and every client the same. You need to implement some kind of client segmentation process at the firm. Bryce, I'll go to you first on this one. How have you gone about determining the service offering for different levels of clients at the firm?

[00:47:23] Bryce: That's an interesting question, and it's been an interesting discussion here. We've not had a lot of appetite to have that discussion until very recently. Of course, it's been driven by growth. Of course, it's been driven by staffing challenges. What we're finding is that different advisors have a little bit different variation in their clientele, which leads to some variations in level of service.

Some of our more seasoned advisors, who have multi-generational relationships, have very concentrated portfolios in terms of books of business and very close relationships. Those are largely composed of what you'd call A-clients. Some of our younger emerging advisors, where much of the high growth has come, do have a greater variety in terms of the makeup of clients.

That's where we're having a lot of fruitful discussion about what levels of service we can provide and should provide to different kinds of clients. We are early in that discussion, but the appetite is now there, and it is going to be a very healthy discussion for us in the very near future.

[00:48:47] Matt: Angie, you mentioned it earlier a little bit, but how have you approached client segmentation at Prairie?

[00:48:53] Angie: Sure. One of the things I think that the team will say is that being so focused on client service has definitely contributed to inefficiencies over time. It's like your greatest strength is your greatest weakness. What I like to say with client segmentation is that we're still focusing on client service. We're just being more mindful and disciplined about how we choose to spend our time.

As part of our client segmentation exercise, we went through our entire client listing line by line. As we did that, most of them fell into a few main buckets, based on their complexities, their opportunities, their needs. Really based on that, we put together a high-level framework of services that we would want to provide by segment. We really thought through, "Once we see these segments, how do we want to do this based on their complexity?"

With our clients at the ultra-high-net-worth space, we may be their family office, or they might have a family office, or our clients are just more complex. One thing that Prairie does is we're not trying to do everything in-house. What we do want to do is add value through being proactive, so we try to quarterback things for them where we can and they would like us to do so. Just looking at how and other things, we can make things easier for them, and we're viewing this exercise and segmenting as a way to think through it and bring them those proactive services.

Some of that might be a generational focus. It could be working closely with other advisors and planning meetings, making sure the right people are talking, and helping them with referrals to third-party advisors, raising that to leadership, et cetera. Something incrementally we think we're going to be able to offer a bit more as well is we're excited about some of the additional services that Focus Financial Partners has been developing and that we can utilize.

They do offer some banking trust, valuation risk, and other key advisory services from highly respected third-party advisors. Again, it's not us. This is us having resources to connect our clients where it's helpful with others who can help work with them and then work closely with those advisors ourselves so they're really getting that holistic solution, and they can also help clients evaluate their existing service providers be an extra set of eyes.

With these models, these are some incremental services that clients can use if it's of interest or helpful. It's nothing Prairie charges extra for. It's another tool in our toolkit that we like to utilize. One thing that was trickier that we did notice when we were putting clients into these buckets that we had to navigate is, "How do you consider the client? Is that where they are right now or what segment or amount of complexity they might have in the future?"

Where we did land on that is, we can factor any immediate facts and circumstances into account if there's an immediate liquidation that's going to add to complexity, but what we don't want to do is say, "Well, there might be a liquidation event in six years." Anything that involves predicting too far out in the future that gets too more subjective and difficult to predict just adds a lot more craters to the process.

We do look at what is their potential complexity as we evaluate their segments. Overall, it's still really early for us, but we do feel like this framework is allowing us to provide a more consistent better client experience by what I said before, just being mindful and disciplined in how we spend our time. So far, we're seeing that is allowing us to be more proactive with our clients.

We might have had some lower-maintenance clients where we can really help them more and provide some additional services. An additional consequence that we did notice is that there have been additional benefits of providing just that additional context to the broader office, so not just the client service team thinking through, "How am I spending my time?" but just developmentally, the operations team, the reporting team understanding why they're providing certain services and doing certain things for clients, which has been helpful.

[00:53:02] Matt: I mentioned at the outset, I've worked with both of you for about a year now, so I knew you were going to bring a lot to the podcast, but I have to say that you both have exceeded my high expectations today. You've shared some really great nuggets of advice here. Angie and Bryce, thank you so much for being here today.

[00:53:20] Bryce: Thank you, Matt.

[00:53:21] Angie: Appreciate the opportunity.

[00:53:23] Matt: Well, great. That is a wrap on Episode 54. We will talk to everyone soon.

[music]

[00:53:44] [END OF AUDIO]