

# As a Retirement Plan Provider, Don't Turn Into A Bureaucracy

By Ary Rosenbaum, Esq.

They say that if Con is the opposite of Pro, then Congress is the opposite of progress. Nice joke, but Congress is known for its bureaucracy and the idea that nothing gets done, regardless of which political party is in control. Too often businesses start to become bureaucracies and the things that need to get done don't. I know; I've worked for a few of these businesses including third party administration (TPA) firms and law firms. So this article is about how as a retirement plan provider you could avoid the mistakes that turn your business into a bureaucracy.

## Don't let size cause you to have business atrophy

The larger your company becomes, the slower you may get. What happened when you were a small organization and were hungry has changed when you became larger, more successful, and less hungry. When you're less hungry, you tend not to be as quick and alert as when you were.

That's a fact, but the problem is that when you're slower, you're less likely to understand the changes that are going on in the industry. Large TPA and financial advisory firms that based their success on hiding fees didn't understand the changes in the business that were coming down the pike. I remember when I was working as an attorney for a very successful "producing"

TPA and I predicted about 10 years ago how fee transparency was inevitable and that revenue sharing payments were going to be questioned when it came time to fees. People at that TPA were laughing at me and many of these same people lost their jobs later down the line. Business history is littered with businesses that were too large to see the future in front of them.

torney for my old law firm, Lois, didn't want something accomplished, she's create a committee for it. The problem with the joke is that there was some truth to it. When a fellow associate and I were interested in using social media to bring in business for our respective practice, Lois created a committee for it. Of course, the other associate and I weren't on it. She placed attorneys

on there who had no knowledge of social media, one partner who though social media is a form of legal advertising, and our computer tech guru who wasn't a lawyer. 5 years later and they are probably still whistling Dixie as their social media presence is a joke and this 50+ attorney law firm has 20% less Twitter followers than I do. The point here is not to bash them, but to illustrate that committees are usually a waste of time. This isn't germane to law firms. I see this at every Board of Trustees meeting at my Synagogue. When I wanted to throw a fundraiser for the Synagogue, I

didn't use a committee because I like to talk less and do more. A year an change ago, our Synagogue formed a long range planning committee to review what we needed to do to survive in a changing demographic on Long Island. They still haven't developed anything that resembles a call to action and I don't think we need a committee to tell me that for our Synagogue to survive,

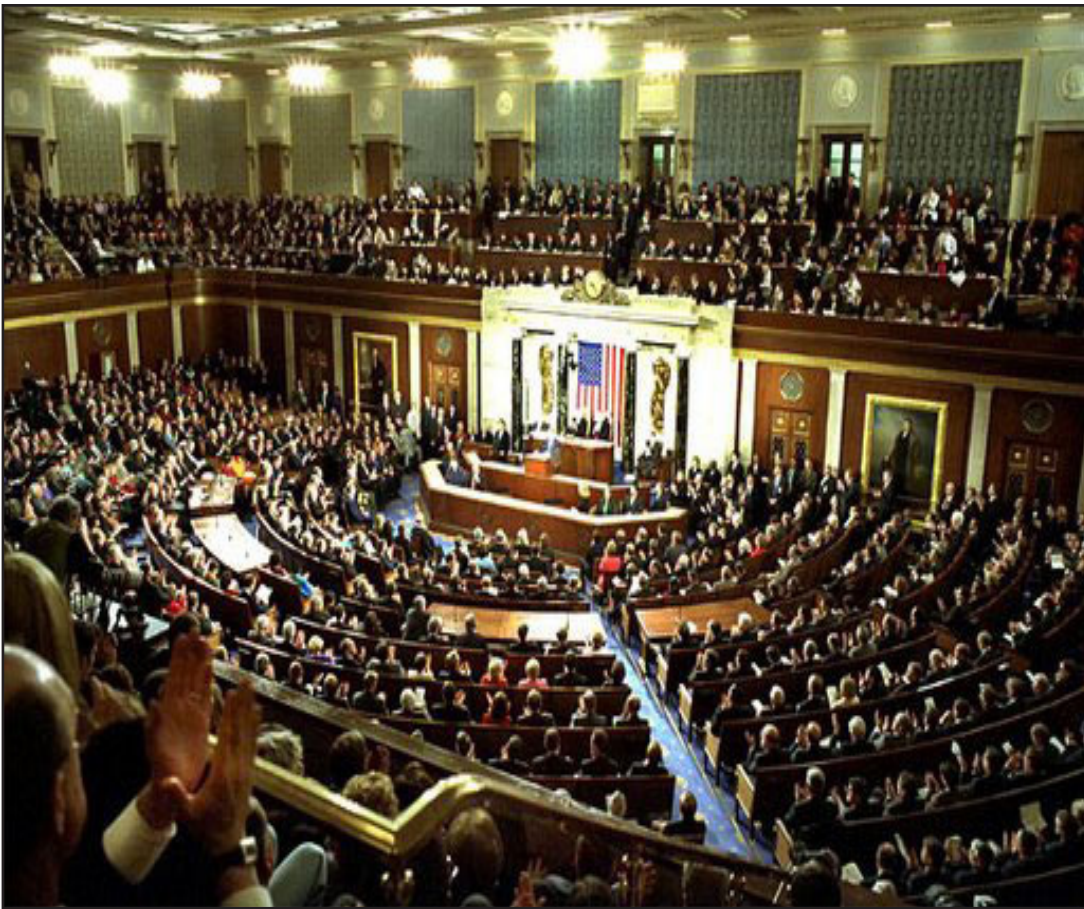


Montgomery Ward, Blockbuster Video, and Woolworths are just some of the huge companies that are no longer with us just because they had no foresight. There is nothing wrong with success, but too much success has a chance of blinding you.

## Creating committees that do nothing

I once joked that when the managing at-

we need more members and butts in seats for our events. Committees and other layers of bureaucracy go a long way in serving as a bottleneck in growing business. I remember when I wrote article for that law firm to generate business, the article had to be approved by the advertising committees and three levels of partners. So it would take about six months before an article was published.



There is nothing wrong with having management review what goes out and what gets done, but it has to be done in a time efficient manner. Business shouldn't be lost and opportunities squandered just because someone in senior level management couldn't get in gear. As far as committees, they can be a necessary requirement based on the size of the company. The number of committees created and the number of members on each committee should be in proportion to the size of the business. I don't think a law firm of 50 attorneys should have a dozen or so committees with law firm partners sitting on multiple committees. Each committee also should be delineated with clear objectives and goals as well as regularly scheduled and attended meetings. A committee that gets nothing done is just window dressing at best and an obstacle to getting things done at its worst.

#### **Not listening to your employees**

McDonalds is one of the great American success stories, thanks to multi-mixer Ray Kroc franchising a California restaurant run by the McDonald brothers. The Big Mac is one of the most famous McDonalds meals and it wasn't the brainchild of McDonalds. It was actually developed by a Pittsburgh area McDonalds franchisee. The

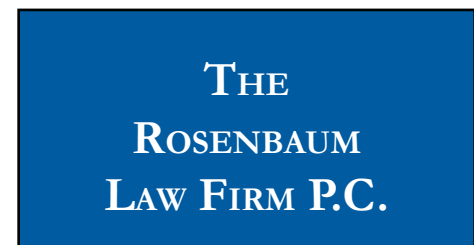
Filet O Fish sandwich was developed by a Cincinnati franchisee who wanted to offer a meatless option during Lent for his heavily Roman Catholic customers. Imagine if McDonalds didn't listen to their franchisees, they would have lost out on two of their best selling and well-known products. Too often businesses don't listen to their employees who may have excellent ideas on how to improve it. I know, I worked for a few. I'll never forget working for the producing TPA about 9 years how automatic enrollment (when it was finally codified in the Internal Revenue Code) should be pushed because we had our own advisory firm and how it could increase our assets under management. 9 years later and I'm still waiting to hear back on that. Seriously, the better business is one that listens to their employees for new ideas and to listen to them concerning something else important like employee morale. As a retirement plan provider, I always say that you're only good as your worst employee and it's hard to find good employees. So by listening to your employees once in awhile, you may find out if they are happy and/or whether they have a great idea that could boost your business.

#### **Don't always say no**

You can't be everything to everybody,

but to succeed in business, you need to be everything to somebody. While it's never wise for a retirement plan provider to think they can handle any retirement plan out there, they should always be open to what's out there and see whether they could offer new services. That's why a TPA should consider whether multiple employer plans and/or ERISA §3(16) services is something they should

get into. That's why a registered investment advisor should consider offering ERISA §3(38) services. Adding such ancillary services may not be the right fit for every provider, but it's something that every provider should consider even if they eventually say no. The point here is that you should always consider adding services and enlarging your operations before just dismissing by saying no.



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