I know many excellent investment advisors who run advisory firms. Unfortunately, the expertise that made them successful financial planners does not translate into the ability to effectively manage and motivate others.

Telling someone how to become a better manager is easy. But motivating the advisors at your firm is surprisingly difficult. Doing so effectively is a simple way to increase your AUM.

**The Pygmalion effect**

A seminal article by J. Sterling Livingston in the *Harvard Business Review* introduced what has become known in management as the "Pygmalion effect." Simply stated, if you believe some advisors in your firm are superior to others, those advisors are likely to outperform, even if all the advisors in the firm have similar talent.

Livingston summarized the evidence supporting the Pygmalion effect as follows:

- Subordinates, for the most part, do what they believe they are expected to do.
- Your expectations of your subordinates and the way you treat them has a profound effect on their performance and career progress.
- Superior managers have the ability to create high-performance expectations that are subsequently met.
- Most managers don’t have this ability.

**The power of the Pygmalion effect**

A 1961 study, which took place at a district office of the Metropolitan Life Insurance Co., illustrated the power of the Pygmalion effect. The district manager assigned his best six agents to work with his best assistant manager. He assigned average producers to work with an average assistant manager and his poorest producers to work with the least-able manager. He challenged the superior group to deliver two-thirds of the premium volume achieved by the entire agency during the previous year.
The superior group of agents surpassed this lofty goal by a wide margin. The performance of the producers in the lowest unit, where expectations were commensurately low, declined and attrition increased.

The results of this experiment validated prior studies demonstrating that a teacher’s expectations of a student’s ability became self-fulfilling. Other studies have shown that physicians’ and psychiatrists’ expectations for a course of recovery have a meaningful influence on a patient’s actual recovery.

**How to set expectations**

The process of effectively communicating high expectations is tricky. Livingston noted that non-communication is, in fact, powerful negative communication. Being cold and uncommunicative is understandably interpreted by subordinates as a very negative message.

If you want advisors in your firm to generate more assets under management, set expectations that are realistic and achievable. If the goals are perceived as unattainable, advisors will give up trying and settle for lower results.

Mindset is the critical difference between managers who can effectively set high expectations and those who can’t. Superior managers have greater confidence in their ability to motivate. Managers who have doubts in their own ability convey those doubts, often subconsciously, and are less effective as a consequence.

**Get them while they’re young**

The impact of the Pygmalion effect is most pronounced among young people. Livingston quoted the director of college employment at AT&T, who stated: “Initial bosses of new college hires must be the best in the organization.” When young people are assigned to average or below-average sales managers, they are far more likely to fail and leave.

If you have young advisors entering your firm, pay special attention to how you manage them. By assigning someone to mentor young advisors and convey the high expectations your firm has of them, you are maximizing the potential for their success – and yours.

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