

“THOUGH WE HAD A GOOD CORPORATE CULTURE SINCE THE BEGINNING, WE ARE STILL LEARNING. PART OF IT IS WHAT IS BUILT INTO YOUR DNA, AND PART IS WHAT YOU PAY ATTENTION TO AND FOCUS ON AS YOU GROW. — JOHN NICOLA, CEO



John Nicola, chairman/CEO of Nicola Wealth Management: "Our approach is a simple one. We judge our actions by what is the right result for our clients." SUPPLIED

A CORPORATE CULTURE BUILT ON SHARING

NICOLA WEALTH MANAGEMENT

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For John Nicola, chairman and chief executive officer of Nicola Wealth Management (NWM), a 2016 winner of Canada's Most Admired CEO award, growing a successful business is much more than bottom-line results. Since founding his company in 1994, Nicola has held a steadfast belief that excellence is founded on a culture that promotes openness, engagement, customer service and, most important of all, sharing.

When he started Nicola Wealth Management in 1994, Nicola had already spent 20 years in the industry with a large investment firm. His new company began with a staff of eight, a modest \$80 million in assets under management, and \$1.8 million in top-line revenue.

His adherence to culture has built a firm with offices across Canada and has been recognized within the financial services industry with numerous awards, including 2015's Fastest Growing Private Investment Counsel Firm in Canada; one of Canada's Best Managed Companies; a Canada's 10 Most Admired Corporate Cultures; and the Private Business Growth Award.

In addition to building the business, Nicola was also on a mission to change the face of the private-counsel

business into one that champions transparency and trust. "Typically, lead advisers managed a book of clients in an insulated and isolated way, even if they are part of a large bank network with more than 1,000 team members. In other words, advisers built practices, not businesses. I was determined to change that model."

A key focus for Nicola was fee structures. "For years — and to a large degree today — wealth management professionals have been paid by commissions embedded in the price of the product," Nicola says. "But for me, the question has always been: Are those professionals objective in their choices and, more importantly, does the client know what they are actually spending?"

It began in earnest when a large-portfolio client in 1997 had asked for a detailed summary of his investments and rates of return. "That was extra difficult to do back then, because there was no program for it," Nicola says. "We had to break out every transaction, interest and dividend payment and transfer those records. That was our first IRR [internal rate of return] statement. We then invested in developing a program and have been doing it for all our clients since 2007."

At that point he was able to completely transition his company's model from a commission-based to a fee-based structure and generate IRR reports showing clients' investments under management, transactions and returns after fees. "Essentially,

it was everything they would need to file their tax returns," he explains. This initiative was decades before the introduction of the Canadian Securities Administrators (CSA) CRM2 legislation, which requires disclosure of fees embedded in products.

NWM also developed a website that allows customers to measure the performance attributes of their portfolios. "They can look at specific returns and drill down as deep as they want," he says. A key objective for 2017 is to finish a comprehensive client dashboard.

This approach built an exceptionally loyal client base, Nicola says. The company has averaged less than one per cent annual loss of client accounts versus 10 per cent for the brokerage business at large, he reports. "And 75 per cent of our new clients are referrals from other clients. Our approach is a simple one. We judge our actions by what is the right result for our clients."

It also set them on a path to greater profitability. "Our profit has consistently gone up faster than our growth. From 2000 to 2017, we have never had a non-profitable year, even during the dot-com bust from 2001 to 2003 and the 2008 recession. We haven't even been close to not being profitable."

While his innovation for the industry, Nicola believes that sharing corporate culture and how a business interacts with a community creates a legacy that extends well beyond profits. As such,

he has committed to using his aptitudes and resources to champion empowerment for his colleagues, clients and the local community.

"The top three things that we believe make up the most winning parts of our culture are: we share and play nice together in the sandbox; every person within the company has the opportunity for personal growth and development; and we are client-focused," he says. "These are not just my ideas. These came directly from my team."

Nicola often speaks of Nicola Wealth Management as a sharing culture. "I have always believed in profit-sharing, even before I started the company. We also have a bonus program, because it always seemed to me that a bonus is another option to share profits in a way that is measurable and meaningful to the recipient."

Over time, the company has enhanced its sharing ways with financing for stock purchases, private stock options and discounted shares. "It's ironic the word that describes a unit of wealth in a company is called a share and, to me, implies that the real wealth that comes from ownership in a company is created when people act as a team vs. individually. We have evolved from one shareholder to 30 or so in 20-plus years, and 14 of those have equity in above \$1 million. My wife and I have reduced our overall equity from 100% to 48% over 23 years, and now the current value of our shares plus dividends is well in excess of 100 times the amount we

started with in 1994."

Beyond profit-sharing and bonuses, Nicola also believes that all staff should have the opportunity to grow and develop to their full potential.

Many of his best people were trained internally, and most have chosen to stay with the firm, he says. "My senior partner, Karen, was one year out of high school when I first started working with her in 1994. She is now one of the most skilled and well-respected advisers that we have. Jamie, who did administration work, joined the new firm as my office manager. We shared the cost of her MBA program and she is now our COO. We have a lot more stories like those."

Even new hires are impressed, he says. "Developing and growing people internally is something they notice as soon as they join the firm, because they can immediately see we know open and collaborative our culture is."

Treating clients as the No. 1 focus has also proven to be a very effective business strategy. "The exceptional loyalty we've enjoyed is based on a number of factors, including our reporting systems and transparency, response times to requests and proactive approaches," Nicola explains.

But the biggest point of pride for Nicola is his devotion to serving the community around him. In fact, his favoured adage is, "You make a living by what you earn. You make a life by what you give."

"It's not just about internally allocating funds. It's external giving as well," Nicola says. He has pledged a

percentage of the company's annual revenues to local and international charities. The firm has also formed an NWM Gives Back charitable-giving committee, whose mandate is to engage and support staff to reach their charitable goals.

The philanthropic spirit extends even further. NWM provides the opportunity for clients to form their own legacy through philanthropy, educating them on giving back and encouraging them to "do well, by doing good." Among other initiatives, he established the Private Giving Foundation (PGF), where clients can donate through a donor-advised fund free of administration fees.

Personally, Nicola provides stewardship and strategic advice by sitting on the board of the Canuck Place Children's Hospice, and he regularly supports WE Charity, The Pivot Law Society, the Union Gospel Mission and Covenant House.

Overall, Nicola believes the roots of his success — whether with colleagues, customers, the community or business results — is rooted in the strength of its corporate culture and the importance of fit, consistency and values.

"Getting there takes a fair bit of work, and you have to be consistent all the time. Even though we have had a good corporate culture since the beginning, we are still learning. Part of it is what is built into your DNA, and part is what you pay attention to and focus on as you grow. There are always things we could do better."

NICOLA
WEALTH MANAGEMENT

We proudly congratulate our Founder and Chairman **John Nicola** on being recognized as one of *Canada's Most Admired CEOs*.

For over 20 years, NWM has provided sophisticated financial advice and investment management to Canada's entrepreneurs, affluent families and foundations.

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