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ADVISOR COMMUNITY

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On Leading, Learning, and the Future

Since being appointed Co-CEO of Dimensional in late February, I've had a number of advisors ask me about my new role. I recently sat down with Jake DeKinder, Head of Advisor Communications, for an internal Q&A session with Dimensional's Financial Advisor Services (FAS) group. The following is an abbreviated version of that session.

JAKE DEKINDER: What were your thoughts when you received the news about becoming Co-CEO?

DAVE BUTLER: Well, I was surprised like anyone would be. David Booth sat me down in Charlotte and explained where he wanted to go with the firm and that he wanted me to be Co-CEO. He explained that he likes the Co-CEO concept and wanted me to serve alongside Eduardo Repetto, who is also Co-CEO.

I was certainly excited, and started thinking about the requirements of being Co-CEO and what would change in my current role as Head of Global FAS. My thoughts also went to David. He has established something unique in our industry, and when I think about the legacy of Dimensional and for David to say this is how he wants to proceed with the firm, it is an honor and also an exciting challenge for me.

The FAS team and the financial advisors we work with also came to mind. What we've established with the

advisor community—the culture, approach, and putting the client experience first—these are ideas we have shared for a long time and want to continue.

We talk a lot about having an investment philosophy just like having a philosophy on life. As you look ahead, what's your philosophy on your new role?

My philosophy in life is to put your head down, do good work—hard work—and go at it day to day. And when you do that, sometimes you look up and good things happen.

I believe you can find enjoyment in the daily routine, the repetition that comes with trying to get good at something. This is what I regularly tell my kids: Whether it's basketball or school or anything else, it's not about being all-league or scoring 20 points. It's about doing the little things every day and seeing the progress and getting satisfaction from the result.

I see it every time I talk to someone in our group. We are tweaking what we do to make it a little bit better, and the effort adds up to a lot. That's how we deliver the experience. We want the financial advisors we work with to sense our ownership, effort, and priority in helping them deliver a great client experience. When we get positive feedback from advisors, I know we are doing the right things.

You had a lot on your plate as Global Head of FAS. Now that you are also Co-CEO, how will you get everything done?

I was in San Francisco after the announcement, and when I talked to a couple of advisor groups, that was one of their first questions. They thought the move to Co-CEO was really good because it signifies the importance of the advisor business to Dimensional and what FAS has collectively created.

My response to that question was that FAS has a deep team and roster, strong management in place, and young people who are coming up through the system and doing great things. I think we're deep and strong enough to keep it running well as more of my time goes to Co-CEO responsibilities.

Do you have any historical figures or leaders you admire or look up to?

When you look at your life and think about the wisdom you pick up, you realize it's about pulling pieces from various people you know or have heard about. The people I respect the most are those that you might assume know everything because of their stage in life. Yet, they have an inquisitive mind and want to know more. They are modest and recognize they don't know everything.

The person I always think about is John "Mac" McQuown, who has been a Dimensional board member since the firm's founding. Mac is 81 and was an indexing pioneer at Wells Fargo. He has a winery, and he's an astronomer. Whenever we have a conversation, he asks me what I think about something. And he listens in a really distinct way. He does this to everyone around Dimensional. So, you can stay young, like Mac, if you know you haven't figured it all out. I think you get old when you think you have seen it all before. Of course, you gain clarity and pick up wisdom along the way, but you always have to be open to new ideas and views.

What challenges will advisors face in delivering the client experience over the next five or 10 years?

David Haintz, a top advisor in Australia, likes to point to the concept of "above the line" vs. "below the line" challenges. Below the line is technology; above the line is the personal relationship.

Below the line, the current industry buzzword is robo-advisor,¹ which is delivered through technology. Many of the big firms have the capability to do below the line efficiently. These groups are scrambling to develop above the line, to personalize their robo-advisor function.

You can have the greatest, most technology-oriented implementation vehicles, but unless there's a person involved to actually explain principles and carry the emotions of the client, it's a tough challenge to create a truly personal experience.

Advisors we work with do a terrific job above the line. Their challenge is to stay ahead of the personalized robo-advisors while improving their own below the line capability in technology. For example, how can they operate more efficiently? How do they attract and service small accounts? How do they build a client experience that is homogenous across advisors in their firm so their organization has some value going forward? I think more advisors will scramble to get below the line and figure out how technology can help efficiently deliver the experience. The upside for advisors is that the need for personal connection will never go away. A client must trust the advisor and will pay for that trust and all the things that come with it.

Moving into the personalization space is a lot harder than acquiring more technology for automation. But advisors should not discount the ability of robo-advisors to develop personal trust with clients. This could prove an important industry trend over the next five to 10 years.

Dave, if you fast-forward 25 years, what does the firm, group, and industry look like?

As mentioned before, more than 25 years ago, we entered the advisor business with a mission and belief that we could do better for clients. David Booth's never been the kind of a guy to have a long-term business plan for growth. There's

1. Robo-advisors provide financial advice or portfolio management online using algorithms executed through software and with minimal human intervention. They are also known as automated, online, or digital investment advisors.

never been a 10-year number that we needed to hit or a certain number of people we needed to hire.

We can attain what we set out to do, which is to change the client experience, by doing it the right way and continuing to improve on the edges. It's a matter of focusing on details and looking around at the aspect of the business you're involved in—and staying aware of what you are doing and asking how you can get a bit better at it today.

I think the future is bright for the firm. We have competitive investment strategies. We have smart people working with us. We have engaging sales groups—and people who understand clients. We have research and portfolio management groups second to none, and we're delivering an experience that, according to advisors I've talked to, is unique. While we have set a really high bar for ourselves, we can certainly notch it up to make it even better.

So, the opportunities will continue. We don't know what they will be, but we know there's a certain experience we want to deliver, and we want to double down on things we do really well.

What excites you most about going into the Co-CEO role?

I think probably just learning more. I look forward to getting around the firm, asking questions, and getting to know other parts of the organization and the people. I want people to feel that if they have something to say, I'm in a position to listen. And as a believer in markets, when a common theme bubbles up to my attention, I take it seriously.

What was the response from your wife and kids when you told them?

That's a good question. My daughter said, "What does that mean, dad?" Kids had no response; they were like, "That's great. So, what time's basketball practice?" My wife was excited for me, but then she had that moment of wondering what it all meant and how it might change our life. I assured her that none of the important things with us and our family will change.

Well, Dave, congratulations again. We're excited for you, and excited about the future of the firm and the FAS group.

Thanks again to everybody here. This is a collective effort, so keep up the great work.

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John "Mac" McQuown is a member of the Board of Directors for Dimensional Fund Advisors LP. David Haintz is currently a contractor providing services to DFA Australia Limited.

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