



SCALING A BOUTIQUE PROFESSIONAL SERVICES FIRM: THE PLAYER-COACH YEARS

Four transitions every founder must navigate between a three-person practice and an eight-person firm, written from inside the phase itself.

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Some Fridays end with the same quiet recognition. I did two jobs badly instead of one job well. The morning was client work no one else could yet handle. The afternoon was a hiring conversation, a systems decision, and a promise to a colleague that had quietly slipped a week. Nothing broke. But I could feel the seam.

That seam has a name in the professional services literature. It is called the player-coach phase, and it sits between a founder-and-a-few-people practice and a real firm. I write about it because I am inside it. Palmer Wealth Group™ is itself a professional services practice in the player-coach phase, and building it as an ensemble practice has meant working through exactly the transitions this article names.

The SBA Office of Advocacy reports that small firms account for roughly 96 percent of professional, scientific, and technical services employer businesses, with an average of about 11 people per firm. The [Bureau of Labor Statistics projects the sector will grow 10.5 percent between 2023 and 2033](#). That is a projection, not a promise. But it names the tailwind behind a question every founder in the player-coach years must answer: what does it actually take to build the firm the market is asking for?

THE HIRE THAT CHANGES WHAT YOUR DAY LOOKS LIKE

WHY FOUNDERS DEFAULT TO HIRING ANOTHER PRODUCER

When founders decide to grow, most of us reach for another producer. It feels obvious. Revenue comes from delivered work, and more people delivering the work should mean more revenue.

The industry data supports the direction and complicates the reflex. Cerulli's U.S. Advisor Metrics 2025 reports that team-based advisory practices manage about \$330 million in assets on average, compared with about \$95 million for solo shops. Those team practices show roughly \$20.3 million in annual organic growth, versus about \$8 million for solos.

But the industry's shape tells a different story about founder behavior. The Investment Adviser Association told the SEC in 2023 that more than half of federally registered investment advisers employ fewer than ten people, and more than 88 percent employ fewer than fifty non-clerical staff. The reflex to hire another producer does not, by itself, move most firms out of the very-small category. Something else has to change.

WHAT THE FIRST NON-PRODUCING HIRE ACTUALLY UNLOCKS

The hire that actually changes a founder's day is usually not another producer. It is the first non-producing hire: the person whose job is to protect the founder's time and the firm's operational spine.

“THE HIRE THAT ACTUALLY CHANGES A FOUNDER’S DAY IS
USUALLY NOT ANOTHER PRODUCER”

Charles Schwab's 2025 RIA Benchmarking Study found that for every \$403,000 in revenue, a firm typically hires another full-time employee. That is an industry ratio, not a target for any firm. A 2024 Ensemble Practice study of 230 advisory firms placed average revenue per staff member at roughly \$459,655. The 2026 IAA/COMPLY Investment Adviser Industry Snapshot reported that advisers focused on individual clients averaged 8 employees and \$424 million in assets under management.

The federal employment thresholds land later than most founders expect. COBRA applies at 20 employees. FMLA and the ACA employer mandate apply at 50. A firm moving from 3 to 8 people crosses none of the major federal thresholds. State laws vary and should be verified with a qualified employment attorney. That window can be used to build the firm before the compliance weight of a larger one arrives, and to attend to personal finances, as I have addressed in [The Entrepreneur's Blind Spot](#).

BECOMING THE STANDARD-SETTER, NOT JUST THE DOER

THE PRODUCER-TO-STANDARD-SETTER SHIFT

Larry Greiner's 1972 model of organizational growth, republished in Harvard Business Review in 1998, names the first predictable crisis a firm encounters. He calls it the crisis of leadership. It arrives when the informal methods that built the firm no longer scale.

In professional services, that crisis is quieter than the term suggests. It shows up as an accumulation of small inconsistencies. One client gets one version of the process. A junior colleague does the work the way the founder taught last quarter, not the way the founder does it this quarter. None of it is a crisis on any given Tuesday.

SEC Rule 206(4)-7 requires every SEC-registered investment adviser (an advisory firm supervised by the Securities and Exchange Commission) to adopt written compliance policies, review them annually, and designate a Chief Compliance Officer. That obligation applies regardless of headcount. When the founder

is the only producer, the role is largely paperwork. When four or five people do client work, the standard-setter role becomes real. Someone must define how the work gets done, and the founder is either that person or is failing to be.

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FOUNDER IS EITHER THAT PERSON OR IS FAILING TO BE.”

THE FOUNDER IDENTITY COST — AND THE HONEST ALTERNATIVE OF STAYING SMALL

Noam Wasserman’s 2012 book *Founder’s Dilemmas* frames the identity tension as “rich versus king.” Founders who prioritize control tend to cap growth. Founders who prioritize growth tend to give up control. Wasserman’s data suggests that people problems, not products or markets, drive about 65 percent of the failures he studied.

SEI’s research on the purposeful advisory firm, led by John Anderson, found that many advisors default to enterprise scale from a sense of obligation, when a well-run lifestyle practice would fit better. Seventy-four percent of lifestyle firms in that research expected to outlast the founder’s career. Bo Burlingham’s *Small Giants* documents companies that deliberately chose greatness over size.

The choice to scale should be affirmative, not defaulted. DeVoe & Company reported in 2023 that average RIA organic growth had fallen to 3 to 4 percent, roughly a third of its earlier pace, with business-development spending down by about half. Scaling in a low-growth environment demands intention. The alternative, a deliberate high-quality small practice, is not a lesser answer. For what comes after the standard-setter shift, I have written elsewhere in [When to Hire a CEO as Founder](#).

TRANSFERRING CLIENT TRUST FROM FOUNDER TO FIRM

WHY CLIENT TRUST DOESN’T TRANSFER ON ITS OWN

Client trust in a small professional services firm is founder-shaped by default. In the early years, that is a feature. Clients came because of the founder and stayed because of the founder. The firm’s growth was the founder’s reputation compounding.

That same shape becomes the ceiling. David DeVoe has argued for years that sustainable RIA growth is driven by institutionalized processes the firm can execute without the founder in the room, not by the founder’s personal charisma. Buyers of advisory firms discount owner-dependence: a firm whose value lives inside one head is worth less than a firm whose value lives inside a functioning institution.

Cerulli Associates reported in 2025 that roughly 300 RIAs holding \$5 billion or more in assets accounted for more than half of the channel’s assets at year-end 2024, while the remaining 98 percent of firms managed about 46 percent between them. The industry is barbelled. The deliberate work of transferring client trust from person to institution is what moves a firm out of the second group.

THE DELIBERATE ARCHITECTURE OF INSTITUTIONAL TRUST

Institutional trust does not accrete by wishful thinking. It is designed. DeVoe & Company has observed a rough correlation in RIA valuations: every one percent of incremental organic growth corresponds with about a seven percent increase in valuation, and every one percent of incremental profit margin corresponds with about a 2.3 percent increase. Those are industry correlations, not guarantees.

“INSTITUTIONAL TRUST DOES NOT ACCRETE BY WISHFUL THINKING.”

Philip Palaveev, who coined the term “ensemble practice,” argues that the durable model in professional services is team-based. The interests of the business sit ahead of any single advisor. Next-generation leaders, whom Palaveev calls G2, are developed deliberately, over years. When the founder can point to two or three colleagues capable of running a client relationship without founder oversight, the trust has transferred. The historical parallel is one I have written about in [Building Institutions That Outlast Their Founders](#).

SCALING A SMALL PROFESSIONAL SERVICES FIRM BEYOND ITS FOUNDER

WHAT TO CODIFY — AND WHAT TO LEAVE TO INSTINCT

Not every part of a small professional services firm should be codified. The Startup Genome Report, based on 3,200 technology startups, found that 74 percent of high-growth internet startups in the sample failed as a result of premature scaling. The analogy is imperfect: professional services firms are not tech startups, and the 2011 data is dated. But the observation still travels. Systematizing a business before the business has proven itself destroys the very thing that made it worth systematizing.

What should be codified are the decisions that already recur and the client experiences that already carry a distinctive quality. Schwab’s 2025 benchmarking reported that median revenue per professional at advisory firms crossed \$1 million in 2024, with median operating margin at about 27.8 percent. Those are industry medians, not targets. But they reflect the productivity that follows when a firm builds systems around a validated way of working.

DELEGATING AUTHORITY, NOT JUST TASKS

The final transition is the difference between delegating tasks and delegating authority.

Greg Alexander, writing in [Harvard Business Review in December 2023](#), called the founder who never quite completes this transition a “bottleneck boss”: founders in growing firms often block the very people they hired. McKinsey’s scaling research reaches the same place from a different angle. The founder-as-bottleneck is an organizational-design problem, not a time-management problem. Aligned leadership, clear roles, and explicit decision rights are the remedy.

In practice, this is harder than the diagnosis suggests. Delegating a task is a Tuesday-morning conversation. Delegating authority means specifying which decisions a colleague can make without checking, and then honoring the decisions they make even when the founder would have made them differently. It means writing down where the founder's judgment is genuinely non-transferable and where the founder is just being possessive. It means accepting that the firm's work product will look slightly less like the founder's own work and slightly more like the firm's, which is exactly the point.

Greiner called this the crisis of autonomy. Growth stalls when the founder, having built the firm on judgment, cannot let go of it. The founder who does the work of scaling a boutique professional services firm from the player-coach years into a real firm is the one who eventually stops making every important decision alone. That transition ends the player-coach phase. It begins the firm.

FREQUENTLY ASKED QUESTIONS

Q: SHOULD I HIRE ANOTHER ADVISOR OR AN OPERATIONS PERSON FIRST WHEN SCALING A BOUTIQUE PROFESSIONAL SERVICES FIRM?

The evidence favors an operations or administrative hire first, not another producer. Schwab's 2025 RIA Benchmarking Study reports that firms typically hire another full-time employee for every \$403,000 in revenue, and Cerulli's 2025 data shows team-based practices manage about \$330 million in assets on average, versus about \$95 million for solos. Those are industry averages, not guarantees. Freeing the founder from operations tends to precede, not follow, the growth that eventually supports another producer's arrival.

Q: HOW DO YOU TRANSFER CLIENT TRUST FROM THE FOUNDER TO THE FIRM?

Deliberately, and over years. DeVoe & Company's research argues that sustainable growth in advisory firms is driven by institutionalized processes rather than founder charisma. Philip Palaveev, who coined the term "ensemble practice," advocates a team-based firm in which the interests of the business sit ahead of any single advisor. In practice, the transfer happens as colleagues run client meetings, as decision-making gets written down, and as the founder steps out of the room.

Q: WHEN SHOULD I START BUILDING SYSTEMS IN A GROWING PROFESSIONAL SERVICES FIRM?

After the model works, not before. Startup Genome's technology-startup research found that 74 percent of high-growth internet startups in its sample failed from premature scaling. Professional services firms are not tech startups, and the data is dated, but the underlying observation transfers. Systems built around an unproven business model lock the firm into the wrong process for years. The right sequence is to validate what works, then codify what works, then delegate the codified work.

Q: HOW DOES A FOUNDER STOP BEING THE BOTTLENECK IN A PROFESSIONAL SERVICES FIRM?

By delegating authority, not just tasks. Greg Alexander's 2023 Harvard Business Review article on "bottleneck bosses" identifies the pattern: founders in growing firms hire capable people and then quietly block their decisions. The remedy that both McKinsey's scaling research and Larry Greiner's growth-crisis model converge on is organizational design. Decision rights must be explicit. Roles must be clear. The founder must accept that a decision made differently by someone else is not, for that reason, a mistake.

Q: SHOULD I KEEP MY PROFESSIONAL SERVICES FIRM SMALL OR SCALE IT?

Either can be right; both require intention. SEI's research on the purposeful advisory firm, led by John Anderson, found that many advisors default toward enterprise scale when a well-run lifestyle practice would serve them better. Seventy-four percent of lifestyle firms in that research expected to outlast the founder's career. Bo Burlingham's Small Giants documents companies that deliberately chose greatness over size. The wrong choice is drift; either affirmative direction outperforms the default of doing neither.

CONTINUE THE CONVERSATION

If you are a founder in the player-coach years thinking through the next chapter of the firm, a conversation is often the least expensive way to test your thinking. No cost, no obligation.

This article is part of Luke Palmer's [Leadership Perspectives](https://palmerwealthgroup.com/insights) series at palmerwealthgroup.com/insights.

ABOUT THE AUTHOR

Luke A. Palmer, CFP®, AAMS®, CRPS®, AWMA®, founded Palmer Wealth Group™ around a single conviction: what a family has built should serve every generation that follows. He is Owner and Chief Executive Officer of the Fort Worth, Texas boutique practice, which serves business owners, corporate executives, professional practice owners, and multi-generational families. He also serves as the practice's Chief Investment Officer, having designed its five proprietary portfolio allocation strategies and the robust methodology on which they are built. Learn more at palmerwealthgroup.com.

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