Why Edward Jones Should Retain its Current Business Strategy

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You do not have to be in business to know that today’s financial atmosphere is inhospitable, and not just on a domestic level. If you are a brokerage firm like Edward Jones, and you have managed to survive the initial crash, this is a good indication you did something right, even if it was just convincing the government that you needed a bailout. Still, no one is safe, and companies that have been deemed too big to fail might just turn out to be too crooked to survive, that is, if they do not make significant changes to their business models and ethical practices (Taibbi). Edward Jones on the other hand has weathered the crisis-turned-recession quite well. Their conservative culture and sensible business practices have put them a step ahead of their competitors for the foreseeable future, so any major changes would be very difficult and foolish.

Of course they should be attempting to grow organically in a financial sense, but the point is Edward Jones can and should do this without any major strategic changes. After all, what is there to change when you are doing everything right? By reading about Edward Jones history, their strategies, culture, hiring practices as well as examining competition and the overall market I was able to analyze their firm and conclude that Edward Jones needs to make little changes outside of striving to maintain organic financial growth.

Edward Jones was established as a partnership in 1922, and remains one today. Every carefully chosen, well-trained employee is eligible to become partner (Collis & Smith, 4). This makes Edward Jones strong for several reasons. First, the company is in charge of its own future and gets to make its own decisions, that is, they do not have to answer to Wall Street or a Board of Directors. Secondly, when the power of the company is in the hands of its employees, therein lays an incentive to value the customer. This in part is responsible for the culture of volunteerism that exists at Edward Jones (EdwardJones.com). Former CEO Ted Jones, son of founder Edward T. Jones, actually refused to let his sisters in on any company ownership because they did not work for the firm (EdwardJones.com). That happened in 1974, and since then, any employee was eligible to take part in the ownership of the firm. By 1986, they had opened 1000 branches; they hit the 8,000 mark in 2001 and the 10,000 mark in 2008. They have consistently made it into the top 10 of Fortune magazine’s list of the best companies to work for since the start of the new millennium and also consistently earned J.D. Power and Associates highest accolades for customer satisfaction (Edward Jones Expands in Recession).

Their success and accreditations from publications like Fortune arise from a well- constructed business model. Edward Jones has nailed a niche market. They have aimed to serve only individual consumers, and have referred to these customers as retirees, pre-retirees, and small-business owners (Collis & Smith, 5). In other words, Edward Jones caters to household investing and helping individuals rather than taking part in corporate functions or investment banking. To put it a third way, Edward Jones mission is to serve the risk averse and money conscious; those who will not be ok if their money is lost (Edward Jones HR Material). They achieve this by building personal relationships with customers face-to-face, in local branches that employ a single financial adviser to aid with financial advice.

They aim to take a long-term conservative approach. “As of December 31, 2005, Edward Jones’s mix of client holdings was 51% mutual funds, 17% stocks, 9% annuities, and 8% other” (Collis & Smith, 6). Aggressive trading for short term gain is discouraged and riskier market tools such as penny stocks, commodities, options and hedge funds are not managed under Edward Jones (Collis & Smith, 6). In 2009, Edward Jones put out an article for use by their financial advisers outlining investment tips for the recession that should be passed along to customers, and its content adequately conveys their approach. It outlines specifics such a “don’t cut back on your 401(k)”, “diversify, diversify, diversify”, “think long term”, “don’t reach for high yields” and “look for opportunities” (How to Invest during a Recession). And all their strategies are working (Fischer).

All these strategies have worked since before Edward Jones was established in 1922. They should stick with what works, because for these reasons it does not make overwhelming sense to change, and if they did try to change, it would be suicide. Many companies try and force changes whether it is the wrong time, or for the wrong reasons. Of course when businesses are struggling, everyone wants to know why? and what they can change to improve their situation, but not infrequently the whole macroeconomic environment is on a downturn, and what can be done about that realistically speaking?

Gillette, for example, experienced declining profits and market share after the turn of the 21st century much to their consternation. In response, they fired their CEO, laid off employees, closed factories, slashed advertising budgets, re-organized, and otherwise turned the company upside down in an attempt to recapture former glory. The catch is that not just the whole personal hygiene industry, but the entire macroeconomic environment was facing similar problems. Gillette’s almost century of glory is fantastic, especially through the volatile years between 1960-1980, and so was their steady growth through the next two decades, but it parallels the growth of the whole economy. The Dow Jones climbed at a steady 60 mathematic degrees on a graph until topping out around the turn of the century at 12,100 points. Their woes after that mirror the Dow Jones as well. Their reasons for changing the company were nonsense because the force of the economy is much bigger than any single company on earth.

In Edward Jones case, while all the other financial brokers were on the verge of extinction in the aftermath of the subprime mortgage bubble burst, they were just fine. In fact, Edward Jones has managed to expand in the current recession. In 2009, when the Dow Jones lost half of its value, Edward Jones added almost 500 financial investors to make 12,615 total (Edward Jones expands in recession). They consistently earned a profit through those tough years and even expanded their St. Louis headquarters with a $260 million project (Edward Jones expands in recession). It would be an absolute travesty for a company to change when they are growing during a recession. Again, what is there to change when you are doing everything right?

This company has a very strong culture. One financial adviser on their website insists that he was trained in a culture of volunteerism (EdwardJones.com). In a long piece written as an HR material it reads “Edward Jones believes their customers are the company’s biggest assets. It is well known that their company is only as good as the customers they keep. This is why Edward Jones has made great strides in the past decade to improve and solidify their organizational culture and values. The company that once was seen as homogeneous and predictable is now seen as diverse and adaptive” (HR Material 12). They go on to explain that in order to accomplish this, they hire the best talent, provide them with the best training, offer incentives to grow within the company, and from there, customers are able to be served in a “culture [that] is very warm” (HR Material 13). So talented people that enjoy their work are given the tools they need to do great work, and the system and culture clearly works by the consistent distinctions awarded to the company as the best employer and the most satisfied customers. The partnership structure of Edward Jones, as mentioned earlier also impacts the culture in a very strong way. The HR material again puts it beautifully: “no matter the role of each partner within Edward Jones, there is always the incentive to perform well, which fosters dynamic customer service and top notch financial service” (HR Material 6).

Although Edward Jones is decentralized and each branch operates as an autonomous business, again, its strong culture is its foundation. Stanford Business school states that “organizational cultures are much more likely to persist if the basic assumptions are expressed concretely in organizational practices, espoused values and cultural artifacts…This in turn means that if organizations want to foster and maintain a strong culture, they need to invest resources and awareness in symbols and signals that are consistent with the basic assumptions of the culture” (Sorensen, 4-5). Edward Jones culture of volunteerism, making sure the needs of the employees are met through training so that the customer can best be served is all very clearly expressed through their words and actions. The strength of a culture of this sort Stanford Business also suggests can be a weakness. They say “strong culture organizations in particular have greater difficulty changing their basic assumptions about the world around them, even when the world has changed. One important consequence of this is that strong culture firms have difficulty adjusting to periods of fundamental change in the structure and dynamics of their environments to the extent that the performance benefits of strong cultures disappear in volatile environments” (Sorensen 5). First, this perceived weakness is actually not relevant for Edward Jones case because they have a niche that is conservative, and these are people that do not want to change and become involved in risk. As I have stated before, why bother trying to change when the business model is working well? Secondly, what must it say about Edward Jones if they are succeeding and blowing competition out of the water during a volatile market and actually growing as a business? Again, they are prospering and have few changes to make.

The biggest criticism I came come up with against Edward Jones is that they are lauded as being a terrific business for simply providing a simple service in a simple way that is, meeting with customers face-to-face and offering them very basic, safe, financial advice. You would think most people know if they want safety to buy mutual funds, diversify, and not to get greedy. How could I possibly fault a company in the wake of this recession though? Edward Jones was perhaps not the single company that was doing things right, but they exist today as a shining example of that. They may not have the prestige of Goldman Sachs, Merril Lynch, Morgan Stanley, or Lehman Brothers, but unlike Lehman Brothers, Edward Jones is still a thriving company, and unlike Goldman Sachs, they are not an immoral company.

The personal relationships they build with clients are exemplary because it lets the financial adviser build trust, especially important in difficult economic periods (HR Material 6). This means that Edward Jones is apt to get many referrals; a simple yet overlooked strategy perhaps, one that outshines cheap affordable stock trades the competition is trying to survive on.

Edward Jones has fared very well in the recession, and they will continue to grow without making any changes to their business strategy. They target a conservative demographic and have tailored their services to them in a personal and inspiring way. Their competition is years behind, and they could not hope or change for their situation to be realistically any better. They have many strong points, with their culture being the strongest. It will not be easy to stay at the top because it never is, but they are not going to be losing any employees to rivals either. You can count on that when employees your employees want to work there.

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