

Cycle of change

Macquarie Planner Services
Smart solutions made simple



Macquarie's Head of Distribution, John Porteous, looks into how effective practice management can help firms achieve their true potential.



As we enter 2010, it is clear that one of the key points of differentiation between firms that maximise their value and those who do not will be how effectively they deploy the principles of practice management throughout their business.

Generally speaking, the idea of client segmentation, outcome focus and sustainable process are nothing new. Indeed, any industry commentary (including this one) is more notable by the exclusion of these issues than any new insight that can be brought to bear. As a profession, the broader financial planning community is increasingly aware of the value that can be released from adopting robust and consistent process, and there are many impressive examples of best practice in this respect.

However, as the song says "it ain't what you do it's the way that you do it – and that's what gets results". This is especially relevant given that positive change can only be achieved when a number of specific requirements have been achieved.

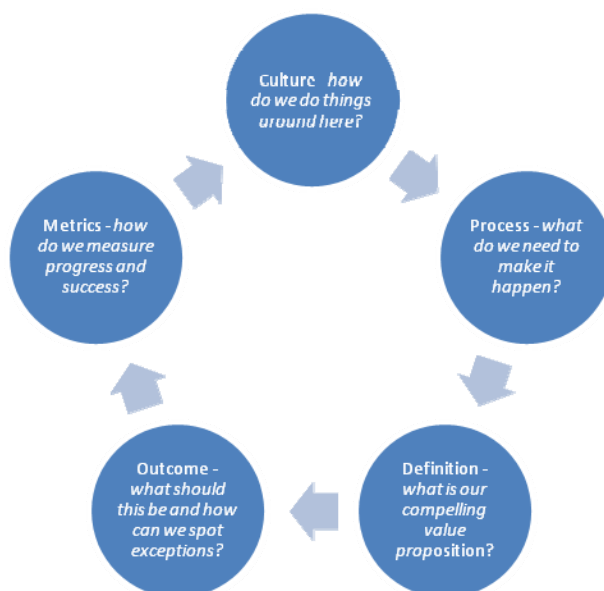
- Change is embedded on a business as usual basis
- The outcome and benefits of any process improvement can be accurately measured
- Process efficiency supports the delivery of a firms compelling value proposition

Given that popular opinion suggests that distributors will play a more prominent role in the value chain going forward, solid practice management will become less of a virtue and more of a hygiene factor for successful practices. Frequently, a key attribute of those firms that have transitioned their practice into a model that conforms to the “vision” of a post RDR world, is a strong communication strategy around your planning process to spell out the benefits to their clients on this journey.

It is the commitment and measurement of change – across a number of metrics – that will really add value. Clearly, change (in its many guises – *transformation, migration, liberation etc*) comes at a price. In very simple terms, the bigger the prize, the higher the opportunity cost of releasing this value. This, of course, is closely linked with effective client segmentation – which is commonly regarded as being at the centre of greater efficiency and an effective catalyst for higher profitability.

The interaction between various components of delivering a streamlined advice process is crucial, especially when considering that there is no single “silver bullet” that will offer all the answers. This ranges from the original vision of where a firm wants to be, through how this will be delivered and ultimately, the articulation of proposition. If one of these areas is weak then this will present a significant headwind to progress.

Hypothetical cycle of change



Whilst RDR may be an accelerant of change, many progressive planning firms were treading this evolutionary path already. If there is an insight to be gained from the successful transition/evolution of a professional practice it is an acceptance that change is constant. This is a powerful lesson as many firms will be driven to review their primary advice/sales process either to conform with RDR or as a result of regulatory compliance. Consequently, the old adage of change being a journey not a destination feels particularly apt in this space.

There has not been much media attention around how different advisory models will interact and compete post RDR, however, it is not beyond the realms of possibility that advisers will need to reflect on issues such as the following:

- Will efficiency lead to cost savings for the client?
- How does firm A’s planning philosophy differ from firm B’s?
- Will model portfolio performance be published relative to benchmark?
- How will legacy assets be dealt with?

To respond to these challenges practitioners will not only need to keep good practice management techniques as a standing agenda item, but they should be prepared to challenge their thinking on a regular basis and act on relevant MI relating to practice efficiency.

Come to think of it – this sounds like a useful new year's resolution...

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