

Denial Dilemma

Macquarie Planner Services

Smart solutions made simple



Macquarie's Head of Distribution, John Porteous, considers the true costs of practice evolution.



It strikes me that the debate around post RDR business models has moved on considerably in recent months. The broader industry seems to have graduated from “what should we do?” to “how do we do it?” and now increasingly, “how do we do it in time?”

This latter point is really the crux of the matter for a large number of more mature IFA's where they need to transition their business model, educate staff and reposition underlying financials – all at the same time. Whilst there is no shortage of consultants and “expert opinion”, it is often down to the business Principal to identify and continually champion any change to embedded processes.

The FSA provoked a healthy debate amongst industry participants following its CP09/18, “Delivering the Retail Distribution Review” around the cost/benefit analysis of implementing the proposed changes. Clearly, these costs depend on a number of factors, but perhaps most obviously, will be heavily influenced by a firm's starting point relative to its ideal outcome.

Of course, it is the hidden costs that can hurt the most – for example, the management time and consequential lost revenue of creating a vision for (and managing) change. Therefore, it stands to reason that against a static deadline such as RDR, both financial and operational risks of delay will rise by the day.

It is hard to see how managing the “J” curve of financial transition will be made any easier by deferring business critical decisions irrespective of prevailing economic and market conditions. The challenge for many in the broader intermediary space is to translate an increasing awareness of practice management into positive action and detailed planning. Without the rigour of a robust series of business milestones, supporting metrics to give visibility around progress and accountability for delivery, there is a high probability that day to day “business as usual” will prove a dangerous distraction from the required direction of travel.

This is a big consideration for business owners as moving in a fundamentally different strategic direction is not a short term fix. In addition to training in a new culture supported by appropriate behaviours and client engagement – there has to be a period of reflection and evaluation. In short, has the journey been worth it (for client and firm) and do the numbers stack up?

So what is the true cost of delay? It is difficult to pinpoint, however, it would be fair to say that the stakes get higher all the time.

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