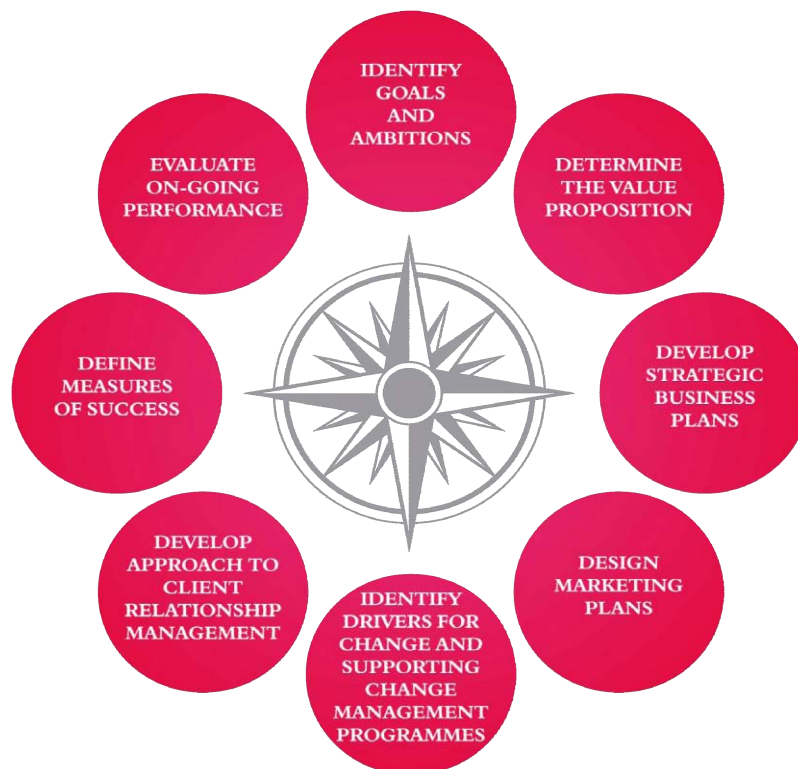


## Article from Suuqea for Financial Adviser, based around compass

– seventh of seven articles

January 2009

*In the seventh and last of his series of articles, David Cox, MD of Suuqea, a consultancy advising intermediaries, looks at why defining measures of success and evaluating on-going performance are essential in giving your business a competitive advantage over the competition and in taking that all-important step towards becoming a “modern IFA”.*



Today, Financial Services is facing some fundamental changes. These changes are being driven by regulatory activity through initiatives like RDR and TCF and political activity such as the recent changes to Inheritance Tax. In addition, in the current economic climate, clients are becoming increasingly more demanding in terms of the quality of both the financial advice and the service that they expect to receive.

To successfully meet these challenges and become a modern IFA, many businesses will have to change their operating models to ensure they develop a competitive advantage and prosper in the new financial services marketplace. However, a major issue that needs to be addressed will be ensuring that the business continues to generate cash flow in the short term whilst investing for the future.

In order to do this, it will be necessary to understand how your business is performing today, identify the changes that need to be made and monitor the impact of these changes over time. This in turn will ensure the business achieves its goals as cost effectively as possible.

Managing your business during times of change can be quite confusing. Not only is it important to monitor business as usual but you also need to assess the impact of the new ways of working. It is therefore important to consider four measures.

Productivity is a critical measure. This generates cash flow that is so vital for funding the on-going operation of the business as well as investing for its future. In my opinion, it is important to remember that productivity is not always a real time indicator. Often, productivity today is as a result of activity with clients two to three months ago. Consequently, if you are taking time to bring about changes in your business today, any adverse impact on your pipeline business, as a result of not spending this time with your clients, will only become clear in the months to come.

Profitability ensures your business has a future. Hence, managing your costs and ensuring that they are in proportion to your income is very important. Any changes to your business are likely to involve some element of cost. On this basis, it is essential that you do not fall into the trap of bringing about change just because “the regulator says I have to”. The modern IFA will ensure that not only do they meet the regulatory requirements but that their business activities enhance the customer relationship therefore developing new business opportunities for the future.

Offering financial advice is a service industry. Therefore, understanding what your clients think and feel about your business is a useful way of monitoring the impact of your new and existing business practices. This will stop you wasting money on things that will make no difference to your clients’ perception of you and their likelihood to buy off you again in the future. However, it will allow you to develop those practices which will add real value to your client relationships.

Auditing your business will ensure that it continues to operate in an ethical and responsible manner. This is the process that allows you to challenge the status quo and ask whether current operational practices meet the needs of all the stakeholders in the business. Some questions you could ask are “Do the current processes and procedures deliver the TCF outcomes as described by the FSA?” or “Does my operating budget need to change to allow for Adviser Agreed Remuneration as outlined in the latest RDR Feedback?”

The danger is that you will identify a lot of different aspects of your business that you want to look at and on this basis you must decide which of them are the most important to focus on. Once this is decided, you need to set some objectives, define some measures of success and monitor the results.

In order to monitor the results, it will be necessary to capture some management information. This may be a new process for your business but you need to ensure any data you collect is relevant to the change you are bringing about, is accurate and is up to date. This will ensure your subsequent decision making is well informed.

Good decision making is a great skill and differentiates the successful entrepreneur from the rest of the pack. Putting yourself in a position of knowing what you want to do, how and by when will ensure your business is at the forefront of the retail distribution of financial services which will mean you are well placed to take advantage of the opportunities that lie ahead.

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