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From Suuqea – exit strategy article for issue 2

PLANNING AHEAD

David Cox, MD of Suuqea a professional practice offering bespoke consultancy services to the financial services sector, examines how to get a business into shape so that it is attractive to be sold.

Financial Services is going through a period of unprecedented change brought about by a number of influences.

As a Professional Financial Adviser, the likelihood is that you are facing many complex challenges; in fact, more than ever before. The rules of the game are getting harder and only the best will survive.

Professional Financial Advisers will often tell their clients that their biggest assets are likely to be their home and pension fund. For many of those same Advisers, it is possible to add a third asset to that list – their business. BUT, are you maximising the value of this asset?

YOUR BUSINESS ASSETS

Looking to the future, what will potential buyers be looking for if they are prepared to pay top market price for your business? Some of the criteria will include:

- **Well trained staff** – These are the people who maximise the Advisers time in front of clients.
- **A quality client base that is easily accessible** – The prospective buyer will want to access client data easily and this will inevitably mean data is stored electronically. There may well be a "gold mine in those filing cabinets" but, if it cannot be accessed in a timely and cost effective manner, its value will be significantly reduced. When purchasing a business, a key measure for the prospective buyer will be securing a Return on Investment (ROI). It will therefore be important to be able identify the most profitable clients. This selection could be done by various methods including funds under management, lifetime value etc. This will help obtain the required ROI because it is more than likely that 80% of the future income of the business will come from the top 20% of the client base.
- **An ongoing marketing plan** – This will demonstrate how the business maintains a high profile with its clients and ensures that they are kept fully aware of all the latest news and developments from within the Financial Services sector. The relationship with the client will then be one that is based on ongoing advice rather than the need to "sell a product".
- **An ongoing contact strategy** – This is of particular importance because it helps secure client relationships for the long term and ensures the lifetime value of a client is maximised as opposed to just having a list of customers who have only completed a one off transaction.

PLANNING YOUR EXIT STRATEGY STARTS NOW

To ensure your future success and to build a saleable asset of real value, you should consider a three stage development plan:

- **Stage 1 - Strategy**
  - Decide the extent of your business vision. This is not the same as a business plan. This is the dream that inspires you; this is the one single factor that makes sense of everything else that you do.
  - Determine what makes your business distinctive. This could be based around your qualifications, professional background or something else that gives you a competitive advantage when clients are deciding who to trust with their financial planning needs.
  - Define the scope of your activities. Do you have specialist knowledge that you can concentrate upon and use to build profitable relationships with new clients or develop professional introducers?
  - Define your measures of success so you can celebrate your successes. This may be at points along the journey or at the end when you realise the true value of your business.
- **Stage 2 – Change**
  - When considering bringing about change in your business, it is essential that you communicate your intentions to all the key stakeholders e.g. clients, staff, family, investors, etc. This will help ensure that everybody understands what it is that you want to achieve and hopefully gain their full support and commitment.
  - Be curious about your business; view it from an outside perspective. Ask open questions of yourself and your staff to truly understand what you do today.
  - Challenge the status quo. Why do you do that task, that way? Encourage as many people involved in the business as possible to have an opinion.
  - Use your network of professional contacts to learn from other successful businesses and identify best practices.
  - Identify what changes need to be made. The key is to avoid making change for change sake; only make the changes that will deliver your business vision.
  - Ensure you have the resources to make the relevant changes e.g. time and money.
  - Be prepared for periods of uncertainty. It is at times like this that you will need to demonstrate good leadership skills and stay focussed on your vision.

- **<u>Stage 3 – Performance</u>**
  - Regularly evaluate progress against your measures of success.
  - Challenge yourself to ensure you are on track to achieve your goals and maximise your resources. As a general rule, you should be aiming for an income: cost ratio of at least 3:1.

PLANNING FOR SUCCESS

Having worked through this process, you will then be in a position to know what you want to achieve and how to do it. In years to come, you will then have a business that you can sell for the best possible price, as prospective buyers will always be prepared to pay top price for quality.