

# factors

Steve Kember outlines practical and proven ways to develop your practice – and its perceived value should it come to market – in a volatile environment

# Max

**W**hen you started out in business, you no doubt did so for various reasons and you will have had various goals in mind that you wanted to achieve – personal, professional, developmental and so on.

You will also have set yourself a number of objectives relating to financial matters, such as turnover, income and profit. You will have given thought to numbers and types of client, premises, staffing levels. In fact, you probably had a well-developed picture in your mind's eye about the size, nature and direction of your enterprise.

But that was when the flame of ambition was first ignited. The question today is: "Have you achieved everything you can, or are you capable of more?" And the supplementary is: "How does your business fit into your overall life plan?"

Financial advisers often tell their clients that their biggest assets are likely to be their home and their pension fund. For many of those same advisers, it is possible to add a third asset to that list – their business. So it is also important to ask: "Are you maximising the value of this asset?" Looking to the future, what will potential buyers be looking for if they are going to be 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 adviser's time in front of clients. They are also able to develop good client relationships in their own right and deal with the basic day-to-day queries.

**A high-quality, easily accessible client base.** 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, and with the interests of the clients therein always to the fore, then 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 to 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. Few of us escape the 80/20 dictum.

**A progressive 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 that will advance their financial situations. The relationship with the client will then be one that is based on ongoing advice rather than the need to sell a product.

**A continuous 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.

**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.

If you don't have a vision, get one. If you've got one, develop and refine it.

- 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 whom to trust with their financial planning needs. It may be necessary to speak to some of your clients to gain an insight into this.
- Decide the scope of your activities. Do you have specialist knowledge that you can offer and use to build profitable relationships with new clients or to develop relationships with professional introducers?
- Define your measures of success so you can celebrate your successes when they arrive. This may be at points along the journey or at the end, when you realise the true value of your business. If you don't acknowledge the milestones, how will you develop a sense of getting anywhere?

**Stage 2 – Change**

When considering effecting change in your business, it is essential that you communicate your intentions to all the key stakeholders – that means clients, staff, family, investors, etc. This will help ensure that everybody understands what it is that you want to achieve and, hopefully, help you gain their full support and commitment. If this wholehearted support is not forthcoming, then at least you will have identified any opposition so that you can decide how to deal with it.

There are numerous objectives you can set yourself for every day at work. Yes, you've got enough as it is, but if you want to advance, you've got to pursue your advantages:

- 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. Imagine standing in line to buy a coffee in Cafe Nero and the person next to you asking about your business, but with the essential proviso that you are absolutely honest about what you do, how you do it, and what you are trying to achieve. What sort of answer would you give?

• Challenge the status quo. Why do you do that particular task in that particular that way?

Ask how it could be done differently and what difference this might make. 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. Go to regional PFS meetings and marvel (like we all do) at the selfless willingness of attendees to share their marketing tips and business ideas with fellow members. It's a matchless forum for giving and taking ideas, information and motivation.
- 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: the time, money, commitment, support and drive to see things through. Remember, you're in charge.
- Be prepared for periods of uncertainty. Bringing about change will result in everyone challenging what they do. It may even bring about a period of remorse for "how things use to be". It is at times like this that you will need to demonstrate good leadership skills and stay focussed on your vision.

**Stage 3 – Performance**

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

The biggest challenge to creating this vision of the future is time. Many professional advisory firms set out with the best of intentions but progress is often slow or even non-existent because day-to-day issues associated with running the business inevitably take precedence.

Business development requires specialist skills, knowledge and experience. An investment in obtaining professional support today will pay back many times in future years. **rs**

**Steve Kember DipPFS is Chief Executive of Suuqa: [www.suuqa.com](http://www.suuqa.com)**