A measure of success

Business management best practice for advisory firms: a view from the market

Standard Life in conjunction with NMG Consulting
Introduction

What makes some adviser businesses more successful than others?

In an increasingly complex market it’s tempting to look for simple answers to this question. All too often the debate centres around key industry issues – choosing the right regulatory status, client charging model, investment proposition or platform provider. Often these decisions are presented as being critical to success, with little reference to the complex web of issues at play in an advisory business.

This research does not set out to define best practice in these terms. At Standard Life we value our close working relationships with advisers. Even with this knowledge and experience we are not claiming to know what’s right for advisory firms. Instead, we wanted to understand the processes that enable firms to repeatedly do the right thing – delivering a positive outcome both for the client, the business, and its employees.

That’s why we chose to look in detail at what makes great businesses work well. Is there a defined process, is it something organic, or indeed both? And what are the key disciplines and processes that make success repeatable rather than a ‘happy accident’?

We asked independent researchers NMG Consulting, who specialise in the financial services market, to identify and speak to 25 Principals, owners and Managing Directors of successful firms from around the UK to find out how they run their firms. NMG invited businesses with different advice processes and client propositions to make sure the research represented the diversity of businesses in the advice market.

Unsurprisingly, they did not uncover a simple formula for success. No single business model or client proposition stood out. Just a set of consistent behaviours, activities and processes that combine effectively to drive a business forward through change and beyond.

There is however, a clear theme: successful advisory businesses do not ‘carry on’ until regulatory pressure or financial necessity forces change on someone else’s terms. They seek to control their own destiny through strong leadership and efficient execution.

In this report we share what we’ve learned from these businesses about how they make this happen in practice. We also wanted to highlight the positive change that has taken place in the UK during the last 10 years. While it has not been easy, our research shows that firms have adapted well to change. With much interest internationally on the impact of the Retail Distribution Review (RDR), the advice sector can take a step back and recognise its achievements so far. More, and potentially faster change will come and we hope that our insights will initiate valuable conversations within firms about what best practice in its broadest sense might look like, and how business leaders can remain a step ahead.

All that remains for me to do is give a huge thanks to the participants for their time and insight.
Executive summary

The last decade has been one of unprecedented change for the UK financial advice sector. While the implementation of the Retail Distribution Review (RDR) has ushered a shift to fees and higher levels of professionalism, the rapid evolution of technology (not least platforms) has fuelled the transition from selling products to delivering financial advice.

Firms in the UK have adapted to the new environment with varying degrees of success. This research highlights that more successful firms have a set of behaviours and characteristics that allow them to manage business change effectively and offer their service at a premium. In doing so, they are creating adaptive, financially sustainable businesses that are in a position to reinvest back into the business and its people.

A number of themes are evident across successful firms.

► **Strong leaders with a consistent vision, who set clear direction and expectations.** In all cases, successful firms are led by an individual who truly understands the market and direction of regulatory change. Experience and a single minded focus combine with the ability to secure commitment and manage change.

► **Employees put the firm first.** Serving clients to the highest possible standards is always the priority and successful firms have embedded a culture where employees put the firm first, and do the right thing for the business as opposed to themselves.

► **The structure of the business follows its strategy.** The operating model of leading firms is defined by, and developed to meet the needs of the overall business strategy underpinned by a strong performance management culture. Employees understand that change is constant, why that is and where their role fits.

► **Clarity of who and what they are.** With a clear understanding of their target market and client needs, successful firms present a consistent brand and client experience across all aspects of their business, creating a proposition clients value and are willing to pay a premium for.

► **Regulatory change is embraced.** By taking a positive view on regulatory change, moving early and going one step further, leading firms operate on the front foot, are proactive and minimise the level of risk.

► **Clear, regular and open communication with clients and employees.** The benefits of working as a team are fully understood, not least the importance of open communication with everyone made to feel they are making a valuable contribution and have a role to play. Regular communication with clients on not only their financial planning matters, but also what is happening in the business helps create a higher degree of loyalty to the business and its brand.

► **A culture of continuous improvement and operational excellence.** Standing still is not an option. Recognising that what was acceptable yesterday may no longer be viable tomorrow. Continually evolving and progressing; these firms understand and embrace the future, and are focused on delivering operational excellence along the way.

**Whoever said that you shouldn’t jump to conclusions?**

The purpose of this research is to understand what makes a successful business and how that insight can be turned into constructive action.

Throughout the research, a number of key attributes were consistently present:

► obsession with quality

► transparency

► clear, defined structures

► striving to be different

► challenge convention

► recruit for success

► two way dialogue

► and above all: keeping it all about the client – never take their business for granted
In the spirit of these key attributes, we are presenting the findings in an unconventional manner. Rather than presenting the detail followed by conclusions and recommendations for action, we think it is more valuable to go straight to the essence of the findings. This puts you in control of how you read the report, giving you the choice of as much or as little detail as you need.

We'll guide you through the key findings and where you can find more insight on any point.

Where do I want to go?

Step 1:
Successful, competent or struggling. Which are you?

How do I get there?

Step 2:
Checklists for success: outstanding leadership and operational excellence.

The (devil is in the) detail...

Step 3:
The full report: what success looks like and how to achieve it.

Change is a journey and we hope the research and how we’ve presented it helps you develop your business for future success.

“We’re here to be commercially successful but there is a way of behaving that is the right way. Having a culture based on openness and integrity has so many positive benefits as a team. When that is right then the impact to the client is huge. As a result commercially you have greater success than you otherwise would. So it’s a virtuous circle.”

Wealth Manager, Scotland
Section 1 - A formula for success

By understanding the nature of your business today, you can take the first steps to achieving excellence.

If you read nothing else, read this...

For most questions there is a short and a longer answer. In terms of ‘what does successful look like?’ we start at the very short. For context, we see what struggling and competent look like too. All three word clouds are based on the summary framework below.

<table>
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<tr>
<th>Key characteristics of a succeeding firm</th>
<th>Key characteristics of a competent firm</th>
<th>Key characteristics of a struggling firm</th>
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<td>Confidence</td>
<td>committed-to-good-advice</td>
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<td>Ambition Organised</td>
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<td>Communicate-regularly</td>
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</table>
How do the firms in our research achieve and maintain success?

They share characteristics which have little to do with business size and adviser numbers; in fact it could be argued that these factors are the result rather than the driver of success.

Leading firms based success on two dimensions:

- **leadership** – the style, behaviours and breadth of perspective of the main decision takers
- **operational excellence** – how the business functions day-to-day

It is the combination of these that makes firms excellent as opposed to competent. This is where the opportunity lies and how this research can inspire and inform firms seeking to achieve excellence in today’s challenging market.

The timing of this research reflects that, while some of the details around RDR implementation have not been finalised, the impact on the market is clear. Most of the firms in the research were prepared for the post RDR environment some time ago and can see through the short term challenges, providing clear guidance on business success longer term.

Leading firms understand that today’s ‘excellent’ is tomorrow’s ‘normal’. A timely example is the suggestion that key success factors before RDR are now hygiene factors that all competent firms must evidence.

To demonstrate what we mean by excellence we set some key characteristics against NMG’s criteria for firms which they would describe as competent or struggling (the definitions of struggling and competent were derived from their previous experience).

- **Succeeding firms** – thriving and sustainable, often very profitable and provide a benchmark for the rest of the market – they demonstrate good practice and will often set the pace.
- **Competent firms** – expected to be long term players with average profit. Not change leaders but are open to change with many well placed to achieve excellence.
- **Struggling firms** – reducing in number, but a widening gap between themselves and the rest of the market. A combination of RDR and competitive pressures are driving numbers down.

We provide more detail on these definitions on the following pages.

While it is no-one’s favourite subject, it is telling that compliance is embraced by leading firms; built into their processes and culture. This approach de-risks the business and is seen as basic good business practice as opposed to simply compliance with the rules. With this in mind, there is little discussion around specific compliance issues in our report.
Looking at the key attributes of leadership and operational excellence across the three levels of capability, a structure emerges with which to assess a firm's current position and aspirations:

- **green** zone firms are well positioned. They are sustainable businesses with a long term future, always aspiring to the top right segment.

- **amber** zone firms have challenges and require significant but not unachievable change. The key is to recognise the issue and understand the required change. Successfully implemented, this can be the catalyst to move them toward the top right segment.

- **red** zone firms face difficult decisions. The scale of required change is overwhelming while the competition is moving away at an increasing pace.

**The leadership and operational excellence matrix**

<table>
<thead>
<tr>
<th>Leadership</th>
<th>Operational capability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Struggling</td>
<td>Unlikely combination; often a charismatic leader with a poor structure. Likely to fail</td>
</tr>
<tr>
<td>Competent</td>
<td>Likely to be new management. Establish style and work for rapid change to survive</td>
</tr>
<tr>
<td>Succeeding</td>
<td>Leadership excellence should drive excellence in operations</td>
</tr>
<tr>
<td>Struggling</td>
<td>Likely to be new management. Establish style and work for rapid change to survive</td>
</tr>
<tr>
<td>Competent</td>
<td>Opportunities for future change missed – likely to leave</td>
</tr>
<tr>
<td>Succeeding</td>
<td>Unlikely combination – leadership change is essential to survival</td>
</tr>
</tbody>
</table>

The combined factors for success are succinctly described by one leading firm:

“Like all businesses, the quality of the people and effective leadership is critical. Long term investment (in the business), for example graduate programme. Our investment (management) processes are probably unique. They require a huge amount of investment. And technology - using technology efficiently.”

*Wealth Manager - Scotland*
What kind of firm do I have, and do I want? A summary framework

To help you identify where your firm may be today, NMG have tried to identify the characteristics that define struggling, competent and succeeding firms. (The definitions for 'struggling' and 'competent' were developed by NMG independently of this research). Which of these most accurately reflects your firm? And which would you like to be?

Key characteristics

<table>
<thead>
<tr>
<th>Struggling</th>
<th>Competent</th>
<th>Succeeding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concerned about the future and where the business fits in a changing market</td>
<td>Clear about business purpose and committed to the cause of good advice</td>
<td>Ambition and clear direction</td>
</tr>
<tr>
<td>Worried about inconsistencies and risks but limited to fire-fighting</td>
<td>Attend to the important management issues but suffer under time pressure</td>
<td>Describe and drive for success</td>
</tr>
<tr>
<td>Poorly defined client proposition with insufficient benefits to support the price</td>
<td>Up to speed with main metrics but less so with costs and client profitability</td>
<td>Close attention paid to profit and financial performance</td>
</tr>
<tr>
<td>Falling revenue and profit and uncertain how to tackle this</td>
<td>Very dependent on key people who often have to manage themselves</td>
<td>Principals lead by example and enthuse others</td>
</tr>
<tr>
<td>Staff motivation is doing a good job day-to-day, not the long term direction of the business</td>
<td>Clients come first but service will sometimes suffer due to capacity problems which compromise service</td>
<td>Hire and retain the best people – clear responsibility, good terms in exchange for team work to benefit client</td>
</tr>
<tr>
<td>No/few client communications</td>
<td>Less confident with proposition and price – will discount under pressure</td>
<td>Client experience at the heart of everything from service design through to delivery</td>
</tr>
<tr>
<td>Processes and IT are adequate but some distance from market-leading</td>
<td>Reasonable level of business efficiency but some opportunities to improve are missed</td>
<td>Confidence in proposition and price and the benefits clients will receive</td>
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<td></td>
<td></td>
<td>Communicate regularly to clients – range of methods and media to fit</td>
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<td></td>
<td></td>
<td>Organised, structured, robust processes and effective technology</td>
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So you know where you are and where you want to be. Now, how do you get there?

In Section 5 - Benchmarking your business (page 46) we have produced a benchmarking tool to help you identify where you may be strong today, and where your gaps may be.
Struggling
Accepting that profit will fall and experiencing a widening gap with competent and excellent businesses.

Competent
Surviving business with average profit – likely to be long term player but not leading changes.

Succeeding
Sustainable and very profitable benchmark business for the long term – to which others aspire.

Hopefully you now have a sense of where your business is and where you want it to be. However, this is just a snapshot; a taste of the insight which is discussed in much greater detail in the main body of the research.

By way of an interim step the following tables contain a more detailed breakdown of leadership styles and operational capability in struggling, competent and succeeding firms.

**Effective leadership**

<table>
<thead>
<tr>
<th>Struggling</th>
<th>Competent</th>
<th>Succeeding</th>
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</thead>
<tbody>
<tr>
<td><strong>Open communication – internal, external and continuous</strong></td>
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<tr>
<td>Intermittent communication with staff, nothing formal and often in response to questions about what is going on – promises to do better never materialise</td>
<td>Regular two-way dialogue with all the people in the business, consulting on changes and being visible and accessible</td>
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</tr>
<tr>
<td>Just about keep up with client servicing activity but no other communication apart from the occasional mail-shot</td>
<td>Same approach with clients – educating and informing, seeking formal feedback as well as communication linked to their financial issues</td>
<td></td>
</tr>
<tr>
<td>No client surveys or feedback</td>
<td>Being accessible to key clients and pro-actively communicating with them</td>
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| **Clarity of direction and confidence in execution** | | |
| Unable to describe where the business is headed or what it may look like in three years – resigned to change when forced by the regulator or market | General idea of direction based on existing market structure – accepting that market and regulatory change will shape the business and not confident to take real control over destiny | Clarity of direction which is articulated to the rest of team |
| Concerned about falling profit and competition and unsure how to react | Good at resolving short term problems and improvements but less certain how the business will look in three to five years | Confident and ambitious – use of best practice from both inside and outside the sector |
| Likely to adjust existing way of working as opposed to more radical change | Prepared to consider amalgamation but no clear template | Continuous challenging and improving – measuring progress with focus on profit |

| **Continuous learning and desire to keep changing** | | |
| Adopts a particular way of working that is unlikely to change | Pro-actively takes part in the debate about the market and its direction | |
| Sees external change as a threat and business prevention and will only make changes when forced to | Well-read and able to articulate a range of future scenarios | |
| Believes the advice market to be unique such that good practice from elsewhere does not apply | Selectively attends and participate in market development events – views are often canvassed by others | |

| **Obsession with quality for client outcomes and disciplined processes** | | |
| Client outputs are inconsistent and there may be issues with timing and accuracy of review meetings and key documents | This is interpreted as the service proposition which will be formalised and well presented – many firms concentrate on this and less attention is paid to delivery and the underlying processes | Quality standards are set by what is promised to clients and there is no compromise on this |
| Processes and jobs and what they mean for clients will be less important than getting the work done and with little feedback and willingness to change standards will fall further behind the market | These, and people’s roles may not always be aligned to service outputs | All processes, jobs and activities are structured and disciplined in line with what clients will receive and experience. This ranges from the advice and investment processes through to offices, meeting rooms, marketing and brand |
| | There will be opportunity for improvement and streamlining | |

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Want to know more about effective leadership? Go to Section 3 on page 16

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Struggling
Accepting that profit will fall and experiencing a widening gap with competent and excellent businesses.

Competent
Surviving business with average profit – likely to be long term player but not leading changes.

Succeeding
Sustainable and very profitable benchmark business for the long term – to which others aspire.

### Operational excellence

<table>
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<tr>
<th>Struggling</th>
<th>Competent</th>
<th>Succeeding</th>
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</thead>
<tbody>
<tr>
<td><strong>Business planning and strategy – clarity on future direction</strong></td>
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<tr>
<td>No long term plan and survival linked to hope that business will be acquired but uncertain how that may come about and likely value</td>
<td>Likely to have a plan but one year as opposed to longer – and not necessarily written – most planning in the context of the existing model and scale of the business</td>
<td>Clear vision backed up with a time-scaled plan – typically three years and sometimes five</td>
</tr>
<tr>
<td>No real confidence in the future and very unclear about what the business will be doing and how it fits into the future market – very short term perspective</td>
<td>Unable to find enough time to deal with the long term and frustrated because there is a desire to make change but lack of resource to make it happen</td>
<td>Good at learning from past experience and objective in reviewing capability of the business</td>
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<td></td>
<td>Progress measured and tracked against objectives and communicated to rest of team</td>
<td>Progress measured and tracked against objectives and communicated to rest of team</td>
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<tr>
<td></td>
<td>Plans regularly reviewed and communicated with rest of team</td>
<td>Plans translated to individual plans and objectives</td>
</tr>
<tr>
<td></td>
<td>Majority of people involved in some aspects of planning and always with implementation</td>
<td>Majority of people involved in some aspects of planning and always with implementation</td>
</tr>
<tr>
<td></td>
<td>Ability to think bigger than the current size of the business</td>
<td>Ability to think bigger than the current size of the business</td>
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### Financial management – maintaining a sustainable business

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<tr>
<th>Struggling</th>
<th>Competent</th>
<th>Succeeding</th>
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<tbody>
<tr>
<td>Cash flow and drawings tend to dominate financial analysis and targets more than shareholder returns – financial information can be quite good albeit limited and businesses tend to focus on their short term liquidity position – the need to retain increased levels of capital adequacy may not be apparent to all firms</td>
<td>This has improved significantly over the past three to five years and most firms are clear with regard to profit, cash flow and revenue</td>
<td>This has been a hygiene factor for many years</td>
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<tr>
<td>Business value is considered to be the accumulation of drawings over time as opposed to a significant sum at sale and while some firms have an over inflated view of their value many recognise that this has fallen over time</td>
<td>There is less clarity about cost of service delivery and client profitability but a recognition that effective cost management is an important success factor. There is less detailed understanding of how some of the headline numbers emerge compared to the ‘excellent’ businesses</td>
<td>Businesses are developed for shareholder value – this is reflected in profit share schemes and recognition of the need to sell service and retain clients</td>
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<td></td>
<td>Most longer term financial planning for the business is undertaken in-house, external expertise tends to be viewed with suspicion but is sometimes used for amalgamations</td>
<td>There is strong focus on profit and costs</td>
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<td></td>
<td>Most of these firms are built for value although there is some confusion about the relative contribution of service related revenue and traditional recurring commissions – there is a fear that this source of value may decline</td>
<td>There is clarity about client profitability</td>
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<td>The same approach is adopted when monitoring, reporting and reviewing compliance and risk management</td>
<td>Firms adopt a dashboard approach to financial metrics which give high level reports as frequently as required with analysis of detail when necessary</td>
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<tr>
<td></td>
<td>Financial metrics are applied at individual level where appropriate</td>
<td>Financial metrics are applied at individual level where appropriate</td>
</tr>
<tr>
<td></td>
<td>Specialist financial expertise is utilised (sometimes sourced externally) to manage the long term financial plan, particularly for capital management, acquisitions and succession planning</td>
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</table>

A measure of success 09
Struggling
Accepting that profit will fall and experiencing a widening gap with competent and excellent businesses.

Competent
Surviving business with average profit – likely to be long term player but not leading changes.

Succeeding
Sustainable and very profitable benchmark business for the long term – to which others aspire.

### Operational excellence continued

<table>
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<tr>
<th>Struggling</th>
<th>Competent</th>
<th>Succeeding</th>
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<tr>
<td><strong>Client management and proposition – key to differentiation</strong></td>
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<tr>
<td>➤ Service, investment proposition and pricing is not well defined and advisers have autonomy in offering and delivering</td>
<td>➤ Client service has worked well in practice and recently formalised as part of RDR – some inconsistencies in service delivery and pricing across the business – but a strong service ethic exists</td>
<td>➤ Clearly specified service, investment and pricing proposition which in many cases has been in place for some time</td>
</tr>
<tr>
<td>➤ There are wide inconsistencies and achieving common ground is difficult</td>
<td>➤ Processes and role descriptions broadly support service delivery</td>
<td>➤ Service clearly documented and articulated to clients</td>
</tr>
<tr>
<td>➤ Service is concentrated on a small number of clients and many are dormant or dealt with reactively – this is hard to manage because data is poor and clients belong to the advisers</td>
<td>➤ Clients buy the adviser who is typically the main point of contact for all issues – if employed advisers leave, clients will tend to go with them</td>
<td>➤ All people in the business know and can describe the proposition</td>
</tr>
<tr>
<td>➤ The adviser is the only point of contact with the firm and clients don’t know very much about the business within which the adviser operates</td>
<td>➤ Investment outcomes are given a high priority over other financial planning issues but will be developed as part of the planning process – the proposition has been upgraded within the past three years and a majority of the advisers use the process and recommendations</td>
<td>➤ No opting in or out – applies to all clients and advisers</td>
</tr>
<tr>
<td>➤ Investment is often the core part of the client offer as advisers see this as the major area where they add value – individual advisers will tend to run their own investment processes that will range from very good to poor</td>
<td>➤ Clients are still being transferred to the proposition which is still being refined with experience</td>
<td>➤ Service outcomes are hard-wired into the processes and the job descriptions</td>
</tr>
<tr>
<td>➤ All will be different along with the service proposition – keeping track of what is going on is almost impossible</td>
<td>➤ Firms will recognise great improvement over previous methods but acknowledge that further change is needed</td>
<td>➤ Clients buy the service and brand as much as the adviser and rarely leave</td>
</tr>
<tr>
<td>➤ There will be recognition that this is high risk but securing agreement to change will be very difficult</td>
<td>➤ Surveys are rarely used but when they are the results tend to be very good</td>
<td>➤ Excellent data and contact notes mean that anyone in the business can deal with a client</td>
</tr>
<tr>
<td>➤ Surveys are seen as a way of creating friction and conflict so do not feature</td>
<td></td>
<td>➤ All jobs are described in the context of client servicing which means that clients feel known to the business</td>
</tr>
</tbody>
</table>

* The investment proposition is based upon a carefully researched and considered philosophy that has been reviewed and honed over time
* Propositions have clear rules and process of governance
* Investment recommendations and outcomes are dealt with in the context of the financial plan, not for their own sake
* The investment proposition is fully integrated with the service proposition
* Where appropriate there is structured external support to review, revise and maintain investment policy
* Clients and what they need from the business will be very well understood and regular surveys inform decisions and sometimes adviser remuneration
<table>
<thead>
<tr>
<th></th>
<th>Struggling</th>
<th>Competent</th>
<th>Succeeding</th>
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<tbody>
<tr>
<td><strong>Process management and technology – delivering consistency</strong></td>
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<tr>
<td>Processes are not documented, there are several ways of doing the same thing and people are reluctant to change</td>
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<tr>
<td>Even when processes are acknowledged as poor fear of disruption prevents change</td>
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<tr>
<td>This approach tends to build risk into the business, particularly advice, investment and compliance processes which leads to short term ‘fire-fighting’ changes as opposed to the radical overhaul of processes that many firms in this category require</td>
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<tr>
<td>There will be little out-sourcing apart from service support or network services</td>
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<tr>
<td>Firms will have a wide range of IT and platforms which different advisers will not give up</td>
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<tr>
<td>The management of this is difficult and in many cases much of the functionality is not used – either because the firm is not aware of it or the data is too poor to make it worthwhile</td>
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<tr>
<td>Quite a lot of activity is paper based, there is no document image processing and storage is a major issue</td>
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<tr>
<td>The business tends to be a slave to the technology and is very reluctant to change for fear of major disruption</td>
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<tr>
<td>The main processes will work effectively and may have been reviewed as part of the formalisation of service with RDR – time pressure can mean changes are not always implemented and some inconsistencies in implementation</td>
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<tr>
<td>There may be different ways of doing the same job but most standards will be good – firms will often acknowledge that the client outcome is good but the processes do not always help – reviews and updates tend to occur following a problem and are reactive</td>
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<tr>
<td>Firms typically use one of the main back office systems combined with wrap and other specialist applications</td>
<td></td>
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<tr>
<td>They are very dependent upon key individuals to run and manage software thereby failing to use as much functionality (and secure cost benefit) as they might</td>
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<tr>
<td>Most will out-source support to specialists and those that do not experience high levels of down time</td>
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<td></td>
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<tr>
<td>There is no longer term IT strategy and new software acquisition is not always based on objective and business led criteria</td>
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<td></td>
</tr>
<tr>
<td>Processes are effective and streamlined – this includes investment, advice, service and supporting back office activity</td>
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<tr>
<td>Compliance is inter-woven into processes – effective processes de-risk the business</td>
<td></td>
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<tr>
<td>The business is open-minded to update processes when necessary – it will be pro-active and encourage change for the better</td>
<td></td>
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</tr>
<tr>
<td>The ‘process bible’ supports team working, induction and effective client service</td>
<td></td>
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<tr>
<td>There is a clear way of doing things which can help recruitment and support performance management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Out-sourcing will be regularly reviewed and used where appropriate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The effective use of technology is a hygiene factor – either for cost advantage, greater process efficiency or enhanced client service</td>
<td></td>
<td></td>
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<tr>
<td>There is clarity of business requirements and firms are clear about their technology strategy from CRM systems through to the use of social media</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Good understanding of the solutions available – knowledge of new developments and applications</td>
<td></td>
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</tr>
<tr>
<td>Firms research and use the right software for the job – controlled experiments are used to secure a leading position</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Confidence and capability to make changes when necessary</td>
<td></td>
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</tr>
</tbody>
</table>

**Struggling**
Accepting that profit will fall and experiencing a widening gap with competent and excellent businesses.

**Competent**
Surviving business with average profit – likely to be long term player but not leading changes.

**Succeeding**
Sustainable and very profitable benchmark business for the long term – to which others aspire.
Operational excellence continued

<table>
<thead>
<tr>
<th>Struggling</th>
<th>Competent</th>
<th>Succeeding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>People</strong></td>
<td>in a service business, they are what matters most</td>
<td></td>
</tr>
<tr>
<td>➤ Management tends to be close to the bottom of the list and many issues rumble on and become risks to the business before they are tackled</td>
<td>➤ Principals tend to manage the businesses and be the key business writer</td>
<td>➤ Management is very professional – organised, structured, delegation, clear performance measures and expectations</td>
</tr>
<tr>
<td>➤ This is little to do with negligence but much to do with lack of organisation and failing to deal with the pressures of running an advice business</td>
<td>➤ In some cases good management practice is displayed although time is often the enemy of effective deployment which means excellence is displayed inconsistently</td>
<td>➤ Open and trusting style</td>
</tr>
<tr>
<td>➤ Compliance and caring for people will be dealt with but formal and effective management of the business will typically not feature</td>
<td>➤ Management pressures often contribute to the long hours that many Principals work because clients will, understandably, be dealt with first</td>
<td>➤ Giving clear direction to employees and autonomy to act within that</td>
</tr>
<tr>
<td>➤ There is often a lot of co-operation but jobs are isolated and there is little evidence of team working</td>
<td>➤ Time pressure often leads to failure to delegate because of the time it takes, so there is a vicious circle of increasing pressure</td>
<td>➤ Open minded to change and development throughout the business</td>
</tr>
<tr>
<td>➤ Up to date job descriptions, performance management, objective pay reviews, effective recruitment will not feature – particularly in the smaller firms but not exclusively – which means that the area of capability that many firms place top is greatly neglected</td>
<td>➤ Recruitment and other people processes will have improved but pay policies and performance reviews are inconsistent and generally people do not get regular feedback on performance</td>
<td>➤ Team working is seen as a key success factor</td>
</tr>
</tbody>
</table>

Sales and marketing – defining your offer, articulating your message, winning clients

| ➤ There is often no marketing activity and existing client communication tends to be ad hoc | ➤ Marketing is ad hoc but quite well done at the individual campaign level – there is no structured plan but several individual initiatives | ➤ Marketing is viewed as a mainstream and essential activity |
| ➤ Websites tend to be out of date and product focused with a lot of technical jargon | ➤ It is an activity that will suffer when there is time pressure | ➤ All marketing activities are planned and measured |
| ➤ Many mature businesses do not need to work hard for new clients but lack of attention to marketing can make the business appear dated against more contemporary firms | ➤ Client segmentation is fairly recent and tends to be based on client value and linked to service | ➤ High concentration on client retention |
| ➤ Brand is not important – it is something for big business and does not apply to small firms | ➤ Brand tends to translate into marketing communications such as the website, logo and literature – firms tend to be well presented but all the parts of the brand are not integrated | ➤ Clarity of target clients and how to reach them |
| ➤ Wedded to independence and in some case struggling to deliver it | ➤ Becoming less concerned about market perception of Independent and recognising importance of Chartered etc. | ➤ Clients will have been profiled for many years by profitability as well as service and life-stage |

Want to know more about operational excellence? Go to Section 4 on page 25
By carefully considering how key business functions are managed and measured, leading firms maximise performance across each, in turn delivering a high quality and consistent level of service.
Section 2 – Participants’ profile

We begin the detailed analysis section of the research by looking at the nature, structure and performance of the firms who participated. We aimed to include a representative sample of firms across the UK on the basis of their geographical spread, longevity, number of employees, turnover and target market.

Length of time firms have been established

Nearly two thirds of the participating firms have been in business for more than a decade, with less than a fifth established in the last three to five years. This means that the majority of firms have transitioned their business through RDR. But as we will later see, this has been less of a challenge for them than for less successful firms.

Number of employed advisers* within firms who are qualified to Chartered Financial Planner or Certified Financial Planner status

The importance placed upon qualifications is clear in that all but two firms had advisers qualified to Chartered Financial Planner or Certified Financial Planner status, while almost half of firms had 50% or more of their advisers Chartered or Certified.

* Two firms cited no employed advisers.
While the actual number of clients varied widely, the majority of firms reported a core of active clients. On average, each firm had 795 active clients (93 per adviser) compared to an average of 4,357 reactive and 3,349 inactive clients. This means that on average, 89% of revenue was generated by 10.7% of clients, who it is clearly vital to engage and retain through service and proposition excellence. The average assets under management per firm was £291m.
Effective leadership means that everyone has a role, knows what it is and how it contributes to success in a business that never stands still and is all about the client experience.

While it may be difficult to articulate exactly what sets apart the leadership of successful firms, our research showed that it is based around four key components illustrated in Figure 7 below.

**Vital combinations: outstanding leadership**

Firms stated that concentration on these core components of leadership greatly increased the sustainability of the business, its profitability, client retention and the capability and motivation of staff.

Open communication was particularly important.

“We’re here to be commercially successful but there is a way of behaving that is the right way. Having a culture based on openness and integrity has so many positive benefits as a team. When that is right then the impact to the client is huge. As a result commercially you have greater success than you otherwise would. So it’s a virtuous circle.”

*Wealth Manager, Scotland*
Open communication and continuous dialogue
Going beyond staff meetings, e-mail communications and business updates, this is about demonstrating a commitment to two-way, continuous communication both inside and outside the business. With an open and trusting style, acceptance of being questioned and confidence in the direction and activities of the business, leaders are highly visible and accessible to both staff and clients.

Involving people from strategy to tactics
The recurring theme is ‘involvement’ in everything from strategy and change projects through to updating job descriptions, the firm’s chosen charity and social events. Great firms share a lot of information and encourage delegation to make sure everyone plays a part and feels important to the team, sharing success and challenges.

“What we try to achieve is a flat management structure, we are very transparent. We ask the advisers to build their own business plan.... We set the operational and financial objectives for the next 12 months. We discuss what the pipeline is for the next 60 days, show progress against the group target on a chart. Everyone understands what importance their role plays.”

Financial Planning and family office - South East

See, and be seen
While it is not possible, or indeed necessary for leaders to be visible or present in the business at all times, there are actions that can be taken such as making the office open plan to increase contact with the day-to-day workings of the business.

Managing change is about listening to, and consulting those around you
Even if change is built into the fabric of a firm, it still involves investment and risk so ensuring a successful outcome is vital. Consultation and involvement are key and while leaders recognise this takes time, it secures valuable feedback and a greatly increased commitment to change.

A business with a large agenda for change and a new management team made the following observation:

“The biggest change was a lot of consultation rather than a lot of ‘telling’. It was all about communication and keeping people involved. It was about consultation, listening to people and exchanging points of view.”

Multi-adviser corporate and personal services - South West
A similar approach is adopted externally with clients, suppliers and the regulator. One firm summed this up as “collaborative” reflecting the desire for continuous learning and improvement in both individuals and the firm. Many firms adopted an educative approach with clients ahead of RDR and auto-enrolment, but leading firms go much further with effective and regular communication with clients about their financial affairs now business as usual.

“They get the newsletter (by e-mail) and it is updated regularly and I put snippets in there about how the portfolio is doing. I do quarterly valuations which are posted to them because there is a perceived value to post that you don’t get with e-mail.”

Wealth Manager - North West

Clients make a valuable contribution to the development of the business. Many leading firms undertake regular client surveys and in some cases use them to influence remuneration. Our responders claimed that this engendered a learning culture across the business and made the importance of client outcomes even more pertinent. One firm went even further by using the results as a formal part of the advisers’ KPIs linked to client service.

“We put ourselves through Investors in Customers and we have awards. They take you through an audit and go out to your clients and ask questions and they go to your suppliers and staff too. We got the maximum of three stars. We do that on an ongoing basis internally as well; every year the client gets asked things. We link people’s rewards to what the customer thinks.”

Wealth Manager - South East

Benefits of placing emphasis on open communication

- Clients and staff understand how the business works and what it stands for
- Staff understand their role in the business and its impact
- Involvement in key business decisions drives commitment to the outcome
- Increased trust and client retention based on information and dialogue
Set clear direction and have confidence in execution
The value of being proactive was evident throughout the research and this is clearly seen here. Successful leaders maintain an open mind about the future of the business; they also seek out and share market insight and examples of best practice from other firms and markets.

Avoid diluting the quality of your service
A common theme across the sample was that challenge and improvement was typically considered in the context of profit and service excellence. The business model, once confirmed, was closely guarded against dilution through poor recruitment or any major change such as acquisition.

Clear direction, well defined
Firms in the sample were clear about the direction of the business and the model they were working towards or refining.

“We are very aligned to all things related to the Institute of Financial Planning. So what goes hand in hand with that - being paid by clients; being considered a professional; having scalable, robust, systemised processes and propositions; the use of cashflow modelling; the use of technology really. All the focus is on client outcomes.”
Wealth Manager - South East

There are different models and approaches in the market but the ability to sum up what the firm stands for is essential. Articulating this to all stakeholders provides clarity of what the firm does and how they do it and, by inference what they do not do. This in turn achieves a focus which:

- drives concentration and motivation: a few clear goals on which to focus
- supports long term planning, market position and concentration on target markets
- helps avoid distraction

Engage experts from outside and inside the business
Leading firms recognise the importance of external views and advice. Many firms in our survey said this provided an important challenge and prevented them from becoming insular.

“Our non-exec chair was senior at one of the banks. He controls the agenda and writes the minutes; he is hands on. He was able to bring the big company disciplines and I would encourage others to do the same.”
Wealth Manager - South East

Challenge from within the business, by those who know it best, was also seen as essential for success.

“In order to succeed you need to build a team of like-minded people who are self-motivating and aspiring and get on together. You want them coming to you with their own ideas.”
Wealth Manager - South East

“The skill of running a successful firm is about employing people that are better than you and managing them.”
Multi-adviser corporate and personal services - East

Benefits of emphasising clear direction and execution

- Highly motivated people, who understand where the firm is going
- Clear criteria for making decisions around recruitment, acquisitions or takeovers
- Confidence that good practice is being adopted and service excellence achieved
- Culture that welcomes the challenge of change
A clear vision; effectively articulated for successful execution

- Established in 1999 with the vision to build a professional services firm as a 'centre of excellence', providing financial planning and investment services to high value clients
- This has translated to a turnover forecast of £2.4m and 500 clients who fit the target description

Client numbers have been built by
- A focused policy of referral
- A small number of professional connections
- Obsession with every part of client service
- Consistent quality focus on all aspects of branding from the website to the quality of the offices

Confidence in execution
- The confidence in execution comes from the crystal clear vision of the Principal which is shared by key people in the business
- While charismatic leadership is not the single reason for success it is important, driving commitment and clarity of what is right for the business and its clients
- Clients and staff stay with the business – which underpins the culture and sustains the vision into the future

Why is this an example of best practice?
- The Principal had a very clear vision when the business was set up and committed to it
- He successfully articulated the vision, defined how to achieve it and secured buy-in across the business
- Consistency has been achieved through the development of people

“What we’ve always wanted to be is contemporary but classic. When I set up in 1999, I kept saying front office, think 19th century - back office think 21st century.”
Drive change through continuous learning and adoption of fresh thinking

The genuine enthusiasm that successful leaders have for change positions them as thought leaders; proactively engaging in debate about the market and being consulted by providers and researchers to help shape decisions. Firms were enthusiastic when talking about their business, not because they saw it as the only way in which advice and planning could be delivered, but because they were passionate about achieving the changes they had planned.

Change should apply to the business, and the individual

Many leaders in our research had a very clear understanding of good business practice and some had a deliberate policy of reading widely about business success and the different ways of achieving it. Firms emphasised that recognising the need to change can be just as important at the personal level as well as for the business. Many suggested that this was particularly the case in smaller firms and in one case the Principal had committed to making a significant change in the way he worked to benefit the business.

One firm paid great attention to supporting its people through change and they had arranged a course to run over three half-days to deal with the practicalities of change management as well as the specific changes planned by the business.

Recognise when change is required, and act

Firms in the sample could articulate a range of future market scenarios and work out where their business was likely to fit. Many cited major changes inspired by a ‘light bulb moment’ which had provided clarity and provoked them to act. Recognising when it is time to make radical and difficult change is very much part of leading firms’ success.

The importance of looking far wider than the UK market was also recognised as important and one business was particularly clear about this:

“I don’t model myself on any firm in the UK; there are some really good firms in the USA that you can learn a lot from. They do a number of things well - they have a clear service proposition, understand things from top to bottom, they have all recruited the top quality people, and they have a systemised process in the business. The common theme is the continued desire to be better than you were the year before.”

Wealth Manager - South East

Don’t fear failure; deal positively with mistakes

Continuous learning is all about reacting positively to mistakes and failure, working out what went wrong and how to respond. Give people scope to do their job and if things go wrong, learn from the experience.

Setting the service proposition and charges for advice provides an obvious example of the need to respond when something is not working. This can be difficult when a lot of time has been devoted to a project.

“We did change the service menu around three years ago and that went down like a lead balloon; it was complicated and unclear to us and the clients. We are now finalising our next document.”

Financial Planning specialist - South East

Benefits of emphasising continuous learning

- Change is business as usual
- Improved clarity about the timing and objectives of change
- The topic of change is always on the table
- Looking for best practice is everyone’s responsibility
Be obsessed with quality of client outcomes and disciplined processes

Leading firms' quality standards are set by the experience promised to, and expected by the client – there is no compromise. Firms were clear that this includes all processes, jobs and activities and demands discipline and consistency, with no scope to opt out of processes once agreed.

Operational efficiency exists in all parts of the business

This approach covers the core processes such as advice and investment but many firms extend this further to cover premises, meeting rooms, marketing and brand.

“Operational efficiency enables a firm to grow. We learnt from studying other successful firms on how they gained operational excellence. The best wealth management firms in the States invest in professional management and proper procedures and the Managing Director has adopted this approach.”

Wealth Manager - South East

Most firms in the sample reviewed and re-designed or formalised their service proposition some time ago. They had all gone onto the next step which was to re-structure their processes in line with their service promises. Indeed, there was little compromise about this and Principals were happy to consult on the changes but were very strict on the discipline of their implementation.

Clearly defined and consistent processes de-risk the business

Leading firms agreed that well defined processes, with compliance embedded, reduce risks in all areas. Consistency in the delivery of advice, service, investment and other recommendations was seen as a hygiene factor.

“There is a strong ethos - the biggest plus point is that [clients] get me and I conscientiously look after you. I'm organised and like order, peace and control. I like my clients to feel that everything is under control. It shouldn't be a stressful process.”

Financial Consultancy - South East

Benefits of a strong emphasis on quality

- Consistency across service, proposition and people, reflected in the client experience
- Everything is questioned and designed and organised to the highest standards
- The clear way of working is an effective filter for potential clients and employees
A measure of success

Structured approach to client management, seen as core to the success of the firm

Client process is managed from appointment making to running the on-going service relationship in the context of revenue targets

Advisers are free to focus on seeing clients, providing advice and recommendations

Delivering process consistency

- The business and advisers are confident that the right systems are in place and that clients will be effectively and consistently managed. This is well supported by the back office system and wrap platform

- On-going service is also a key component of ensuring good customer outcomes. Client service teams work with advisers to regularly review both clients who receive face-to-face service and those who are dealt with remotely. Both groups have an equally well defined process

Industrial or scalable process

- The essential requirement that underpins this capability and supports quality is an industrial or scalable process that can manage a high volume of clients with a wide range of investments

- This is supported by software which delivers a good level of service – for both face to face and remote clients – and is cost effective

Why is this an example of best practice?

- Clear service definition

- Recognises consistency and quality go hand-in-hand

- Advisers do what they do best – and the processes and client support team make it happen

- Rigour in the processes and discipline in how they are implemented

Case study:

The answer is ‘positive client outcome’. What was the question?
Leading advisory firms have created a culture of engagement where each employee consistently practices operational excellence while working toward a common goal with shared values and beliefs.
Section 4 – Operational excellence

Operational excellence: all aspects focus on client experience with the firm greater than the sum of its individuals. Structure and clarity drive consistent functioning with robust monitoring and control for reduced risk and constant improvement.

How the business operates day-to-day
Looking at the mechanics of how a successful business operates, themes are evident that will be familiar from looking at outstanding leadership; clarity, communication, structure and consistency. The importance placed upon control and feedback to drive action is reflected in the prominence of formalised measure and reporting, ensuring that any issues are identified and addressed early on.

Tools and practices used to deliver operational excellence
Leading firms demonstrate operational excellence through a variety of tools and practices

The focus on formalised procedures to benefit both client and the firm was reflected in nearly all firms having an asset protection policy and 84% having a code of ethics or conduct. 80% of firms hold a monthly review of key initiatives for monitoring and control, with around half of firms operating a dashboard or scorecard approach for clarity. Having one person to manage the business both added focus and freed advisers up for their core function and was favoured by just over two thirds.
The operating model is determined by targeted client outcomes

All operational functions are directed at delivering a positive client outcome and it is this customer focus, as well as how effectively the different aspects of operations fit together, which determines long term success.

None of the firms in the sample suggested that their operations are so refined that change will not be required. In fact this is a dynamic area where change is the norm and firms must continually seek ways to improve and refine operational functions and the client experience, facilitated by an effective team and a clear business plan.

Integrated business management: key elements of operational excellence

Key inputs
- A clear business plan
- True integration of all business functions

Key outcomes
- Consistent client experience
- Reduced business risks
Achieving excellence: new leadership as a catalyst for change

- 13 advisers, 25 support staff, operating an employed model in the personal and corporate market
- A strong track record and ‘competent’ but starting to struggle post RDR with operations and some aspects of leadership
- New management style is clearer, ending past practices of opting in or out of corporate policy

**Key changes to the process**

- Outsourcing introduced to support financial management, compliance, some elements of practice management and the activities of the Investment Committee
- A major review of all processes to drive consistency and lower risk by reducing areas where advisers had discretion e.g. investment portfolios and service proposition
- Aggregate and individual level data, including adviser key performance indicators (KPIs), across production, compliance, proposition delivery and client survey results underpins these changes, to influence behaviours and outcomes

**Key steps to involve colleagues in the change process**

- Complete review of people processes including revised job descriptions, structured performance management, personal KPIs and the bonus moving to an individual basis
- Restructuring administration into a single team with central workflow management
- Improving internal communication with monthly written communications to staff plus twice yearly ‘state of the nation’ meetings
- Investing in training and development including three half-day sessions on change to help people with their particular contribution

**Why is this an example of best practice?**

- Enthusiastic and effective leadership has achieved a lot in a short period of time
- The leaders effectively addressed contentious issues and created a culture of continuous change while retaining good practice
- Significant emphasis placed upon people; how they are organised, managed, involved and motivated
- By achieving all this, the business successfully moved from being competent to excellent

“Trying to get people to see that collective responsibility is the biggest thing; understanding where they fit and why it is important.”
**Business planning and strategy**

Plan, do and review. In line with the focus on consistency, the full cycle of planning, review and implementation mirrors our firms’ process for clients, meaning that it is natural to adopt it for a planning business.

Success is a combination of clear direction of leadership, understanding the market, setting appropriate long term goals and being obsessive about successful implementation. Most firms had the process and cycle of business planning well embedded in their management practices and concentrated on bringing the plan to life, particularly for the individual people in the business.

Do firms have a documented business plan or produce a forecast, and if so, how frequently it is reviewed and updated?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Number of firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least every 3 months</td>
<td>5</td>
</tr>
<tr>
<td>Twice a year</td>
<td>9</td>
</tr>
<tr>
<td>Annually</td>
<td>7</td>
</tr>
<tr>
<td>On an 'ad hoc' basis</td>
<td>3</td>
</tr>
</tbody>
</table>

The importance placed on business planning as a fundamental driver for success was clear with 80% of firms reviewing their plan at least annually and more than half doing so more than once a year. This also illustrates the dynamic nature of business planning – it is not a static document.

The ability to track progress against key objectives is key. This was a collective effort and plans and activities to address specific requirements were often translated into individual plans and objectives.

“Once a month a formal team meeting involving the whole business takes place. Covers all aspects, a very open culture, includes data on profitability. All MI (management information) is produced in easy to read graph format and circulated, up on the big screen during the monthly meetings.”

Multi-adviser corporate and personal - East

People across the business support the planning process

In succeeding firms there is a consensus about the importance of linking the business plan to individual activity with both individual and collective responsibility. Transparency and open communication also help to drive engagement and commitment.

“Trying to get people to see that collective responsibility is the biggest thing; understanding where they fit and why it is important.”

Multi-adviser corporate and personal - Midlands

**Benefits of a structured business planning process**

- Sign posts and sense checks for monitoring and control
- Everyone can understand their role, how they are performing and what that means
- Response to change is more informed and less reactive
- Firms use the planning process to seek external views and opportunities to improve
Firms emphasised that sharing of management information is an essential part of the planning process to make sure everyone can see if they and the firm are on track. Part of this was about the regularity of meetings and the other was about collective responsibility with everyone seeing they had a part to play for the long term, not just their day-to-day work.

“We have a written business plan which sets out our rolling three year strategy - revenues, profitability. A fundamental part of it is the business dashboard. We have seven key metrics that we measure which keeps it on track. We have a company one and then everyone has an individual version which is on their computer as a dashboard. It forms part of regular review meetings that we have and everyone can see that we are all targeted for this or that we have taken on eight new clients in the quarter.”

Private client/professional service - North East

A rigorous approach to financial management is applied

Using detailed financial information is already part and parcel of daily practice with most of our sample. Highly focussed on profit down to individual client level; dashboards of highly visible data on profit, revenue, targets and achievement are used frequently.

Concentration on delivering a sustainable net profit

Leading firms focus on profit and shareholder value and have done so for many years. They have access to financial data and monitor it on a daily basis and formally at least once a month. A dashboard approach to financial metrics is common which provides high level reports as frequently as required with scope to drill down to detail.

A strong focus on profitability in our sample was clear, with 15 of the firms having a net profit margin of greater than 20%. These leading firms are showing healthy returns for stakeholders, although the range shows quite different circumstances for some firms depending on the level of investment being made into the business.

► Average operating profit pre-tax: £392,173
► Average operating expenses: 82% of gross revenue
► Average gross revenue per active client: £3,004
► Average profit: £452 per active client, £47,136 per adviser, and £14,271 per employee

The following example from a relatively small firm shows the degree of control and understanding that leading firms exhibit from high level down to individual clients.
“I run it all through a spreadsheet and one bank account…. I run a detailed profit and loss account on a monthly basis. Every new month, I reconcile the previous month … so that I can work out my on-going profit and set aside money for my corporation tax bill and make a decision as to whether I distribute a dividend…. I also track my income and I look at how much is recurring or one off income and record the two. At the end of a month, I go back to those statements and allocate every penny out to clients so I can see month on month what I’ve earned on each client.”

Financial Planner - South East

Many firms in the research were able to provide detailed examples of financial data and analysis, much of which is translated to individual level to ensure that personal objectives fit with the overall aims and targets of the business.

A high percentage of firms in the sample used external financial expertise, some for the more typical accountancy requirements, and others for business development, acquisitions, capital management and succession planning.

We found that detailed cost analysis is used to determine the contribution made by employees, and clients. In some cases firms combined key financial data with other management information (MI) to produce a detailed picture, adding context and bringing the data to life.

“Yes it is all set out. We monitor assets under administration, turnover, recurring income, costs, operating profit as a percentage of turnover, client number portfolio size, new business flow and client flow.”

Wealth Manager - South East

Differing firms use different key measures or ratios but most leading firms regularly review the normal revenue and cost data at aggregate and individual level where appropriate. Firms also analyse profit per employee, costs of service delivery, changing trends between revenue for initial and on-going client work and the capital adequacy position. Several firms in the research had undertaken detailed projects around costs and some used time sheets; either as a basis for charging clients or to better understand cost and use of resources. In many firms there is a clear analysis of client contribution with some powerful findings.

“My top ten clients deliver 49% of my revenue. The bottom ten deliver less than 5%. Those clients are taking up 20% of our time but only give 5% of revenue.”

Wealth Manager - South East

High degrees of client retention increase the value of a business. Leading firms are clear that client retention, either through the strength of service or because of repeat purchase, is key to increased business value. They are clear that this is no longer down to commission but is a demonstration of client loyalty and a willingness to pay fees for services over a period of time.

Average split of firms’ income

Recurring income clearly dominates, accounting for three quarters of adviser income, of which 54% comes from post RDR arrangements. Although 21% of income is pre RDR, nearly all of the firms surveyed recognised the need to move clients onto adviser charging in order to maintain these income flows.
Leading firms predict a move away from charging clients on a percentage of assets basis towards fixed fees and value pricing based on complexity of client needs, not wealth.
When asked what more they had been doing to grow their firms, one firm stated a clear understanding that they have to sell service, and that the main part of the revenue stream depends upon how well the service is delivered and the retention of the clients. Successful firms are generally clear that the financial dynamics around value have changed and they work hard at ensuring their people understand this as well.

“One of the biggest changes has been in the adviser mindset about time and understanding how much the time costs.”

Multi-adviser - South West

Routes taken to support growth and/or profitability during last six months

Figure 12

Recent activity to drive business growth typically included organic growth and increasing business efficiency through greater emphasis on support staff with less evidence of ‘streamlining’ or other cuts for efficiency.

A key trend was the increased use of paraplanners and administrators, with 60% of firms doing so. This ensures a consistent, high quality approach to research, planning and organisation which also frees advisers to focus on fee generating activity. Leading firms typically rely highly on a strong team and have a good ratio of support staff to advisers. Turning to our sample, on average these firms had two paraplanners or administration staff per adviser, indicating a link between increased numbers of advisers and support staff.

A continually evolving approach to client management and proposition

Client management and proposition was seen as a perpetual work in progress by our leading group of advisers – constantly evolving but with an emphasis on the need for consistency.

Service, investment proposition and pricing are clearly defined

In all cases leading firms had a well-structured and clearly communicated service and pricing proposition. This was generally well established and had been through several cycles of change and refinement. With client feedback, internal reviews and changes in technology all generating new ideas and requirements, this is an ongoing and dynamic process.

Benefits of effective financial management

- A more profitable and valuable business
- Staff commitment to selling a service (not a product) and retaining clients
- Clarity of what is going on in the business and how this relates to the individual
- Ability to link client fees to actual time spent for greater client profitability
Most firms in the research were clear that investment is a core part of the overall service proposition. They emphasised that investment outcomes must be driven by the client’s goals and that this will always determine their individual investment recommendations.

**Development of client proposition**

![Figure 13](image)

It is clear that a documented process and a clear understanding of the costs and value attached to clients is fundamental to successful advice firms. All but two firms had a segmented client base while all firms had a documented service proposition. RDR drove the need for a clearer understanding of service and costs for both client and firm and it is to be expected that these firms should be on the front foot.

A minority of firms do not plan to calculate individual service costs, it may be that this is not appropriate or cost effective e.g. smaller or one person firms.

**Fee arrangements are simple, and transparent**

One firm reflected what many others have experienced; that service propositions and pricing structures can be too complex, particularly in implementation. This can be addressed by focusing on key aspects:

“We focus on the things we’re good at and we have built a fairly sophisticated client proposition that we can quite easily implement…. We’ve got rid of all the stuff we can’t control and I think that’s important as we live or die by what we’re good at.”

Wealth Manager - South East

Leading firms, several of whom have been fee-based for some time, forecast changes in the approach to charging, with some seeing a likely move away from the use of percentages to potentially clearer fixed fees. Firms emphasised that this trend will apply across the market in time and that charges will reflect the type of service, cost of provision, demand for greater clarity in pricing structures, competitive pressures and the diversity of clients.

“We should have fixed fees for a service whether a client has £300,000 or £800,000. That is our utopia and is not our current fee structure. Currently our fee structure has minimums and we discount the fees the more asset value you have got.”

Financial Planner and family office - South East

“The firm is looking at developing value pricing. This is based on the premise that some clients are more complex and demanding than others and so we may be moving to pricing based on complexity of need - not wealth level.”

Wealth Manager - South East

**Firms are selective about who they deal with, and typically don’t discount**

Our group was very clear about what they will offer to the market and that clients can choose to deal with them or not. Rather than deterring clients, this clarity and focus enhances client retention.

“Our focus over the past few years has been making sure that we have got a future proofed service proposition and we are able to deliver that, and making sure we have the right resources in the right areas.”

Financial Planner and family office - South East

**Clients relate to the firm, not the adviser**

The broader aspects of service delivery are as much a priority as the specifics with all parts of the process ‘hard-wired’ to deliver a consistent experience for clients, regardless of adviser. This can only be achieved through robust data and comprehensive contact notes enabling anyone in the business to deal with any client. In addition all jobs are described in the context of client servicing which means that clients feel known to the business.

“If I disappeared I don’t think we’d lose any clients… I’ve built this in the name of the business not in my name and a lot of my clients deal with other people in the business not just me.”

Wealth Manager - South East
As the focus shifts to the client identifying with the firm, rather than with any one adviser, it is clear that advisers and their support cannot have their own service standards and processes. Work is shared and managed across the team to make sure that clients can be dealt with when advisers or support staff are away. Even small firms in the sample with less flexibility worked to this approach with clients being associated with the firm and not individual advisers.

“We don’t talk about trust in the adviser. Trust in the team.”

Wealth Manager - South East

There is rigorous research behind the investment approach

As with service propositions, investment propositions are thoroughly researched and regularly reviewed to best fit with and represent the firm’s ethos. This is an ongoing process and will continue with firms noting how much more sophisticated and effective their investment process has become.

Advisers use the investment proposition consistently, with none of the firms that were interviewed allowing individual advisers to run their own investment propositions. In some cases there was no latitude, in others advisers had some leeway to tailor recommendations to specific client circumstances – but always within defined limits, and sign off processes were typically in place.

This is an example of processes making an important contribution to business risk reduction – firms recognised their previous process had been unsatisfactory and put it right.

Leading firms described processes that had clear documentation, rules and methods of governance and in many cases used structured external support to review, revise and maintain policy.

“We retain [an external company] and they sit on our investment committee. They challenge the theories, look at the numbers, how are our portfolios doing against the best using indices such as APCIMS or IMA. We use [a second external company] to analyse data for discretionary fund performance from 55 UK DFMs.”

Wealth Manager - South East

Client feedback is essential and invaluable

Client surveys keep the importance of the client’s experience and perception of the firm at the forefront of everyone’s mind – in some cases there is a direct link with remuneration. Feedback may be formal or informal and while individual surveys may not be immediately revealing, longer term trends can be insightful. One firm called client feedback an ‘early warning system’ for emerging issues.

“We do them quarterly and use an external company to do phone surveys using the client samples we give them. We have done surveys for four years. All advisers get their own survey back. We survey clients who have recently had a review, clients who have recently left us and so on.”

Multi-adviser corporate and personal - Midlands

Benefits of clearly defined client service proposition and service standards

- Clients, advisers and support staff are all clear about the firm offering and costs
- Clients become clients of the firm, minimising the impact of an adviser leaving
- Processes and jobs in the business are developed to support the service proposition
- Business risk is reduced through increased consistency
Know your client and give them options for a service to meet their needs

- A five adviser business
- Core wealth management proposition designed to focus on the key concerns of affluent people - wealth preservation, tax planning, passing on assets to the next generation, risk management

### Deliver two tiers of service

- **Standard** – cash flow modelling and financial planning with scenario analysis. By building a detailed profile of the client the firm can take responsibility for the management of the client’s wealth and assets. Seek to truly understand clients, and demonstrate this, as well as engaging the client with their investment
- **Additional** – quarterly meetings and extra services such as introductions to tax and protection specialists – around 30% of clients choose this

### Pay significant attention to detail

- The firm also has links to external experts in areas outside of their core offering; strengthening the client proposition and creating opportunities for referral business
- The business has paid great attention to the detail of the client experience
- This is reflected in a structured process for prospective clients focused on clear, consistent communication and mutual understanding with feedback at the end of the process

### How is this an example of good practice?

- Service is based upon client needs – including an important added value service
- There is a clear service and charging structure – well defined and documented
- Service delivery is supported by well-designed processes – this strongly supports client retention
- Much attention has been paid to communicating service and charging to clients

“I always ask the clients what it was that made them choose us and they say - you were interested in us, the other companies were talking about our money and you were interested in us.”
**Processes are continually developed and refined**

As with other aspects we have seen so far, processes in successful firms are clear, consistent and well documented across all major business functions with some firms having a central operations manual or ‘process bible’. As we have also seen, a successful firm does not stand still – so processes and their fit with the firm are constantly defined and refined.

**Processes are documented in detail**

The operations manual is a living document actively used as part of the induction process for new people, as well as enabling others to take on work under times of pressure or holidays. Linking processes to the business, rather than individuals, ensures greater consistency and reduces key person risk.

Compliance is inter-woven into processes and leading firms have a clear view that effective processes de-risk the business with much of compliance just good business practice.

**Non-core activities are outsourced**

While some firms will not outsource what they consider to be core activity such as investment, others are willing to consider it for any processes, activities or supporting technology.

**Technology strategy is clearly defined**

Firms know what they need technology to do, what is available and where it could meet their business requirements. Indeed, it is the latter which provides a common thread through leading businesses where great attention is paid to user requirements before new technology is tested or acquired.

There is clear recognition that the back office systems are the backbone of the business delivering increased efficiency and reliable client service experience as well as MI for compliance and control.

Leading firms have an up to date view of how technology is changing and how they might need to react; frequently integrating new technologies into marketing planning.

“I think it will grow, people my age group have iPads, iPhones so that whole space is growing and people are more confident to have a go on their own so the challenge for advice companies is how quickly they can get information to clients and the speed at which they operate.”

Multi-adviser - corporate and personal, South West

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**Benefits of a structured approach to process management and technology**

- Consistent service for clients
- Clarity for staff and clients over roles and how the business operates
- Less reliance on key individuals
- Lower operating costs and lower risk
- Ability to scale up more easily
- Technology provides a framework for greater process efficiency
A structured approach to people and talent management helps create an exceptional business

No business can flourish without the right people and many leading advisers view retention as a key measure of success.

Structure, delegation and autonomy influence management style

Leading firms were characterised by a style of management that is organised, structured and professional and where clear expectations and boundaries are set. Many firms regarded delegation and autonomy for their people as essential if the managers or Principals are to have time and capacity to do their own job.

Leading firms have typically undergone a significant amount of change and tend to manage it effectively. In the context of people and talent management, this often means pro-actively working with staff through training and development to help them deal with new circumstances and changes in their jobs.

“We have done a lot of staff training because the role of the administrator has changed a lot over the past year so we have re-written job descriptions .... introduced a performance management system and written KPIs for most jobs ... the theme of HR has been: this is the company standard and what we expect you to be able to do. That enthuses some people and exposes others.”

Multi-adviser corporate and personal - Midlands

Open and trusting attitudes help develop a co-operative and supportive environment

Because leading firms are clear and confident in their direction and how they will achieve their goals, they tend to adopt an inclusive, open and trusting style. Principals in leading firms are open to change and development and expect the same of their staff. At least one firm included this explicitly when reviewing performance and people were often involved in improvement projects alongside their other responsibilities.

Most leading firms place much emphasis upon team work and actively encourage it through process design and project work as well as social and charitable events. By encouraging a co-operative and supportive environment a ‘silence mentality’ where people will stick rigidly to their job description is easier to avoid.

Several firms conducted staff surveys to understand and track staff opinion more formally. They always share and discuss results with staff and explain the actions that will be taken as a result.

Formal people and talent management processes drive performance

The more fundamental elements of people management are well established: clear job descriptions, performance review processes, an organised approach to recruitment and a fair and motivational reward policy. Most leading firms have profit related bonus systems and in several cases the actual sums paid are based either partially or totally on personal performance including client feedback.

“Everyone has a basic salary and they get a bonus twice a year. We monitor everyone’s performance on a monthly basis and we do appraisals for all staff every six months .... For different people you measure different things. For the younger advisers, you’re measuring new client acquisition. For a more established adviser you’re measuring what proportion of their income is recurring. Everyone is on the same deal (reward structure) including me.”

Wealth Manager - Scotland

Several leading firms are changing their remuneration policy for advisers to reflect quality standards and also the regulator’s desire for less emphasis upon sales.

“Our advisers have bonus structures and we are moving to a different remuneration structure at the moment. They will be based on service delivery, TCF, compliance, performance ratings etc.”

Multi-adviser corporate and personal, South West
Recruiting graduates brings energy and valuable fresh perspectives. When coupled with a strong performance management culture, firms can support succession and organic growth by quickly moving young talent through the organisation.
Firms with less than five people will often claim that these formal people processes are not appropriate in a small team. Many of the smaller firms in this research disprove the case. They tailor their approach to avoid the more bureaucratic methods of large businesses but they adopt the style and practices referred to above. One firm suggested that most people want to be clear about their responsibilities, what level of contribution is expected and how their career will be developed, regardless of the size of the business.

**Accept you cannot do everything**

Larger firms typically have dedicated and trained managers dealing with a range of issues including process, projects, operations and business development. Many Principals in leading firms recognise that others may be more effective managers than they are and that they must relinquish some day to day control, even if this is not a comfortable prospect which means a change in working style.

Many leading firms recognised the need for specialists. There are known challenges to recruitment which leading firms address by being clear on their requirements and not rushing the process. A clear vision, operating model and work culture helps filter people who may not be suitable. Risk is further reduced by clear job and personal specifications and setting out the ‘employee brand’ in the recruitment process.

**Aim to develop the best people**

Leading firms tend to pay attention to developing their people. Many have structured induction programmes and some have graduate development schemes that run over several years. One firm insisted that the induction programme had to be much broader than the specific requirements of the job.

“The first day I do a structured day covering our history, their role, typical clients. We arrange for people to sit with them and do training on propositions and systems and training. We have a 1 month, 3 month and 6 month review.”

Financial planner and family office - South East

**Graduates bring fresh thinking and energy**

One firm provides an excellent example of a graduate development programme. From the very start it has aspired to be a centre of excellence and the programme, which has been running for several years, is a core element. This has produced an extremely well qualified group of advisers with seven Chartered advisers and several who have achieved the main investment qualifications.

“The spine of the business is our (four year) graduate training programme. … every year we have a new trainee coming in. My first trainee is now a director of the company, shareholder and describes himself as the fourth tier of the graduate training programme. We have 160 CVs a year. They go through a three stage interview process including an assessment… We get the cream of the crop and that is how the firm has been built over the years.”

Wealth Manager - Scotland

**Benefits of a structured approach to people development and management**

- A motivated and committed team
- High morale and low staff turnover
- An adaptable team, open to challenge and change
- A strong culture and ‘how we do things’ drives a consistent client experience
- Satisfied clients who enjoy contact with the business, particularly its people
Case study:

The value of finding the right people and keeping them

- A ten person business in the South East
- The challenge: retaining quality staff in the South East
- The response: effective recruitment process, hire the best, pay well, develop and retain. Ensure people are in roles which meet their strengths and link jobs to clearly defined processes

Making it happen

- An Operations Director is directly responsible for people development ensuring focus and prioritisation
- Recruitment is aimed at securing the best prospects and testing potential fit with the firm
- Progress against targets and personal contribution to the success of the firm are built into regular reviews to inform development and acknowledge success
- Clients also have a say as feedback surveys contribute to performance management with a minimum score required of 80%. The business is clear that if people know their work is going to be judged by the customer, they will do it to the best of their ability and place service as the top priority. A detailed client process provides clear targets and measures for delivery
- Internal processes are formalised by Investors in Customers which involves an audit including clients, suppliers and staff as well as an annual survey to ensure that client needs are being met and in line with the activities inside the business
- Everyone gets study leave and high standards have been achieved, including advisers and support staff
- These plans are developed from the performance review process
- Considerable effort is made to recognise work-life balance with working from home, flexible hours and other practices to retain good people and get the best from them

The outcome

- Staff turnover is practically zero and many people have been with the business since the beginning. This creates a sense of stability as well as lowering recruitment costs

Why is this an example of good practice?

- The business concentrates on helping people perform to their strengths for mutual benefit
- Dedicated management resource allows focus
- Clients’ views are key, with client surveys linked to performance management
- Conscientious recruitment drives retention and lowers costs

“Hire well, hire who you think you can’t afford. Have a great recruitment process, don’t rely on CVs. Use Kolbe (personality profiling) and make it two or three meetings [to ensure the correct decision].”
Understanding your target market and client needs is the starting point for effective marketing

While firms in our research may target a range of clients, they define each segment clearly to communicate effectively how the offering and brand meet their individual needs.

Identify and understand your target market

Leading firms are clear about their target markets. Profitability is a key basis for segmentation, often in tandem with lifestage for more powerful analysis, and leading firms take a commercial approach to deciding who they will and will not serve.

“We’ve got a lot more focus about the kind of clients we want to work with. We are beginning to thin out those who don’t fit our model. It frees up some time. We need clarity.”

Wealth Manager - South East

“We developed market segmentation for the firm and key account management for all our top clients ... we drilled down into some very key areas of focus - for example Lands and Estates, time poor asset rich people and the key high net worth individuals. We had a total of five core sectors to focus on.”

Private client/professional services - North East

Tailor your messages and approach to individual segments

Leading firms focus on demonstrating to target groups that they are experts and understand their needs in detail. This goes beyond their financial circumstances to include wider lifestyle issues pertinent to a particular group. For example, firms operating with a specific professional group will ensure they understand their pension scheme, how their careers are developed, and the specific financial issues they face.

By creating empathy and building confidence in the firm’s ability to meet specific needs a business can achieve differentiation, standing out in a crowded market where, from a client perspective, many firms look very similar.

“It comes back to understanding your target audience, niche marketing and building content. One of our niches is senior executives in the insurance market so we produce regular thought leadership on that market - you have to position yourself as an expert within the community.”

Wealth Manager - South East

Focus on communicating and selling the value of your service

Leading firms agree that a marketing plan is essential, along with a clear view of the target market and robust measurement of outcomes. Several firms in our research set defined, high level objectives for marketing (e.g. additional clients of a particular type, development of introducers etc.) and all activities contribute to this. They avoided ad hoc marketing campaigns in favour of a more strategic and integrated approach.

In several cases leaders expressed a concern that, as the market becomes more competitive and clients become more conscious of value and price, they need to work at reminding clients of their services and the value that they bring. Typically firms of this type will use specialist marketing resource, usually external to support the marketing effort, recognising that it is impossible for the Principals to undertake the volume and quality of marketing themselves.
Integrated marketing strategies should also be adaptive

Integrating different methods of marketing communication is critical for reaching clients in a way that suits them. This is a dynamic and rapidly evolving area but leading firms tend to be careful about how they integrate social media into their other marketing activities. They apply the same disciplines to Twitter and LinkedIn as they do newsletters and their website, with consistency of message and, where possible, style and design.

“Our touch point is 8-12 for clients - we issue quarterly newsletters, two client magazines, an invitation to a seminar and an investment report. We also expect the advisers to phone and email a couple of times. We have excellent investment seminars at high quality events.”

Financial Planner and family office - South East

Considered use is made of social media

Many firms have a clear approach to their online strategy. The approach to social media is open-minded and generally progressive, but kept within the boundaries of the marketing plan. Websites are the most prominent and best developed tool with links embedded in client emails to drive traffic. Twitter was actively used by some firms, though not all, while Facebook was less popular.

“We have an aggressive strategy .... search engine optimisation is now done in house. Traffic doesn’t just come from Google, you have got Unbiased, VouchedFor and you have got to have something that resonates when people land on the website. We do webcasts ... a monthly blog .... the web cast with market commentary .... asset class notes .... fund manager Q & A. We email clients with the best of the blog with articles of interest that they click on and it takes them to the website.”

Wealth Manager - South East

Brand builds value and is a differentiator

There is clear understanding that ‘the sum of the parts’ defines the brand – from the décor of the offices through to staff behaviour and client treatment. Larger firms in the research proactively promoted the brand to protect the business if advisers left with clients in contact with support staff as well as advisers and concentration on service that, by implication, will be lost to clients if they moved elsewhere.

“We aim to wow the client: they will become advocates.”

Financial Planner and family office - South East

Many firms do not overtly refer to the term ‘brand’ but are good at developing and promoting it. There is often an obsession with detail because effective branding means that everything that the firm does supports a consistent experience. There is recognition that the advisers, their personal style and approach are an essential part of the brand and some firms focus on achieving consistency in how the advisers operate and the process they work through with clients.

For some leading firms there is a concern that is shared across the market that the terms ‘independent’ and ‘financial adviser’ have either become devalued or no longer have the marketing strength of a few years back.

What’s in a title?

Most of the firms interviewed recognised the marketing cachet of ‘Chartered’ or ‘Certified’, but also the challenge in describing their brand position to clients. Do clients understand the value of Chartered status and agree that this is worth a higher fee? This applies particularly in personal markets where some firms in the sample were competing with private banks. For these firms competing with private banks, the term ‘wealth manager’ was considered inappropriate.
Benefits of a structured approach to marketing

- Acquiring the right type of clients - and more of them
- Improved client retention
- Cost effective, targeted marketing activity
- Defined market position which creates a competitive advantage

RDR meant that firms had to look at how they classified their business and just over 10% now brand themselves as a financial adviser. The majority of firms describe themselves as financial planner or wealth manager which gives a description of the services on offer to which clients can relate.

Introducers and referrals can deliver more clients of the right type

Leading firms work hard at securing good quality referrals, typically from their existing clients or introducers. Few firms ask directly for referrals from clients but see referrals as a natural consequence of excellent service.

“Every client here has been introduced by an existing client. So we avoid soliciting for business. We have a small number of very good legal and accountancy connections and we also have a decent number of extremely wealthy private clients who are also a very good source of referrals.”

Wealth Manager - Scotland

Several leading firms worked with introducers for business acquisition. They adopted an organised and structured approach setting out their introducer proposition and being clear about process. Most worked with a small number of introducers, recognising the time taken to develop an effective and trusting working relationship.

“Professional introductions are important but you have to make sure everyone knows how to position it and when to discuss it. Having a detailed structured process of building joint venture relationships with only one or two. Agree commercial terms.”

Wealth Manager - South East
A multi-adviser firm with 2,000 active personal clients

The business has a clear target market and objectives to acquire and retain clients

It understands what clients are interested in and how they like to be communicated with. This has resulted in a mix of communications methods that are combined with the aim of achieving “more than the sum of the parts”

The business has an overall plan and each part of it has its own objectives and measures

Professional connections account for around 30% of new business, with 50% coming from referrals from existing clients

Internal and external views

Once every two years a client satisfaction questionnaire is issued to a random sample of 20% of the client base

Alongside this the firm also conducts a staff survey to enable comparison between internal and external views of the business

Website and social media

The main objective of the website is to support client retention rather than acquire new clients meaning that it has an educational bias which also positions the business as authoritative

The firm uses Twitter but is very careful from a compliance perspective and controls this very tightly

PR

Unlike many firms in the advice market public relations is used heavily to support the brand and to position the business as an expert

People like me

The online and hard copy marketing material is professional and uses real case studies and photos of actual clients

Industry awards are showcased, demonstrating the credentials of the business

Why is this an example of best practice?

A marketing plan with all activities integrated for best results

Recognition of the need for dedicated resource to make marketing work well

A mix of marketing methods and techniques for flexibility and variety

A professional approach to marketing and materials, in line with the rest of the business
A coordinated and integrated brand strategy is increasingly viewed by firms as a key differentiator and driver of business value.
Below, we set out the points considered to be best practice among the respondents. You can use this list to identify to what extent you are similar, or where there are gaps. If you are a Principal, you might like to ask a team in your business to discuss and report back to you on where they think the business currently stands. Once you have a view on your position, you can then address any gaps or shortcomings by defining actions and creating an action plan to support the process of change.

### Leadership

#### Open communication: listen, respond and act

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<thead>
<tr>
<th>Point</th>
<th>Status</th>
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<tbody>
<tr>
<td>Regular two way dialogue across the business</td>
<td></td>
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<tr>
<td>At least monthly staff meetings</td>
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<tr>
<td>Consult on key changes and listen to the views of your employees</td>
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<tr>
<td>Be available, making time for others</td>
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<tr>
<td>Proactive client communications – inform and update</td>
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<tr>
<td>Engage key clients directly for their feedback</td>
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<tr>
<td>Formal client research – communicate and act on the results</td>
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<tr>
<td>Keep the channels open with key parties, including the regulator</td>
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</tbody>
</table>

#### Clarity of direction: a journey, where the destination keeps changing

<table>
<thead>
<tr>
<th>Point</th>
<th>Status</th>
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<tbody>
<tr>
<td>Genuine enthusiasm for challenge and change as driving improvements</td>
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</tr>
<tr>
<td>Actively encourage staff and clients to suggest improvements</td>
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<tr>
<td>Evaluate potential change in terms of client outcomes and profit</td>
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<tr>
<td>Proactively seek external and alternative views to test your own</td>
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<tr>
<td>Consider how potential recruits or acquisitions fit with the business model</td>
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<tr>
<td>Communicate change effectively and clearly to people across your business</td>
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<tr>
<td>Accept there will always be a better way – you just haven’t found it yet</td>
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</table>

#### Continuous learning: looking to the future, today

<table>
<thead>
<tr>
<th>Point</th>
<th>Status</th>
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<tbody>
<tr>
<td>Participate in events about the market and its direction</td>
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<tr>
<td>Actively contribute to market research</td>
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<tr>
<td>Exchange views with colleagues on the market and how it will change</td>
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<tr>
<td>Enjoy dealing with change; the challenge and positive outcome</td>
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<tr>
<td>Seek opportunities that typically arise with change</td>
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<tr>
<td>React positively to mistakes and learn from them</td>
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</table>
Leadership continued

**Obsession with quality: it’s all about the customer experience**

Set standards in line with service proposition and promises

- Rigorous focus on end client experience
- Processes designed with the client experience in mind
- Adopt exactly the same approach with all the jobs in the business
- Maintain consistently high standards across all client touch-points
- Consistent visual branding (e.g. website, offices, brochures etc.)
- All members of the team on brand and on message
- Reflect importance of consistency in performance reviews

**Operational excellence**

**Business planning and strategy**

- Operate a timetabled business planning cycle
- Use external data and information to help develop the plan
- Share the long term vision for the business with all employees
- Monitor progress and performance against an up to date written plan
- Involve staff in developing the plan, evaluating of progress and reporting findings
- Reflect the needs and importance of the plan in personal objectives and individual scorecards

**Process management and technology**

- Document key business processes, continually refine and update
- Link processes directly to client experience and to job descriptions
- Involve others in process design and maintenance: different functions bring new insight
- Secure buy-in to the processes across the business
- Encourage constructive suggestions for improvement
- Seek cost savings through process improvement as well as better service
- Use technology proactively to improve process efficiency and client experience
- Talk to existing users before acquiring new technology
- Keep up to date with new uses of technology in the advice market
### Operational excellence continued

#### Financial Management

- A set of financial metrics, measured regularly
- Concentrate on data that reflects change in business value
- Share key financial data with others in the business
- Review a wide set of relevant management information
- Base personal objectives on data where possible
- Understand the profitability of individual clients/groups of clients and how to utilise this
- Engage financial specialists for major projects such as acquisition
- Forecast future financial position on an on-going basis

#### People

- Clear, relevant job descriptions, regularly reviewed
- Objective pay review and bonus policy that applies fairly to all
- Regular performance review meetings
- Encourage training and professional development over and above mandatory requirements
- Set clear expectations for activity and outcomes
- A rigorous recruitment process that is not just based on one interview
- Pro-actively involve others in setting direction and driving change
- Present challenges and change in a way that encourages team work
- Continuous feedback and a culture of openness
### Operational excellence *continued*

#### Client management and proposition

| Clearly defined service proposition and standards at the heart of the business |
| Regularly review service and pricing against experience and competitors |
| Processes designed to support service delivery and quality of client experience |
| Regular client surveys – share the results across the business |
| Measure the number of clients joining and leaving |
| Understand the profitability of individual clients |
| Ensure consistency in client management across the business |
| Understand client experience of supporting materials (brochures, website etc.) |
| Investment proposition grounded in thoroughly researched analysis |
| Investment proposition as part of overall service |
| Document process, reviews and outcomes |
| Use external support to inform decisions |

#### Sales and marketing

| A clearly defined target group that you proactively market to |
| Clear marketing objectives and a plan of action (e.g. for at least one year ahead) |
| Measure the outcome of marketing activity against the plan |
| Evaluate the different marketing methods (new and traditional in the context of your marketing objectives) |
| Visible branding is clear, consistent and defines the client experience, website is fit for purpose and fits the brand |
| Understand where online communications fit into the context of the marketing plan |
| Offer introducers a clear proposition and method of working |
| Use client feedback to tailor your marketing on an on-going basis |
| A structured approach to retaining existing clients and securing referrals |
| Have individual service level agreements with clients for preferred means of communication |
Final thoughts

Our going against convention in how we presented this paper meant that our conclusion came at the beginning. So now we would like to leave you with a few final thoughts.

A firm is a complex machine, with an unlimited number of moving parts. Combine this with an industry in a time of unprecedented change and customers with a myriad of needs, and success can appear daunting, if not insurmountable. There is no one formula for success – but outstanding leadership and operational excellence are cornerstones.

Embrace change. Surround yourself with the best people and operate as a firm, not a disparate group of individuals. Have clearly defined processes that everyone knows, understands and has a role in. Communicate well and often, with clients and staff. Be open to challenge and ideas.

Know your financial targets and how to achieve them. Everyone has a contribution to make, sharing accountability and rewards. Challenge convention, celebrate success and never stand still.

By shining a light on how strong leadership and operational excellence engenders a culture of success, we have gained insight which can be used on a practical level to help firms understand their own position, the change required and how to implement that change to achieve excellence.

We hope you have enjoyed our research. You may have recognised yourself as a succeeding firm. But if not, it’s worth noting that most firms we spoke to achieved good practice over time. Change something soon, even now – and keep going. You can and will get there. And we will do what we can to support you.

“We don’t talk about trust in the adviser. Trust in the team.”

Wealth Manager – South East
Participating firms

With thanks to the participating firms

1. Almary Green Investments Ltd
2. Baigrie Davies & Company Ltd
3. Balmoral Asset Management Ltd
4. Bloomsbury Wealth Management LLP
5. Bond Dickinson LLP
6. Capital Asset Management Plc
7. Central Financial Planning Ltd
8. Covingtons Financial Services Ltd
9. Cube Financial Planning Ltd
10. Dragonfly Planning Ltd
11. Duncan Lawrie Private Banking
12. Fiducia Wealth Management Ltd
13. Hampton Dean Ltd
14. Jelf Financial Planning Ltd
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