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**"The fatal assumption made by all technicians who go into business for themselves is:
If you understand the technical work of a business, you understand a business that does that technical work"**

Michael E Gerber, Author of The E Myth

Introduction

This chapter focuses on the importance of implementing processes which enable consistent delivery of value to clients during the key stages of their relationship with an advisory business.

Earlier Springboard chapters promoted the benefits to businesses and their clients which emerge from taking steps to:

- eradicate inconsistency and variability from the business operating model
- realise that clients measure value mainly through service based on a trusted relationship
- apply high quality expertise and resource in proportions appropriate to the needs and affordability of the different client segments with which the business wants to work
- clarify and adhere to a philosophy which governs the investment solutions advisers recommend

Translating such steps into effective and efficient working practices requires the application of documented processes and procedures. However, owner-managers of businesses often unwittingly act as an obstacle to this translation.

Helping owner-managers to let go of micro-management

In many firms, an owner-manager often "makes things work" through a determined "hands-on" approach. This is invariably stressful for them and has a limiting effect on the ability of their teams to tackle day to day activities swiftly and efficiently.

A business which remains dependent on its owner(s) for original thinking in, and micro-management of, routine tasks risks:

- blockages in delivery to clients on time every time
- delays in cash-flow generated by client fees
- reputational damage in the eyes of professional connections
- frustration within the team caused by an over-reliance upon the boss for minor decisions
- reduced capital value of the business in the eyes of potential merger or acquisition candidates

Owner- managers whose exit strategy is based on realising capital from the sale of their business should manage themselves out of a job within the business. Consequently, their business can be seen to operate as a corporate entity rather than one dependent upon their personal style or "uniqueness" for its future success.

Chapter 10 – Business Process Management

If they remain embroiled in the role of a "technician" (financial adviser) and fail to implement routine processes they will not be able to appoint individuals into management roles.
This prevents them from directing and leading the business.

Willingness to delegate is a key factor in enabling people in a business to operate agreed processes and freeing up the capacity of the owner-manager to pursue business development goals. Failure to delegate can act as a significant constraint to the business.

Define to delegate

Effective delegation requires clear communication about, the:

- purpose of the business and its strategy
- advice and investment approach to be adopted for clients
- roles of individuals in delivering promises made to clients
- processes and procedures to be employed in making delivery effective, efficient and profitable
- quality assurance checks and training inputs to ensure standards are maintained and improved

Delegation enables a business to run smoothly during a prolonged absence of its owners.

Adherence to a consistent approach enables a business to review its work and identify things which work well or less well. Processes can always be improved, but need to be adopted in a uniform fashion if they are to be properly tried and tested.

Process as a precursor to pricing

Once processes have been implemented and automation applied wherever feasible, the time taken to carry out tasks can be measured.

The business can also identify who is best placed to carry out each task and develop an appropriate organisational structure.

This means the true cost of delivery can be established, which in turn provides a basis for determining the firm's pricing levels.

From the general to the specific

This chapter will put various aspects of process development into context by reference to the stages involved in engaging, advising and servicing a client. It will highlight areas to consider when developing processes. These areas include:

- key high level stages in working with clients
- steps within each stage
- tasks/activities to complete at each step
- the types of tools and materials that enable completion of tasks
- supporting scripts and questioning tracks
- ancillary functions
- the Seven Hats Syndrome
- business systems
- investment administration systems

Chapter 10 – Business Process Management

High level stages in working with clients

It is really crucial that everyone in or working in partnership with a business understands the "bigger picture" within which underlying processes are to be fitted. One of the biggest pictures is the overall "client experience" the business wishes to deliver.

The chart below illustrates an example of the key stages in working with clients.

1. Pre meeting qualification & preparation
    a. Lead qualification – from referral or telecom
    b. Send out pre-meeting materials
2. Can we work together?
    a. establish client objectives / expectations
    b. explain how the firm works, what it can offer
    c. agree if can work together and on what basis
3. Fact finding
    a. Fact find to relevant degree of detail
    b. Establish attitude to risk
4. Research & reporting
    a. Evaluation of current position and gap analysis
    b. Research of strategy & recommendations
    c. Produce report(s)
5. Presentation of recommendations
    a. Present strategy and recommendations
6. Implementation
    a. Implement agreed strategy and recommendations
    b. Agree on-going service requirements
    c. Finalise implementation
7. On-going service
    a. Portfolio & product management
    b. Communications
    c. Preparation for & delivery of reviews

There is no "one-size fits all" chart of stages. Different styles of proposition would require fewer or greater numbers of stages. A lifestyle planning proposition may require additional stages earlier in the client experience. A Transactional proposition would not feature Stage 7.

A business may offer more than one proposition and will require more than one set of key stages in order to deliver the client experience relevant to each proposition. However, where individual key stages are common to each proposition, it should be possible to employ very similar, if not identical, practices and processes to minimise variation wherever possible.

Steps within stages

The next challenge is to document the steps required to progress through each key stage.
Within each step, it will be important to identify in detail:

- activities required
- the role(s) responsible for each activity
- standard timescales for completion of activities
- tools, templates, systems required to support completion of the activity

The table below illustrates how these detailed elements might look within the initial stage of engagement with a prospective new client.

PRE MEETING QUALIFICATION & PREPARATION

Step	**Activity**	**Responsibility**	**Timescales**	**Tools / Materials**
Telephone Call from / to Client	▪ Receive / make call from client ▪ Understand needs and pre-qualify – Are they transactional or WM? ▪ Standard introduction ▪ Explain that documents will be sent in prep for meeting ▪ Arrange date/time and book in Planner diary	Financial Planner	Within 24 hours of client enquiry	Telephone Script - Elevator Pitch Diary/Database
Send Pre Meeting Pack	▪ Collate pre meeting pack – This will be determined by client type ▪ Send to client ▪ Diarise a Follow Up Call to the client	PA/Client Service Manager	24 hours from call to clients	Covering Letter to confirm meeting date/time enclosing: - Map - Short Lifestyle Questionnaire - Corporate Brochure - Reply Envelope Request bring along ID
Follow Up Telephone Call	Telephone client to check comfortable with what they need to do. Encourage return of forms pre meeting.	PA/Client Service Manager	72 hours after dispatch of pre-meeting pack	Script/Guidance
Lifestyle Questionnaire Returned	▪ Log receipt ▪ Telephone Client to Acknowledge safe receipt ▪ Create Meeting Pack for the Financial Planner	PA/Client Service Manager	Within 24 hours of receipt of questionnaire	Database (to log receipt) Script 1st Meeting Pack -Lifestyle Questionnaire - Agenda etc - Appointment of Adviser (blank) - Letters of Authority (blank)
Preparation for Meeting	Review the completed Lifestyle Questionnaire and prepare for initial client meeting	Financial Planner	24 hours before meeting	1st Meeting Pack (per previous step) Proposition Standard Corporate presentation (script)

Tools / materials to support activities within each step

Once the steps and activities have been identified for each proposition the business wishes to offer, it is possible to create a list of all tools required to carry out work in a consistent fashion, e.g.:

- standard letters (consistent brand, structure, expectations created, spell-checked etc.)
- standard agendas to ensure meetings follow a consistent structure and achieve their purpose.
- proposition documents used in meetings with clients
- presentations / storyboards to position the proposition consistently and comprehensively
- forms to be completed – regulatory & administrative
- systems to be used and for what purposes?
  (Back Office, Research, Platforms, Risk Questionnaires etc.)

Scripts & questioning tracks

Every client is unique and each member of staff has an individual style & personality. However, this is not a reason to re-invent the approach taken to address and resolve client needs.

Repeated articulation of key messages during the advice process, backed up by consistent and timely delivery builds reliability, a key factor in establishing trust in clients' minds.

Therefore, scripts and questioning tracks used at key moments by everyone involved are an important aspect of building processes.

Scripts, or key phrases and messages can be applied from the greeting a receptionist uses when a client arrives in the office through to how the adviser explains the value the firm has to offer to prospective clients.

Used maturely and not treated as a robotic exercise, standard scripts and documents mean each adviser uses a comprehensive enough range of client questions and can record answers properly. This avoids the exercise becoming a tick-box approach to proving compliance with regulations. It also means the next stage in the process can proceed without the need to gather information missing from the records created.

Every time something is left to chance or too much personal discretion, there is a risk of the twin viruses of variability and inconsistency infecting the process. This creates risk and a cost to the business somewhere down the line. Risks and costs will then accumulate to a significant sum with an impact on profitability and business value.

Getting these things "off pat" enables more effective work. This releases the capacity of people to be more proactive and have more time for, and become more "intimate" with, clients.

Without standard approaches to routine situations, a huge amount of time can be wasted re-inventing wheels and patching up mistakes or going back to clients and advisers for missing information.

Continual process improvement

Applying standard approaches also makes it easier to spot where wrinkles exist and improvements can be developed.

Ancillary functions

Alongside the linear stages of the client advice experience, a business will carry out activities which support the delivery of the client proposition, such as:

- Investment Proposition – due diligence, strategy and its management and implementation
- Central product panel research – due diligence, strategy and its management and implementation
- Reconciliation of revenue streams to client, adviser and cost centre accounts
- Staff development activities – 121's, workshops, on the job development
- Business communications – internal & external – team & board meetings, newsletters etc.
- Marketing activities
    - Developing and maintaining Professional Connections
    - Networking, developing Personal Introductions
    - Other
- Accounting procedures – collation of MI and production of meaningful reports
- Compliance

A lack of documented process in such areas will hamper effective delegation, lead to inconsistency and builds an invisible cost into the way the proposition is delivered.

So, the same Stage, Steps and Activities approach needs to be adopted when considering the way these ancillary functions are supposed to work.

The "Seven Hats Syndrome"

Running a business of any size beyond a one or two man operation requires the owners to consider how each of up to around 7 different leadership roles can be executed. In reality, these 7 roles rest on the shoulder of one or two owner-managers.

- ❖ **Managing Director** – Establishing the Vision, Goals and Strategy for the business. Business Planning. Co-ordinating all the resources and managing the tension between the other Directors demands.
- ❖ **Marketing Director** – defining and understanding the target market, constructing and implementing a Marketing Plan, Professional Connection development, Client Communications, PR etc.
- ❖ **Finance Director** – Creating and monitoring management information, cash-flow planning, investment planning, tax, PAYE, VAT, Accounts etc.
- ❖ **Sales Director** – responsible for Managing Sales Staff, monitoring performance, reviewing client bank management, communication to other Directors re sales needs i.e. admin, marketing, proposition etc.
- ❖ **HR Director** – Establishing roles, responsibilities and competencies required to do the jobs, create and review job descriptions, ensure staff development is followed through, handbook, health & safety, equal opportunities, recruitment strategy in place and procedures set up and followed
- ❖ **Operations Director** – Ensuring all Sales & Service admin / support staff are properly aligned, utilised and managed. Back office systems and processes are in place and operating efficiently. Monitoring and scheduling workflow to avoid bottle necks etc.
- ❖ **Compliance / Quality Control Director** – Monitoring Business Quality, file checks, qualifications and licensing requirements met, complaint handling, updates on regulation

Chapter 10 – Business Process Management

In financial advisory businesses, the owner is also often the primary fee earner and this role occupies the majority of their working week.

Clearly, this limits time available to think about wearing the 7 hats of management and leadership, let alone time to undertake research required to make decisions and put them into action.

Small to medium sized firms do not require full time employees to fulfil these roles, but they do need to ensure that sufficient time is dedicated to them.

Too often "sales" priorities and "fire-fighting" take precedence over time spent thinking about, and working on, broader business issues.

Many owners will feel they are in a no-win situation. They fear the effect on short term revenues if they "take time out" to just think about the medium to longer term prospects for a business where a more disciplined approach to operating processes would yield great dividends. However, if things don't change, they will not stay the same, they will get worse in terms of lost time and inconsistent delivery of promises made to clients.

As a minimum, I suggest even a sole trader should book out a day a week to consider each of the 7 hat functions and evaluate what is going well, less well and what needs to change. Then they can diarise time to make the changes. The time for these meetings must be regarded as "gold" time in the diary and not overridden by any other business issue aside from genuine emergencies.

If the exercise improves profitability and/or turnover by just 1% per month, the return or the anticipation or avoidance of a major problem, from that meeting with will generate more value than any one client meeting.

The bigger a firm, the more the 7 hat functions can be shared out and or dedicated experts employed to fulfil the roles on a part or full-time basis.

If you are a business owner wearing all these hats, it may be useful to undertake a simple review of the hats and ask yourself against each role:

- Who would get a bonus – good at it and makes time to do it?
- Who needs development – can do it, would like to do it but needs some training?
- Who would you fire – doesn't do it and not interested in doing it?

Then establish how you will bridge any development gaps or roles that just aren't getting done.

Systems

Despite technological advances since the 1980s, many firms have effectively stacked one system on top of or alongside others without integrating their IT strategy. This has created the kind of complexity IT is supposed to resolve.

Two typical problems are:

- poorly maintained records on back office systems, which have not been utilised to anywhere near their capacity.
  This is often symptomatic of
    - staff not having time to input all the data needed or of
    - advisers not supplying data or misunderstanding why certain data is so important

- portfolios implemented through a cost-driven rather than proposition value approach and as a result, spread across an array of products, supermarkets and platforms from a best product approach.

Good quality client data is an essential hygiene factor in a modern advisory practice where knowledge of the client is the key to offering relevant and timely services.

In deciding what to do about the state of their client database, firms face two options:

- Maintain the status quo of a poor IT strategy and continue to compound an already messy and problematical database
- Design the set of client data they need to gather and begin the gradual process of updating records – this can be done on a client by client basis over a period of time.
  It may seem a big task, but can be sliced into manageable portions.

In an ideal world, a network of systems would enable single points of data input and allow all relevant client information to be collated and analysed through integrated functions.

Pending the advent of a utopian world, firms need to find an IT strategy which presents the best chance of minimising complexity, variability, duplication and the risk of oversight or error.

Back office system selection

Firms need to ascertain from their processes what information they need from their back office system and ensure relevant data is always input. Most businesses fail to collate meaningful management information to help their decision making process.

Once again we go back to the need for the firm to understand its goal and target operating model. It can then map out its requirements of a Back Office System and other technologies and then ask potential suppliers to explain how they deliver on their requirements for management information, integration, remote access etc.

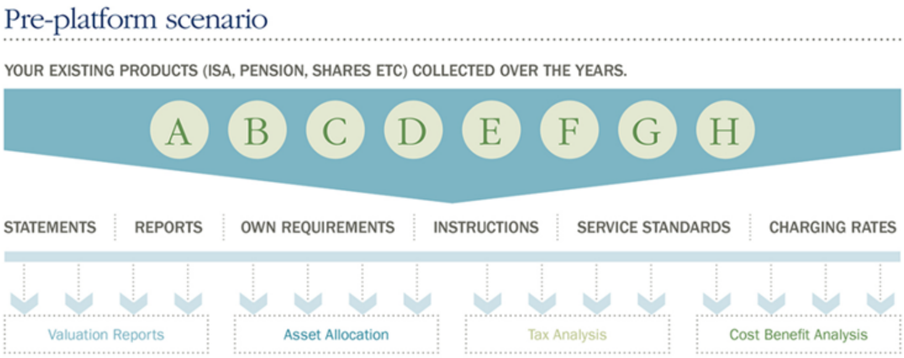
Investment administration systems

To operate a cost-effective and meaningful client investment process, key requirements include:

- Timely and accurate maintenance of a client's asset allocation
- The ability to re-balance, switch or redeem investments in a timely way
- Instant access to up to date valuations and performance data
- Flexibility and control to adapt a client's investment strategy in the light of changing circumstances as time passes without costly restructuring and time out of market
- Optimising tax allowances

How easy and cost-effective is it to satisfy these requirements when clients have an array of funds spread across a wide range of products and platforms?

For example, if a client has accumulated eight different pensions, investment products and portfolios built up over the years, they and their adviser face many challenges in trying to monitor, maintain and administer all arrangements. Time and effort required adds up to a significant invisible cost.



A "hidden" cost in many businesses is caused by the effort required to specify, organise and report upon client investments held in a range of traditionally administered products.

Each product produces paper-based valuations and asset allocation data usually produced or issued on different dates. The adviser is dealing with information which is at best out of date.

True assessment of asset allocations may be hindered by the use of mirror funds.

Each product may have subtle or significant differences in benefits and associated costs which need assessing and evaluating. Each source of data presents its own unique challenges to getting questions answered and requests implemented in a timely way.

A firm managing the assets of hundreds of clients across a multitude of sources exposes all their clients to significant risk as it hinders the firm's ability to act promptly and efficiently in respect of:

- Switching, adding or withdrawing funds
- Monitoring performance and providing accurate information
- Managing asset allocation, diversification and re-balancing issues

Such hindrance increases the risk of a firm:

- missing things - not maximising tax benefits, inappropriate asset allocation, misalignment of portfolios to risk tolerance
- being unable to exit a client from certain holdings quickly enough
- exposing clients' holdings to market movements whilst making changes
- incurring extra charges / costs / delay
- having less time on strategy and service

There is a difference between a "cost-effective" approach and an approach which makes the mistake of setting the criteria as "cheapest is best".

Wrap platforms are a modern venue for investments

If it is inappropriate for resource, time and expertise to be wasted on efforts to administer investments held across a range of traditional products and providers, the same logic applies to the selection of platform-based solutions.

Chapter 10 – Business Process Management

Platform strategy

The FCA accepts that for client groups where needs are similar and suited to benefits of a wrap platform, the use of a single suitably comprehensive wrap solution will not jeopardise an adviser's independent status.

This does not remove the need for a double check that a wrap-based solution is suitable for each client. But, it also means the "cheapest" route doesn't have to be recommended once a strong value-based proposition has been enabled by a wrap assessed as a strategic fit with the firm's desired client proposition.

A predominantly single platform strategy means the firm can deliver better investment management and service through:

- a quicker and more accurate consolidated picture of a client's holdings
- monitoring and maintaining the right asset allocation across all tax wrappers
- being better able to manage tax reliefs and allowances
- identification of all clients invested in a fund that might need to be sold quickly
- monitoring holdings across a variety of product wrappers to ensure they are aligned with a client's objectives, attitude to risk etc.
- having more time to focus on clients' overall strategies and planning needs as well as being accessible to respond to their day to day enquiries, needs and concerns

A superficially low cost product portfolio could actually be extraordinarily expensive to manage and should often require a higher admin charge than is currently charged.

Inefficiencies in any operating model reduce a business's capacity to deliver value to **all** clients, an invisible cost that never features in a Reason Why.

The efficiencies created by a consistent approach to investment administration benefit every client in terms of value for money and can be emphasised as a way of differentiating a firm from its competition.

Platforms equipped to support delivery of a financial planning service offer flexibility and comprehensive options in terms of:

- pricing
- planning tools
- active / passive /blended investment strategies
- open architecture
- multi-manager options
- the ability to
  - create, administer and re-balance model portfolios
  - provide access to a number of DFMs.

If a platform has limited options / flexibility it means advisers are forced to assess multiple alternatives and incur extra cost / risk as clients move through their financial journey.

Compliance regimes need to be mindful of the greater all round benefits for every client if a firm opts for a predominantly single platform strategy. Firms which maintain a wide variety of platform solutions thinking they need to do so to maintain their independence, would probably have to charge higher fees to cater for the continuous due diligence required and the cost of transferring clients from one platform to another should a specific feature or price change materialise.

Chapter 10 – Business Process Management

How many platforms?

As suggested the answer to this question is, “as few as possible”. It will depend on the breadth of markets the firm seeks to service, client propositions it offers and the investment strategies it deploys.

A firm which focusses on one type of high value client (say 50 clients per adviser), delivering a life planning proposition with a bespoke portfolio solution may be able to demonstrate it only needs one platform for the core tax wrappers it has and a panel of other solutions for other products or wrappers not held on that platform.

Another firm may have a range of clients all wanting some on-going review service but they range from general market clients to mass affluent and high net worth clients with a variety of review periods and depths of service propositions and methods of investment management.

These may break down into three or four segments with associated propositions:

- lighter touch clients, with less complex issues seen every two or three years with portfolios better run by multi-managers
- medium touch clients, with clients that warrant an annual review and maybe have their funds run under an in-house model portfolio service
- regular touch clients, requiring frequent contact and individual portfolios.

There may be a preferred platform for each segment or one platform may have the flexibility to meet the needs of all three propositions.

It remains reasonable for a business to adopt a single platform for most of their clients for most of their assets, with recourse to alternative solutions where these are required.

Summary

The way to release capacity for more interesting and valuable discussions with clients and to meet required internal and regulatory expectations is to standardise and automate the fundamental functions of a business.

Documenting and scripting processes enables a manager to better explain what is required of new staff, train them, coach them and then delegate with confidence, this enables them to add value in new ways.

Standardising processes isn’t about creating automatons but is about ensuring people in the business have the time to shine in areas most valued by clients.

In E-Myth, Gerber highlights the danger of a technician attempting to run a business without the required management or entrepreneurial traits. In Gerber’s terms, financial advisers are technicians. If they set up their own business without taking steps to acquire management skills and habits, they will forever be distracted by the technical role to which they have been so accustomed

Such distraction is understandable as, in many instances, cash-flow depends on their ability as a prolific technician. This circle of distraction can only be broken by setting a clear vision and mapping out the processes required to enable the owner to delegate responsibility.

This requires either an investment of the owner’s own time, or employment of others to do these roles on their behalf, be it a properly qualified manager to do the job or using outsourced resources and business coaches.