



Managing change



This is a great time to reflect upon the concept of change in itself, and review some truths about effectively managing change, writes **Sue Viskovic**.

Everywhere you turn in our industry right now, there is change afoot. I'm talking about the significant changes occurring to the business models of most links in the 'value chain' of financial advice. From licensees to superannuation products, wrap platforms to advice businesses, there is no doubt that the Future of Financial Advice (FOFA) and Stronger Super reforms have forced most players to reflect upon the way they do business and to amend – and in some cases, completely reinvent – their entire business models.

Whether you work in a financial planning business, licensee, fund manager, association or education provider, you will be experiencing change in some form.

We are no strangers to change in our field – consider the hours spent keeping up-to-date with the latest in investment markets, tax laws, Centrelink and superannuation rules. And yet when it comes to fundamental change in the way we deliver our services and in how we do what we do, anxiety seems to play a role, and the process appears to become more challenging.

It is somewhat ironic that for an industry so accustomed to handling change in our daily lives, there has been so much resistance when it comes to changing business models.

What do we know about successful businesses and how they handle change?

1. For a start, they don't wait for change to be inflicted upon them, they regularly reflect on how they do things and recognise where they can improve.

One of the greatest contributors to successful businesses – in any field – is the ability to evolve and adapt to a new environment.

- Consider the success of Amazon with its Kindle e-reader, while you consider the demise of Borders bookstores.

- Think about how Apple reinvented itself to step out from behind the shadows of Microsoft and emerge as not only the world's biggest seller of smart phones, but the world's largest listed company.

It is of vital importance for most financial advice businesses to renew the way they run their business.

To quote an article from the Harvard Business Review, "Many corporations become too comfortable with their existing business models and neglect the necessary work of radically reinventing them".

One of the simplest methods to do this – and we've all heard the saying a million times – is to take time out from working in the business to work on the business. If you haven't already, schedule an 'off-site' to reflect on your current business model and, importantly, keep regular appointments with your team to discuss the implementation of the ideas you had that will allow you to evolve.

2. They remain committed to the areas of the business they want to change, despite the fact that they don't always know how to solve the problem.

Rather than holding their business back out of fear of the unknown, they stay completely honest about what they want to improve in their business, and then seek the solution. Just like the owner of a new car suddenly sees an increase in the

number of those cars on the road, their conscious attention on the outcomes they want for their problem allows them to discover solutions.

3. They implement. Rather than engaging in daydreams and wishful thinking, when they decide they want something, they go out and get it. That's not to say the business owner is the one who does all the 'doing' – they empower their teams to contribute, and ensure that what they say they will do gets done.

4. They don't let their success hinder further success. Even the best businesses we know don't think they know it all, or that their way is the best way to do things.

They are respectful when talking to other advisers, they are always open to new ideas, and continually refresh their thinking on possibilities.

5. They're not afraid of reaching out for support to assist them. Whether they engage in peer groups, have a board of advice, a business coach or all of the above, they are happy to tap into resources to help them learn from the successes of others, and provide an objective viewpoint to mentor them through their challenges.

So what is the most effective way to successfully implement change in any business?

To keep it simple, there are three components:

Why. For any change to be successfully implemented, all those involved must understand why the change is taking place.

In an advice firm, hopefully the approach is that change has come about from a recognition that the advice landscape is chang-

ing – clients are becoming more selective about their advice relationships, and expect to see greater value for what they pay.

Hopefully, the 'why' is because the team believes the changes will be better for the business, and above all, better for the clients. This 'why' will have a far greater impact on successful change than if it was "because some politician says so".

Success is always greater when those who are involved in the change understand and agree with why it is being done. Be it the staff who assist with the transition, or clients who are recipients of a new style of engagement, if the 'why' comes from a positive place that resonates with the participant, those affected by the change will be more likely to embrace it.

This same principle can be carried across to effective sales and effective leadership.

What. This has two aspects: what specifically needs to change and what will it change to?

In the situation of an advice firm making the change to fee-for-service, the 'what' that needs changing may be not only the way that the business is paid for its service, but also how much and when. It's likely that it will also change its service offering (what gets delivered in return for the payment), its documentation used with clients, and the process by which new clients are engaged with the firm, and so on.

At its simplest, an example of the 'what' may be that the pricing model needs to change away from commissions. And the result of the change will be that the firm would charge clients a flat fee for engagement and a flat ongoing annual retainer.

How. The biggest reason that businesses fail to implement change is lack of preparation.

Once you have determined why the change is occurring and then what needs changing, the detail of how the changes will be implemented is the last step in the planning process.

This is where research and external support can have a big impact.

In some cases, the changes may appear so great that the entire project seems just too hard.

If this is the case, treat it like an elephant. How do you eat an elephant? One bite at a time ... project-manage your change by 'chunking' down the list of changes that need to occur, and then specifying action items for the steps required to implement each item on the list. Designate who is responsible for each task and regularly discuss progress of the overall action plan.

It's important that your whole team is involved in the formulation of your 'what' and 'how'. Once they are on board with your why (and ideally share your why and have added some of their own thoughts), including them in your analysis and planning of the next two steps will assist you to create an action plan that is, in fact, achievable – that the staff engage with and are committed to implementing as they have been involved in its creation.

Along the way, understand that change usually brings with it an emotional impact

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of some kind – perhaps on you or your staff. Recognise it, acknowledge it, and work through it, and if it gets too much, refer back to step one.

Having just returned to work after six months maternity leave, I'm surprised by how little has changed in what is the entire life span of my twin girls. We are still waiting on getting specific details of some of the finer points of the FOFA reforms; investment markets are still ugly, and we still have a female Prime Minister (albeit, only just).

When it comes to FOFA, advice businesses fall roughly into four categories:

- Those who are fiercely resisting any change;

- Those who understand the need and are waiting for the legislation to be finalised before making any changes to their business;

- Those who are in the midst of implementing change; and

- Those who run businesses that were already compliant with the intent of the reforms long before the term FOFA became a word in the industry vernacular.

What has changed in the past six months is the ratio of advisers in the different categories.

Thankfully, the tide does appear to be turning, in that there are more advisers in the process of updating their business models than there are those lamenting or loudly denying the need for such change.

This anecdotal evidence is supported in the data collected by our FOFA Ready Practice Audit.

Reviewing the responses of those who have participated to date, the majority of participants have started making the changes they need to comply with FOFA, with less than 22 per cent choosing to do nothing until the legislation is confirmed.

While they're moving in the right direction, there is still a long way to go to be ready for the new regime.

Most firms have yet to determine the right price for their advice, with 49 per cent stating that while they have defined a pricing model, they are not confident that

they have got it 'right', and 15 per cent have not yet even worked out how they will charge for their services.

Aside from the fact that we still don't know the final detail on all of the elements of the legislation, it appears that the largest area in which advisers need help is in clarifying the actual costs of running their business, and therefore creating a robust pricing model that they are convinced is correct – but moreover, how to implement that fee model. The single largest challenge remains with the adviser being confident in how to position the new pricing and service model to their clients, and signing them over to the new model.

Regardless of what transpires in Canberra, there will be significant change in the delivery of financial advice and advice business models in Australia.

With the right reasons behind why the changes are taking place, and a good commitment to determining what needs to change and how, we will witness continued growth of successful financial advice firms around the country, and excitingly, more people will obtain access to advice – which can only be a good thing.

While change in this respect is nothing like a holiday, the outcomes will be refreshing and enjoyable nonetheless.

Sue Viskovic is managing director of Elixir Consulting.

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