Built for Growth:
A Guide to Growing Your Advice Firm

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As a wise man once said,
"Revenue is vanity. Profit is sanity. Cash is reality."

We live in a world where businesses can summon up numbers and data on just about every variable they can think of. A wonderful resource, but all these numbers are mighty distracting.

While it may be boring, all firms that want to focus seriously on growth need to be looking long and hard at real profit margins. If your expenses are higher than your bottom line, you're unlikely to keep your head above water for long, nevermind successfully grow your share of business.

For a financial advice firm, growth doesn't necessarily mean 'more clients' or that elusive 'increase in top-line revenue'. It means driving better profits by providing an excellent client service that is valued appropriately.

So how do you get there?

This guide will help you understand what type of growth you should be aiming for, a few tactics to get your business ready to grow, and some practical steps to take in order to achieve real growth.

SECTION 1: What is growth?

Growth means getting bigger right? Well, not always in financial advising.

As we have mentioned above, winning more clients can feel very satisfying, but it often does not increase your bottom line. In fact, taking on more work can often simply increase your costs without increasing your profits.

Winning more clients can feel very satisfying, but it often does not increase your bottom line

Ultimately, the direction of your growth needs to adhere to your specific business process, not just the increasing perceived value or size of your company. For some, this may involve gaining more clients, for most it requires determining where more value can be generated and developing these areas.

A tried and tested method of increasing profit margins, for example, is automating time-intensive processes, or even outsourcing them totally to reduce labor costs. Either way, you must draw up a precise plan to determine where you can deliver the most value.

There are many ways to go about growth, but all of them involve making sacrifices. Getting real about your vision tends to mean confronting the idea that you have to let go of other goals. The reality is, you can't do it all.

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It's essential to set this expectation early on. Real growth requires businesses to make hard decisions and the earlier everyone accepts this and plans for it, the better off you'll be.

SECTION 2: How to prepare your business for growth

Not every business is ready to grow. One of the most significant steps in expanding is calculating exactly why and how you will move forward as a business. There is a very distinct gap between the right and the wrong way to do it.

Here are our suggested steps to prepare for successful growth:

Map out your business plan

Typically, only about one third of the advisory sector has an actively documented business plan in place – and barely half of those use it as a living, breathing asset. There are very few activities at which one can succeed without foreplanning, and company growth definitely isn't one of them.

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A well-researched business plan helps ensure your practice is running sustainably, that your employees are happy and that the whole team is aiming for the same goals. On the client side it also helps you align your client experience process. A good way to start is to list things that may feel like basics but actually form the core of your success. For example, what services do you deliver, where do provide the most value to clients, how can you maximize or improve these services?

One of the simplest ways to ensure you keep your goals reasonable is to split your plan into distinctive intervals. The 10 and three-year plan can help you really define your long-term business path and the practical steps you can take to achieve it.

- **10-year plan:** This should encapsulate your ideal scenario for the business. It needs to be an objective that both excites you and scares you in equal measure. Work out the five big steps you'll need to take to get there in 10 years. Simply outlining those five steps provides a series of objectives that you can break down further or chip away at in some of your shorter-term planning.
- **Three-year plan:** Once you know your 10-year goal, you can create a three-year view of your business. It's important at this point to be realistic with your numbers. Make definable plans that you can actually achieve. You've got to lay the foundations for the future, and create detailed descriptions to capture exactly what you're aiming for and the journey required to get there.

Review your client experience

Your clients drive your profits – so it makes sense to ensure your relationships with them are fantastic. With Google at our fingertips, people can gather a lot of information without ever needing to engage an advisor. This means that today, part of the value of an advisory service is in creating an authentic relationship that delivers an experience clients can't get from a simple internet search.

To ensure you're giving clients the best experience, you need to review everything. A few key points to look into are:

- **What areas are you actually making a difference for the client?**
    - For example, generating a statement of advice is a necessary part of the process, but it isn't a value-add. Instead, consider the larger conversation. Explain and visualize what your client can expect after your first interaction. Talk through a presentation that explains the steps and what happens behind the scenes. This shows that you understand their situation, strengthens your relationship, and conveys that you can help them achieve their goals.
- **What systems and processes do you use to interact with clients and monitor their experience?**
    - If these systems are separate, do they talk to each other? As you start to bring in and provide additional services, you will increasingly need a source of truth for all your most important client information in real-time. This ensures you provide your clients with the most relevant and helpful information when they need it.
- **Who's responsible for each aspect of the client experience?**
    - Are there clear boundaries for each? Where do hand-offs happen and how do you create a seamless and enjoyable experience for your clients? If you're responsible for their overall financial wellbeing, you should have oversight over each process and make sure you're gathering and tracking this data in real-time.
- **Think carefully about the tangible and intangible value your service provides.**
    - Tangible benefits may include saving your clients from unnecessary fees and achieving returns above industry benchmarks; whereas intangible value comes from the trust, understanding, accountability and care that you provide to your clients. It's very important to provide a mixture of both.
- **What are the areas in which you think you could improve?**
    - Carefully consider if these can be turned into services of value. If that is not likely, and if you and your team are spending a lot of time on these tasks, it may be worth outsourcing these services so that you can free up your time to focus on areas where you excel and provide real value to your clients.

Map out and understand your ideal client

It's important to recognize that not all clients are built equally, making selectivity essential to successful and sustainable growth.

There are those who require huge amounts of work only to pay little for the results, and others who consistently provide solid returns and a great working relationship. However, we all know that clients who provide the most revenue doesn't always directly translate into more profits.

It can be tricky to identify which clients are your ideal clients, but **research from TD Ameritrade** shows that planning out the characteristics of your best clients or "target clients" and focusing your marketing efforts on them can increase your median operating profit margin by 18% and your median annual client growth by 35% or more. Therefore, by mapping out your target market and using data to identify where to find them or similar ones, you can build more targeted and beneficial relationships for your firm.

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Here are a few characteristics to consider:

- **Look beyond assets and your clients' financial circumstances**
  - Even your largest clients might not be driving the most revenue for your firm. It's easy to fall into this way of thinking, but there are a lot of reasons why this can happen such as services provided and time spent. It's important to look beyond the numbers and consider the wider dynamics of your client relationships.
- **What are their biggest challenges or pain points?**
  - What are they struggling with and do you excel at providing this service? If so, you'll be able to quickly provide advice and recommend services they'll need.
- **What are their goals and motivations?**
  - Do your strategies and expertise align with their goals and motivations? This will make it easier to understand what services your clients need and set clear steps to help them achieve their goals while making sure they align with your own.
- **Do you share similar communication styles?**
  - Communication styles, availability or temperament all make a big impact. Anything that makes your clients easy to work with should be taken into account, as it saves valuable time and creates a more efficient and long-term relationship.

Most importantly, know that it is okay to say "No" to clients who don't meet your ideal client standards. In fact, most advisors can be **very successful with less than 50 of their ideal clients.** Essentially, it's better to have 20 clients that match your firm well, than 200 who aren't a good fit. In the long run, this targeted approach will allow you to focus more time on the clients who complement your practice and bring long-term profits to your business.

SECTION 3: Practical steps to growing your advice firm

Improve staff retention and productivity

Retention and productivity are important to any business, but especially one that is about to embark on a growth initiative. According to McKinsey, in complex occupations, high performers are an astounding 800% more productive than average employees. This means two things: that you should retain your high-performing staff while also finding new ways to increase the productivity of your average employees.

However, in a survey Gallup conducted on employee engagement in the U.S., more than 50% of respondents were "not engaged" with their roles and 17.2% were "actively non-engaged". Talented employees don't stick around to help companies that they don't feel are investing in them. To generate the most revenue from your business processes, and the best value for your clients, you need to employ highly capable people and keep them engaged by improving processes, automating manual tasks and giving them the tools they need to excel in their jobs.

Create a seamless client experience

Clients will only pay you if they see value in your service. This requires differentiating yourself from all the other avenues of financial aid and information. People need to understand that they are getting something extra from you that they cannot find elsewhere. One sure way to do this is to deliver a seamless client experience.

There are a couple ways to do this, but one straightforward approach is making sure you and your team are always aware of each client interaction. Depending on how many people are in your firm, there may be multiple people assigned to one client. With so many conversations, meetings and emails being sent, how can you make sure your team is updated so that your client receives the best possible attention and relevant information? Tracking interactions that are automatically linked to each client makes this easy and eliminates the need to sort through calendars and emails, improving the process for your team while also creating a seamless experience for your client.

Another way to do this is by tracking the relationships of your client and their affiliated entities. For example, if the accounting firm of one of your clients is filing for bankruptcy and you notice this will negatively affect some of your other clients, you can let your clients know and try to mitigate this risk. In another aspect, if the accounting firm of one of your ideal clients has an attractive client pool, you may consider building this relationship and become business partners. Tracking relationships between clients and client entities is just another way you can gain unique insight and demonstrate your value to the firm.

Getting to know clients, understanding their goals and most importantly, providing unique value in a seamless manner, will ensure a fantastic client experience.

Invest in tools to help

In the digital age there are plenty of tools that can help you streamline all your essential business processes and set the foundation you need to grow your advice firm. Storing all your data in Excel spreadsheets, using email as your primary internal communication tool, and operating with paper systems are not scalable practices and no longer cut it in an agile business environment. Instead, you need systems that move as fast as your clients do, so that you can provide them with up-to-date, accurate information exactly when they need it.

Today's leaders need access to real-time data on every aspect of the business. In order to do this, you'll need to consider multiple tools and how they can work together, also called a "tech-stack". Many advice firms choose to connect their business technology around a core "hub" or a business management platform that includes a CRM, workflow capabilities and interaction management. From there, you should think about all of the tools you use on a daily basis. For example:

- **Your portfolio management platforms**
- **Advice tools**
- **Business productivity**
- **Marketing automation**
- **Accounting software**

Essentially, anything that you use to operate your business. Is it possible to connect these tools to your hub? Can any of these platforms be consolidated to save costs? Is your data stored somewhere that can be updated in real-time? All of these are important questions to consider when building your ideal "tech-stack" that will help you grow and scale your business.

Integrated systems and the automation capabilities offered by business management platforms are particularly valuable for both efficiency and creating a streamlined customer experience. These systems process a large amount of information behind the scenes and store it in an easily accessible, digital location - so that your team doesn't have to. This reduces manual tasks for your staff, freeing them up to do valuable things, such as creating strategies to help your clients or identify new ways to grow your business.

If you know that growth is the right step for your advisory business, but need some extra guidance finding the right path, the Practifi team can help.

Visit our website to learn more

www.practifi.com

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