

PLUMBERS WITH LEAKY TAPS – PLANNERS WITHOUT PLANS

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Since 2002, Business Health has released a series of whitepapers, known as the Future Ready analysis, providing the most comprehensive insight into the health of the Australian advisory industry and its preparedness for the future.

The latest in this series is Future Ready VII, proudly sponsored by knowITdigital.

The most recent *Future Ready* analysis has been released, and, as was the case in 2014, most practice principals remain optimistic about the outlook for their business over the coming 12 months. This in itself is a testament to their resilience and strength of entrepreneurial spirit.

Some of the key findings of the recent analysis show that:

- 94 per cent of the principals expect to increase their practice revenue and 89 per cent will increase the revenue generated by fees
- 86 per cent expect to see an increase in practice profitability
- 80 per cent will increase the number of clients they service
- 61 per cent will build on the number of third party referral partners/centres of influence that support their practice
- 42 per cent plan on recruiting more income producers to their business
- 46 per cent want to add more support staff

Each of the above are major business initiatives that will require significant management time, focus, expertise and resourcing. Yet consider that only one-in-three (or 35 per cent of) practices have a longer term strategic plan for their business, and just 38 per cent have an operational business plan covering the upcoming 12 months (and many of these are light on content/detail).



Without a carefully thought-out plan to implement, we question whether the above are truly realistic goals or are they simply well intentioned dreams and hopes?

As the old adage goes: “while no-one plans to fail, it appears far too many of our advisory businesses are failing to plan.” I know many of you will have heard the traditional business planning mantra thousands of times before and as evidenced above, but for many practices, it simply does not work. The good news is a business plan per se is not that important. What is important is a plan for your business.

There is single “right” formula for creating an effective plan for your business – a beautifully scripted and word-smithed, 100+ page document that gathers dust on a book shelf is of little use to any business. However, there are a few fundamentals that remain consistent across most successful advisory practices.

First and foremost, they have a plan for their business and secondly, they have managed to avoid the common pitfalls listed below.

THE 10 MOST COMMON REASONS BUSINESS PLANNING FAILS

1. *A lack of genuine commitment to the outcome and the process of achieving it*
2. *Doing the plan for the wrong reason, maybe to appease your licensee or bank manager – but not for your business*
3. *Building the plan in isolation without truly understanding the external market – what is really going on in the world around you and what opportunities and threats does this pose to your business*
4. *Building the plan on a potentially unstable platform – one of the key inputs into any planning process must be a thorough and honest assessment of how your business is placed today – its strengths and its weaknesses ideally benchmarked against best practice in the marketplace*
5. *Unclear, unrealistic or immeasurable objectives – what does success really look like?*
6. *Neglecting your personal goals – after all, your business is just one part of your life and business success at the cost of your health, passion or family relationships can be very hollow*
7. *Thinking you have to do it all by yourself. External input from someone you trust and respect can add enormously to the planning process. Generally these people are not actively involved in the day-to-day detail of the business, they can take a broader “helicopter” view and challenge your thinking*
8. *Too many words and not enough actions – the who, what, when and how*
9. *Filing the plan away after it is completed – no regular review process in place*
10. *The number one reason why business planning fails: poor implementation*



So all this sounds straight forward, right? Building a plan for your business (not necessarily a business plan) certainly isn't "rocket science", but the fact remains that many advisory businesses don't do it very well.

The opportunity that exists however is clearly shown in the following table. In our *Future Ready VII* analysis we have been able to quantify the actual bottom line profit return being received by those principals who have invested the time and effort into building a plan for their business.

KEY VALUE DRIVER	PERCENTAGE	PROFIT*	INCREASE
	OF PRACTICES	PER PRINCIPAL	IN PROFIT*
12 MONTH OPERATIONAL BUSINESS PLAN			
<i>No</i>			-
<i>Only partially documented</i>	24	\$152,533	78
<i>Clearly documented</i>	38	\$270,975	121
Effective implementation	38	\$336,947	
<i>Documented strategic & operational plan, reviewed at least 6 monthly, minimum quarterly progress to plan monitoring and containing 15+ items</i>	5	\$471,442	209

*All profit calculations assume a notional \$100,000 salary for each principal working in the practice.

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