

PRACTICE MANAGEMENT

How to find 'the one'

LEYLA BANAEI outlines 10 steps every financial planning practice owner should take in order to develop profitable alliances with centres of influence such as accountants, law firms and brokerages.

Strong alliance relationships are the foundation of sustained profitability of any financial planning practice. It is through aligned



business relationships that some advisers so easily and effortlessly build their profitable practice through what seems like an endless source of quality referrals. It is a well-recognised fact that referrals from third-party alliances can be an excellent source of business for financial planning practices.

However, most advisers find that developing profitable alliances with Centres of Influence (COI) such as accountants, insurance brokers and solicitors is challenging and never seems to produce the results that are expected when they initially go into the relationship.

Why you need to create a roadmap before you start

To establish profitable business alliances that are lasting and have tangible results in improving the practice's bottom line, advisers need to understand the essential prerequisites in building these relationships. It is these prerequisites that will assist them in creating the ongoing sources of new business and quality referrals that will improve their profitability. Putting these prerequisites in place is like creating a roadmap for the journey ahead.

As with all journeys, you are

never quite sure what you will find along the way, even if you have a clear view of where you are heading. That is why establishing mutual trust, understanding and confidence with your COIs is key before setting off.

A strategic alliance is a partnership, a collaborative agreement or a relationship between two or more practices or professional individuals that is formed to pursue a set of agreed upon goals while remaining independent. Strategic alliances exist in a variety of shapes and sizes and include a wide range of scopes of cooperation levels. Strategic alliances usually are most effective when the entities involved have complementary strengths.

Benefits of COI relationships

The benefits of COI relationships, if done well, are enormous to both parties involved. Some of these benefits can be summarised as follows:

- provide low-cost client acquisitions, as you won't need to spend money advertising to get new clients;
- increases conversion rates, as the leads you receive will be 'warm' because the COI will have already positioned your services with the client;
- provides easier access to new industries and market segments because of the existing COI relationship;
- provides referrals of specific types of clients and, therefore, more likely to get your 'ideal' client referred; and
- provides a long-term source of revenue if the relationship is nurtured and cared for.

Where to prospect for your COI?

So you have decided that your business is ready to find 'the one'. There are many ways of finding your ideal COI. You can probably do it the usual way and try and build a relationship with the

accountant or solicitor in your local area. However, this may not be ideal and sometimes fails to produce quality referrals.

A relationship with a local accountant may seem convenient, however, if they service a completely different client base, one that does not fit with your 'ideal' client profile, then the exercise is futile. Often these types of local COI relationships fail even though they provide an endless stream of referrals for both parties. This is because the types of clients referred do not fit with the 'ideal' client profile of each practice. This mismatch of client profile mean low conversion rates and the eventual break down of the COI relationship.

Whether you are a boutique practice of five planners or a salaried financial planner, your existing client base is a great place to start prospecting for your COI. Each one of your

Chances are, they probably deal with similar clients to your existing clients and there will be a natural 'fit'.

It is worth starting your COI prospecting by looking at your top 10 clients. You may already know or have had contact with their accountants. This will give you 10 new prospective COIs that you can start with to see whether there is common ground.

Importance of compatibility

Just like any relationship, compatibility is the key in ensuring the success of your COI relationships. Poor results such as low quality referrals, mismatch of service levels and substandard levels of professionalism are all results of incompatibility in the COI relationship. In order to provide a seamless service from the client's perspective, it is important to seek compatibility with your COI on many

client should feel they are dealing with the same business, however, receiving two sets of complementary specialist advice.

It is critical to start by asking yourself questions around the desired qualities of your COI before approaching any prospects or putting any COI strategies in place. To ensure that you get as close a match with your ideal COI as possible, you must be very clear on what you are looking for in your ideal COI in the following four areas:

- cultural compatibility;
- shared goals and values;
- demographics; and
- image/professionalism.

Just like finding the ideal partner in life, it is important to have an idea of what you are looking for in your COI so that when you come across the perfect COI you will recognise them.

Cultural compatibility

Having cultural compatibility is the first critical pre-requisite for successful COI relationships. Cultural compatibility is based on the business or organisational culture of the two parties in the COI relationship. The culture of each party may comprise of elements such as the attitudes, experiences, beliefs and values of that business.

To ensure congruence in cultural compatibility, each alliance partner will have to compare their business culture to the other. Elements such as work ethic, service levels and philosophy are all important factors in cultural compatibility and define 'how' each party will deal with the day-to-day running of their business and their dealings with outside stakeholders. Culture is about the 'feeling' that your business conveys to the client. You need to make sure your COI alliance partner conveys similar types of feelings to their clients. This is to maintain consistency and seamlessness of the service provided from a client's point of view.

Shared goals and values

COI relationships are all about sharing the good times and the bad throughout the duration of the relationship. So before you start the relationship, a foundation of shared goals and values needs to be established.

COI RELATIONSHIP ESSENTIAL PREREQUISITES

Cultural compatibility <ul style="list-style-type: none"> ■ Client value proposition ■ Service levels ■ Innovation and risk taking ■ Team orientation ■ Client orientation ■ Attention to detail ■ Stability ■ Competitiveness 	Shared goals and values <ul style="list-style-type: none"> ■ Service level goals ■ Mission, vision and values ■ Operational goals ■ Business goals
Image/professionalism <ul style="list-style-type: none"> ■ Professional image ■ Standards of client service ■ Standards of professionalism 	Demographics <ul style="list-style-type: none"> ■ Location ■ Size ■ Data base ■ Type of business ■ Make up of client base ■ Needs of clients ■ Ideal client profile

top clients may have an insurance broker, a solicitor, an accountant and a mortgage broker. All provide services to assist the client in structuring their finances.

It makes sense to start with your existing client base and their professional service providers like accountants or solicitors because these clients should represent the type of 'ideal' clients that you would like on your books. There is a 'cultural' fit and a match in 'values' with these clients. In short, you like them and they like what you provide. So it makes sense to prospect using their accountant or solicitor to see if these professionals have similar clients who will get value from your services.

This will ensure the longevity of the relationship, which translates into profits in the long run.

The first step in finding common ground and researching the compatibility levels between you and your prospective COI is to establish the desired qualities you are seeking in your COI. You have to be very clear on what you want as far as getting a match in levels of professionalism, customer service and the cultural fit.

This is important, as you would like to ensure that from clients' point of view there is a natural, seamless fit between the two parties providing the complementary service. If this natural fit exists, then the

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Values are beliefs and ideas about what kinds of goals should be pursued by the business and ideas about the appropriate kinds or standards of behaviour that should be used to achieve these goals.

Shared values is a topic which too often goes into the too difficult box when establishing a COI relationship, and yet it is probably the single greatest reason why alliances do not deliver the value they should to each partner. An assessment of each business's values is essential up front. After all, if a young entrepreneurial practice is trying to build a relationship with a more traditional hierarchical type of practice, it is good to know these things upfront.

There are many techniques to develop shared goals with your COI. One of them is to use the same process as you would in your business' strategic planning process. But do this as a joint exercise together. Make sure you test the goals to ensure they fully align with the goals of the individual businesses in the relationship. The goals of the individual businesses are also a good place to start.

Demographics

It is important to be clear on what type of business you are looking to go into an alliance partnership with. Clarifying what demographics you will research when seeking out prospect COIs will assist you in your research and ability to focus purely on the ideal COI profile.

You can start by clarifying demographics such as location of your ideal COI, size of the business, size of their database, type of business, make-up of their client base and needs of their clients. This will ensure better compatibility and a checklist for you to use when it comes to shortlisting your prospect COIs.

Image/professionalism:

Having a clear idea of what professional image you wish your COI to have will make it easier for you to decide on the partner you choose and ensures your clients receive the same level of service they expect from you. This will aid the 'seamlessness' of the client experience and assist both you and your COI to increase your credibility with the client.

Business image is very important, as are first impressions. Whether we like to admit it or not, clients have certain prejudices about what they see and they tend to make split-second judgments about a practice depending on the

image. It is the same way in personal relationships as it is when a customer approaches your business; that first impression is something you will never have a second chance to make.

People will judge your business by the standard of your meeting rooms, and the general overall feel of your offices. They will judge you by the friendliness and professionalism of your staff. Even your web site, your personal grooming and your attitude towards your staff will affect a client's first impressions of you. If they like what they see, the odds of you gaining them as a new client are much greater. This is the same with the image that your COI portrays. It is important to ensure that the image you represent

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is congruent with that of the COIs that you choose to align yourself with. This is important to keep the seamlessness of the COI relationship from your client's point of view.

Ten key components for a successful relationship

It is important to create a road map for the COI relationship. Just like any relationship, it is important to recognise that each party is unique. It is important to be aware of the barriers you may experience on your journey and the risks that are involved in having the relationship. Every successful relationship has some basic ground rules for establishing and maintaining the relationship so that it can continue to evolve and benefit both parties in the alliance.

1. *Know who your ideal client is.* This is critical as you must be able to communicate your ideal client profile to your COI to ensure you receive quality referrals.

2. *Research your COI.* The more homework you can do on a potential COI partner the more clearly you can articulate how working together would be beneficial and how it may fit their business strategy.

3. *Whose client is it?* Client ownership is a leading concern of COI relationships. Address this issue at the beginning of the relationship so that there are clear rules for client referrals and the client/referrer relationship. This will also make revenue sharing issues easier to manage.

4. *Creating trust.* Complete trust in one another and an agreement of why you need each other as a strategic alliance partner, and how you will work together going forward. It is important to be clear on the roles of the partners in the alliance relationship. Have faith in the belief that the synergy of the COI relationship will create something bigger and better by working together than by working separately. Create

trust by inviting them to sit in on the client interviews and presentations so that they can experience your professionalism and expertise in action.

5. *Regular communication.* Accountability through regular reporting of progress and tracking of the agreed upon goals and objectives is crucial. This is necessary to keep communication regular.

6. *Document your plan.* A business plan for establishing your COI relationship is recommended. Document all goals and objectives, and other important details such as guidelines for referrals, revenue sharing, cost sharing, dispute resolution, client ownership and an exit clause, issues of performance, confidentiality, etc. In other words, establish a complete understanding of ground rules for the COI relationship and put that understanding in writing. Formalise the agreement by signing it once the plan is agreed on by each party to ensure that each party will fulfil their obligations.

7. *Nurture the relationship.* Each party in the relationship needs to proactively nurture the relationship. This means ensuring goals and objectives are being met and communi-

cation is regular. Both partners must actively cultivate the relationship otherwise opportunities will be lost and there will not be a successful referral source for either party involved.

8. *Measure progress.* If the goals and objectives of the COI partnership have been outlined and agreed on, the only way to keep the alliance on track is to measure progress towards them. However, the construction of a measures model for a COI relationship is subtly different to that of a business. This is because the purpose of the COI relationship is a lot more focused than that of a business. Where a balanced scorecard approach is useful for business, an alliance only has one or two strategic measures that are imperative to the success of the alliance. It is recommended that you use a measures model driven from the two or three strategic measures that define the purpose of the alliance. The key is to keep it simple. If the results are not meeting expectations then review the measures and address the situation immediately.

9. *Seek legal advice.* As with any business contract or joint venture, you should seek legal advice and ensure you are protected. Particular points to check are whether the agreement breeches anything in the Privacy Act and whether your Financial Services Reform requirements are still being met in regards to revenue sharing disclosure and client dispute resolution.

10. *Ensure mutual benefit.* Both parties must benefit from

the relationship. If one party feels like they are not getting enough out of the arrangement the relationship will suffer. Outline the proposed referrals process so that you both know that you will both be working hard towards the same goal, increasing quality referral, which means improving your bottom line.

The most effective COI relationships will include all the above components. The power of an effective COI relationship exceeds the sum of the power of the individual practices or organisations added together when they act outside of a strategic alliance. So now that you know how easy and profitable building a COI relationship is your client acquisition problems are largely sold.

If you implement the 10 key components to building profitable business alliances whether you are about to embark on, or are on the road, or just pulling in for your first pit stop, you will succeed at having a profitable, fruitful relationship. The critical factor in COI relationships is recognising that it is a journey, not a one-off project. And to embark on a journey, you must have that road map, which you now have.

Leyla Banaei is the founder of AdviserQuest, a specialist training and professional development provider focusing its services exclusively on the financial planning industry. She has adapted this article from Adviserquest's "Building Profitable Business Alliances Program", a one-day workshop for financial planners (www.adviserquest.com).

COI PLANNING CHECKLIST

- Is the proposed alliance strategic in nature?
- Have you conducted a capability assessment of your prospect COIs?
- For your chosen COI, have you conducted a cultural compatibility assessment to identify any major differences?
- Is there a clear identified business objective for both parties?
- Has a business case been constructed to outline the benefits and risks and potential problems with the alliance?
- Have you agreed on a clearly stated set of goals and values for the relationship?
- Would you trust them to manage your business?
- Do both parties have a common view of success and failure?
- Have you developed a statement of values that dictates how you will work together?
- Have you built or decided on a measures model to use?
- Have you agreed on how you will report and review progress towards these measures?
- How would you rate the trust you have in your partner on a scale of one to 10?
- Have you agreed on how to share the losses if something goes wrong?
- Do you have a mechanism for escalating problems that cannot be resolved within the operational alliance structure?
- Do you have a clear alliance rewards system in place for both partners in the relationship?
- Are there clear milestones and objectives in place?