Developing an operating model provides clarity for the priorities of client centric advice business

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“A Business Operating Model describes the capabilities that exist within an organisation including customer facing, infrastructural and management components”. This is typically how a business operating model is defined in “Consulting 101”.

However in the experience of Advice Centre Consulting (ACC) the development of a business operating model provides much needed clarity for the leaders of an advice business as to their priorities in transitioning to a business that will dominate this industry within the next five years. The Operating Model provides a clear picture explaining why specific capabilities, structure and management are required if the business is to deliver real value to clients.

In the past, advice businesses have not considered their operating model. However if they had it would have been built from the “business up” – that is, the first consideration would be “what capabilities does the business have?” This would then determine the clients the business would service, the experience those clients would have engaging with the business and the value they would receive. Twenty years ago advice businesses – probably then called financial planning or financial services business – typically had a strong sales capability, but other capabilities were limited or non-existent, as were management skills and structure. Because of this, the clients of these businesses normally had a less than memorable experience dealing with the business and received only limited, if any, value.

Ten years ago we saw an increasing focus on building efficiencies into the business. This was mainly influenced by platform manufacturers, as a major benefit of their product was increased efficiency for the advice business in portfolio management and administration and client management and service delivery. But again the efficiency strategies were designed from the ‘business up’ not the ‘client down’. Processes were designed with an internal focus – there was a review of the traditional

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tasks completed by a financial planning or financial services business and a process that would deliver efficiencies and consistency in execution was designed. This again resulted in the client experience and value delivered determined by what the business did to achieve efficiencies.

It is ACC’s view that the business that will prosper, grow and eventually dominate the advice industry within the next five years will raise client centricity to new levels. This business will realise that consumers have become aware of the power and influence they have over the offering, service and experience that will deliver to all their financial advice needs. No longer will the advice business that has built their operating model around ‘what the business does’ be competitive – even though these businesses have a genuine belief that the clients interests are being best served.

So what does this operating model look like? And how does it impact on the future growth and success of an advice business?

When building the operating model for a client centric advice business – that is, a genuinely client centric business – the first step is to identify the target market of the business. Which clients will the business serve? Many business owners continue to argue that everyone is there target. They believe that as “everyone” is the largest possible target, it will be the easiest to hit! However, the problem with “everyone” being the target, the business has to go everywhere to find its potential clients and has to have an offer that will attract “everyone”. This may be OK for extremely large businesses that have marketing budgets of tens of millions of dollars – because that is what is required to be known by everyone in the “everyone” target market. And as the advice needs of “everyone” are significantly different, it is difficult to have an offer or offers that will be attractive to everyone.

Having a clearly defined target market enables the client centric advice business to understand exactly what the advice needs are of their market(s) and design an offer that will be irresistible to that market as it delivers to their exact needs. The clearly defined market can also be far more easily located. We can discover where people in that market work, what they read, who they listen to, what they watch, where they live, and who their key influencers are. A clearly defined market enables the business to ensure that a large number of that target group are fully aware of the advice offer of the business to them.

Once the Target clients are identified the business needs to determine the desired experience of those clients. This is the client engagement process and the second component of the operating model. As mentioned earlier, advice businesses with an old business model will determine the client experience by the capabilities of the business and the efficiencies it has targeted via its operating processes. The new “dominating” business will design the operating processes around what they believe is a valuable experience for the client and then it builds the capabilities and processes to deliver that experience. To determine the desired client experience the business needs to firstly identify the engagement phases between business and client from the time the potential client is influenced to make first contact with the advice business to the on going relationship phase when the potential client has become a client. At each of these phases, the business must determine how the potential client and/or client is feeling and what they are thinking at the beginning of each phase. The business then identifies how they want the potential client/client to feel and/or think after the intervention of the business. It is only then that the most appropriate process can be determined and the appropriate person identified to execute that step of the process.

The third component of the operating model highlights the value experienced by the client from what the business does. The dominating business in the advice industry has a clear understanding that it is not what the business does that is of value; it is how the client is better off from what the business does! This a totally different way of thinking that is now

![Figure 1. Example Operating Model for an Advice Business (Advice Centre Consulting)](image)
demonstrated by owners and senior employees of those businesses that are transitioning to the dominating advice business model. In our operating model template the value delivered by the business includes the advice that enables the client to achieve what’s important to them, that clients are kept informed of their progress to achieving what’s important, that they understand why the advice is appropriate for them and that the relationship with the advice business flourishes and matures in an environment of trust and security.

It is only when the business has identified the clients with whom it will engage, the experience they will have and the value they will experience, is it in the position to identify the capabilities it requires. Again in our operating model template these capabilities will include marketing to attract the potential clients, sales to convert the potential clients to clients, advice and service to ensure the delivery of value, operations management to deliver the client experience in the most effective and efficient way, people and culture management to ensure the talent, motivation and enthusiasm to deliver the value through the experience and finance and performance management to ensure the business continues to grow and be profitable.

As well as having these internal capabilities there may be the need for the business to align with external partners to ensure all capabilities are in place. Most advice businesses will not have all capabilities required residing “in-house”. They will need to align themselves with other professionals who are able to fill the capability gaps. Typically an advice business may have to partner with a business with Technology, legal, tax planning and business consulting expertise. But the external partners required cannot be identified until we have completed the first three steps of building the operating model.

And finally, the operating model provides the important link to the business vision, the strategy and future direction, the culture and needs the organisational structure to support such an organisation.

Although most business owners need time to absorb the content and understand the structure of the operating model, once this understanding is achieved, it becomes clear why the business needs to develop a new set of capabilities and operate in a completely new way to the previous business if it is to make the successful transition to the dominating advice business model of 2012.

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