

A man with a beard is shown in profile, writing on a whiteboard. He is wearing a dark shirt. The whiteboard has a diagram with lines and handwritten text. The word "Head" is written at the top right. A circle at the bottom right contains the word "Spotlight".

# How To Manage Your People Strategy In The New Age of Financial Planning

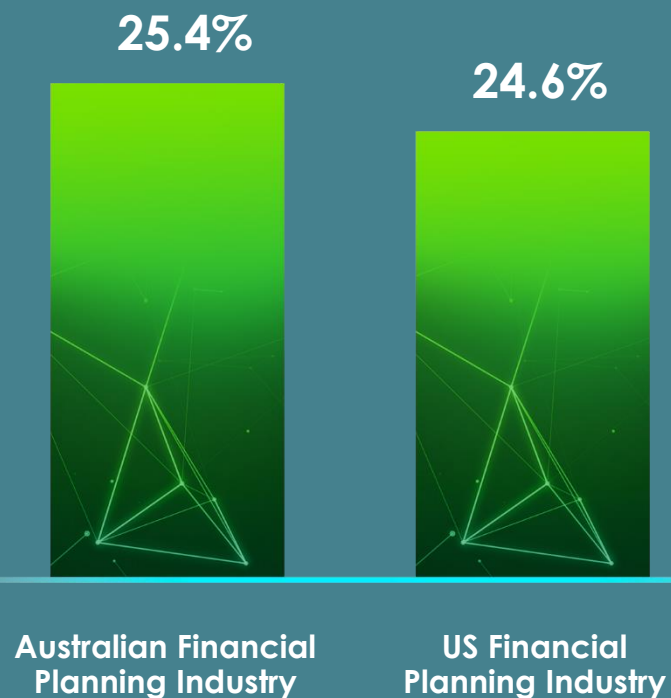
- presented by David Carney

memi

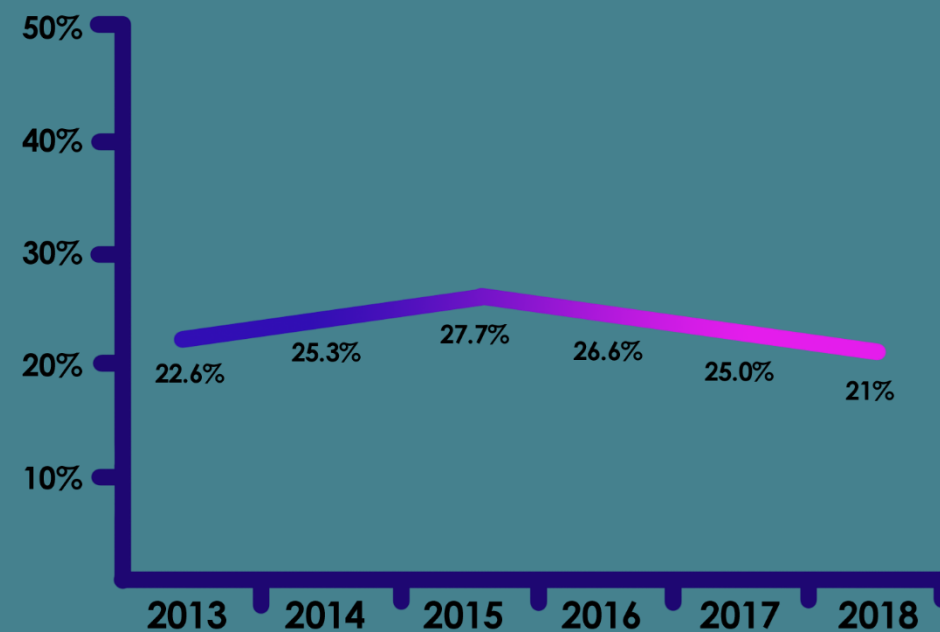
Your biggest challenge/ frustration?

# Profit is coming under pressure and may intensify

Operating Profit Margins%  
(5yr Average)



Australian Financial Planning Industry  
Profit Margins % Over Time



# 3 Main Themes



## New Business Growth Has Slowed

- 3% compound 2015-2018
- 6% compound 2011-2014
- Changes to upfront risk insurance fees are part to blame
- Financial planning upfront fees have come back for no obvious reason other than advisers were unsure what to charge and went down the path of least resistance



## Rising Business Costs

- Average business costs had increased by 15% over the past 3 years
- Primarily through the combination of wage inflation and CPI increases
- A big contributor was additional costs directly attributable to complying with increased regulatory requirements



## Flatlining Profit Levels

- Slow new business growth plus increased business costs has resulted in owners income flatlining
- Very few ongoing fee models were able to price in additional costs
- We must modernise ongoing fee structures to avoid these issues as they will put some firms under immense pressure

# Grow or Buy?





# Job Hopping Generation





$$\frac{dS}{dt} = q_{\text{vact}} \left( \frac{N - N_0}{1 - \epsilon S/S} \right) - \frac{r_p N}{T_p} - \frac{c}{T_p}$$

$$\frac{dS}{dt} = T_0 q_0 (N - N_0) / (1 - \epsilon S/S) + \frac{r_p N}{T_p} - \frac{c}{T_p}$$

$$\frac{S}{P_k} = \frac{T_p \chi_0}{T_{\text{vact}} \eta_{\text{ic}}} = \Theta$$

$$S \leq \frac{1}{\epsilon}$$

$$N = 1$$

$$P_f = (m$$

**Formula for Business Success**

# Staff Engagement

Consider this (guess the 'x's):

“x% of business performance is due to strategy

x% of business performance is due to employee effort“



# Staff Engagement

Consider:

**"15% of business performance is due to strategy  
85% of business performance is due to employee effort"**

**—Ram Charan**

*You can have the best Strategic Plan in the world but if your staff aren't on board your Strategic Plan won't mean a thing.*



**There are always  
going to be more  
good ideas than  
there is capacity  
to execute.**

# Discipline 1: Focus on the Wildly Important

15% - 20%

**GOALS**  
(NEW ACTIVITIES)

Wildly Important Goal

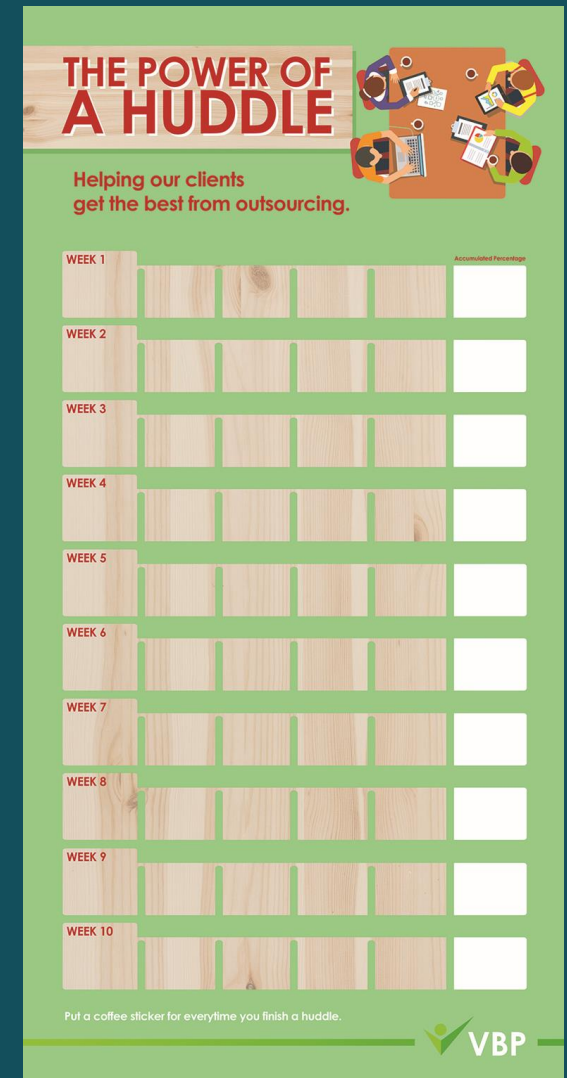
80% to 85%

**WHIRLWIND**  
(THE DAY JOB)



# People play differently when they are keeping score

## Quarterly Themes



WORKSHOP



## FOUR DISCIPLINES OF EXECUTION

SOLVE YOUR BIGGEST 'PEOPLE PROBLEM'

SYDNEY, MELBOURNE, BRISBANE  
16, 18, 20 SEPTEMBER 2019

LEARN MORE

ACHIEVING YOUR WILDLY  
IMPORTANT GOALS

#1  
Business  
Bestseller  
*The Wall Street  
Journal*

# The 4 Disciplines of Execution



CHRIS McCHESNEY

SEAN COVEY

THE NEW YORK TIMES BESTSELLING AUTHOR

JIM HULING

FOREWORD BY CLAYTON CHRISTENSEN







**HOW DO YOU VALUE A BUSINESS**

Equation:

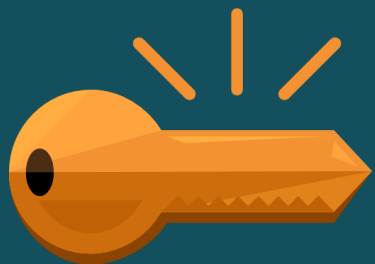
$$P_{\text{profit}} \times M_{\text{multiplier}} = \text{Value}$$

# Capitalisation of Profit

Profit	\$500,000
Profit Multiplier	3
Business Value	\$1,500,000

*How do you determine the profit multiplier?*





# 7 Key Value Drivers

Commercial Asset	Benchmark	Cultural Asset	
1. Client Base		1	
2. + Staff	Create relationships, loyalty	x2	
3. <del>Copy</del> Capability, values; communication; balance		x3	
4. + Responsibility		x4	Intent
5. Purpose and Distribution	x10		Manage
6. Relationships	x15		Vision and focus
7. Position/Brand (passion and energy)		x20	
+ Scale			
Language/Tribe			



Do What you do best, delegate the rest?



# Image of Mouse Pads

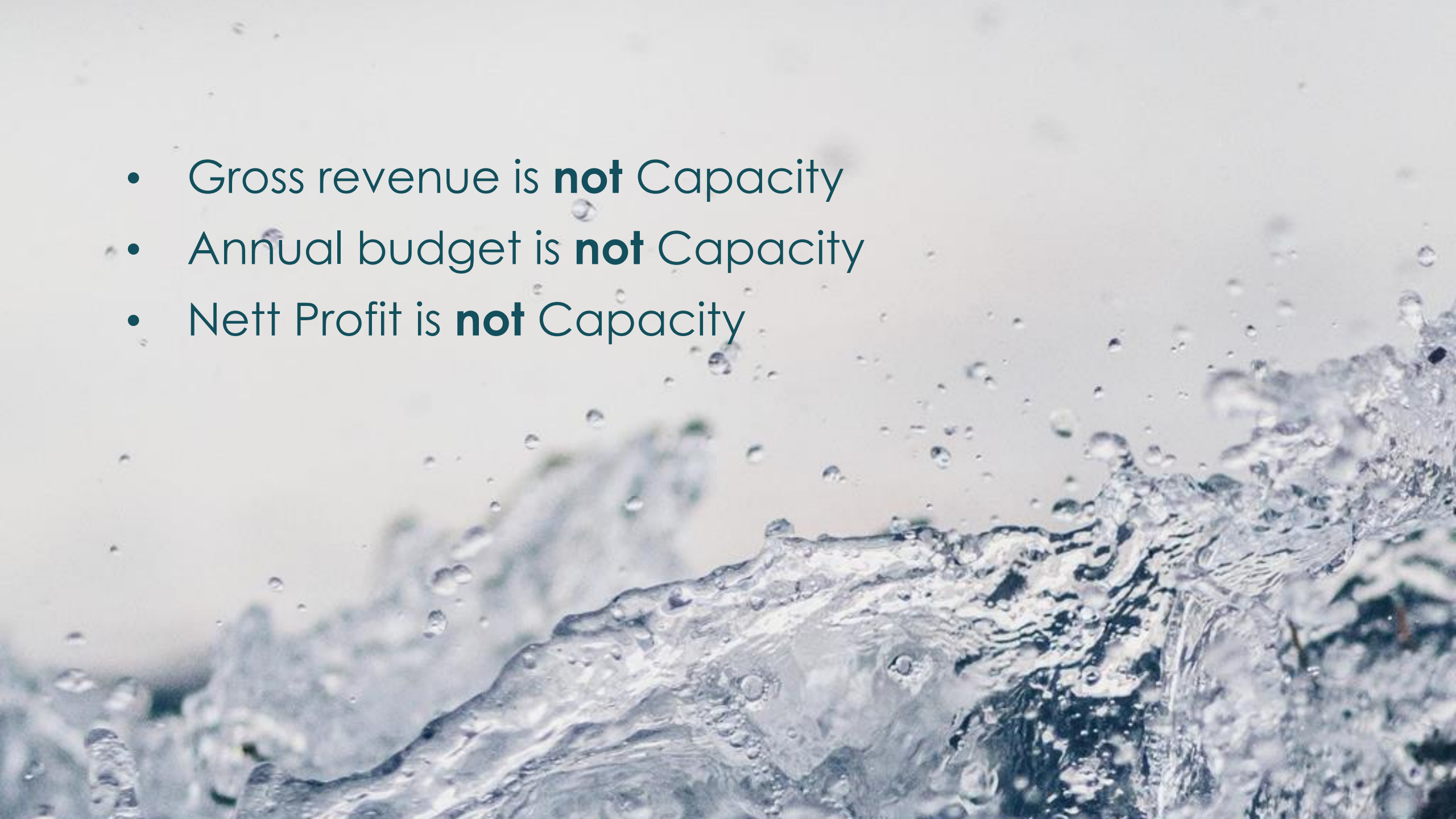
# Capacity Management

Capacity is the maximum revenue available given resources today

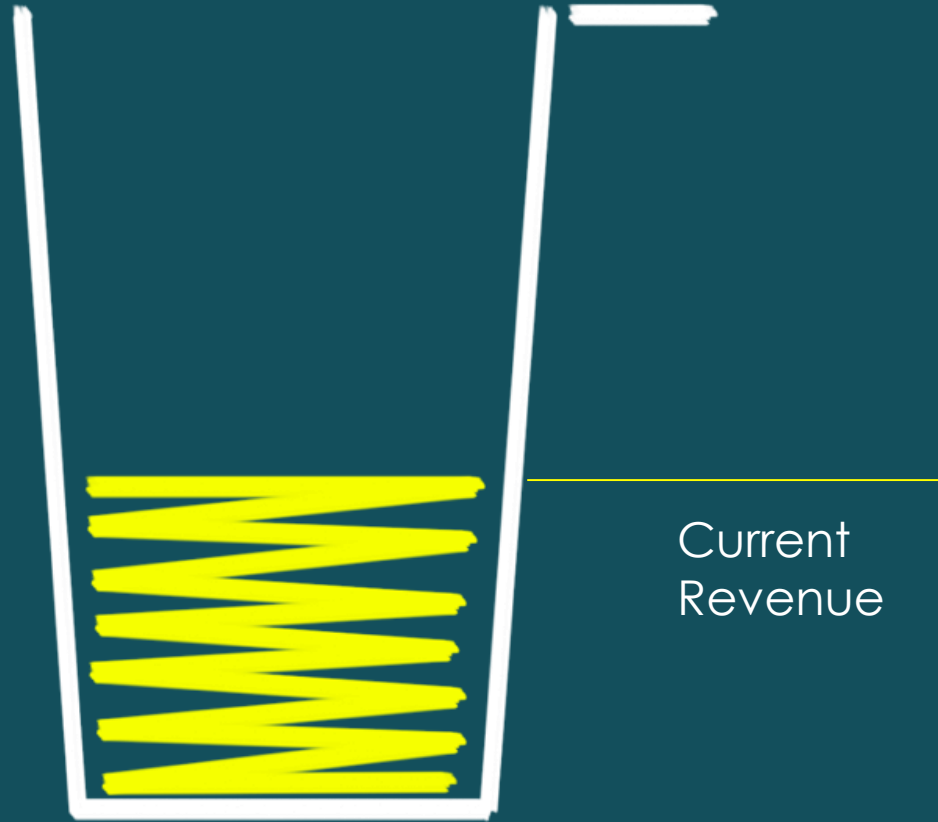
# Capacity represented by a glass



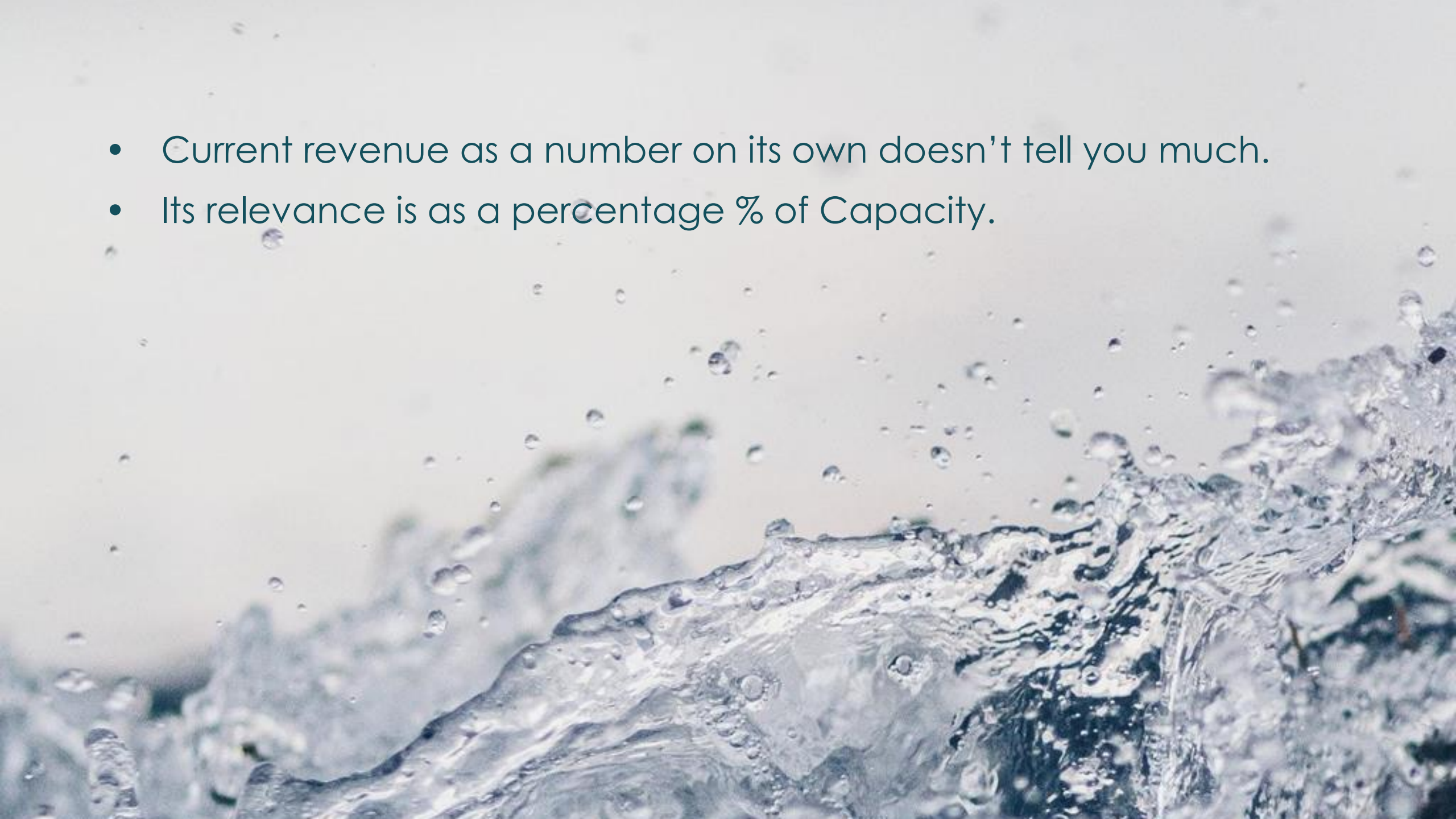
- Gross revenue is **not** Capacity
- Annual budget is **not** Capacity
- Nett Profit is **not** Capacity

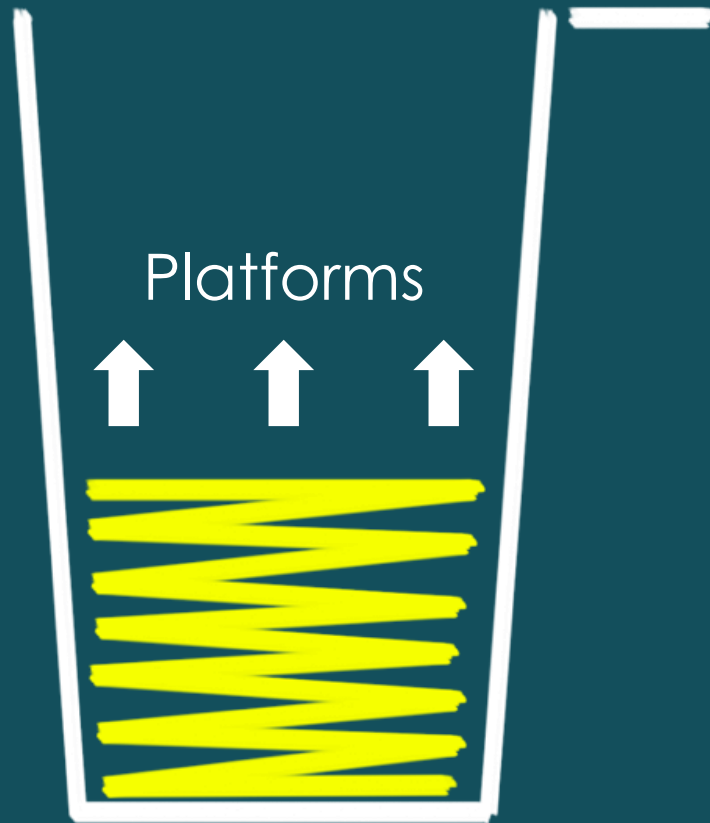


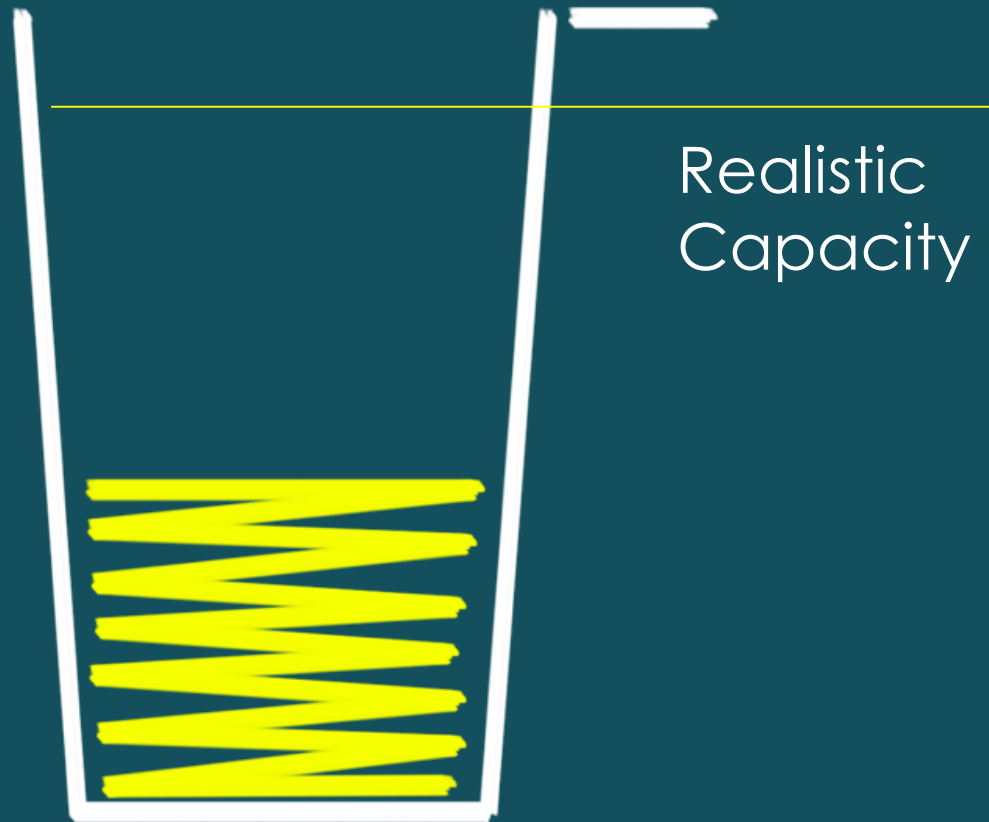




- Current revenue as a number on its own doesn't tell you much.
- Its relevance is as a percentage % of Capacity.

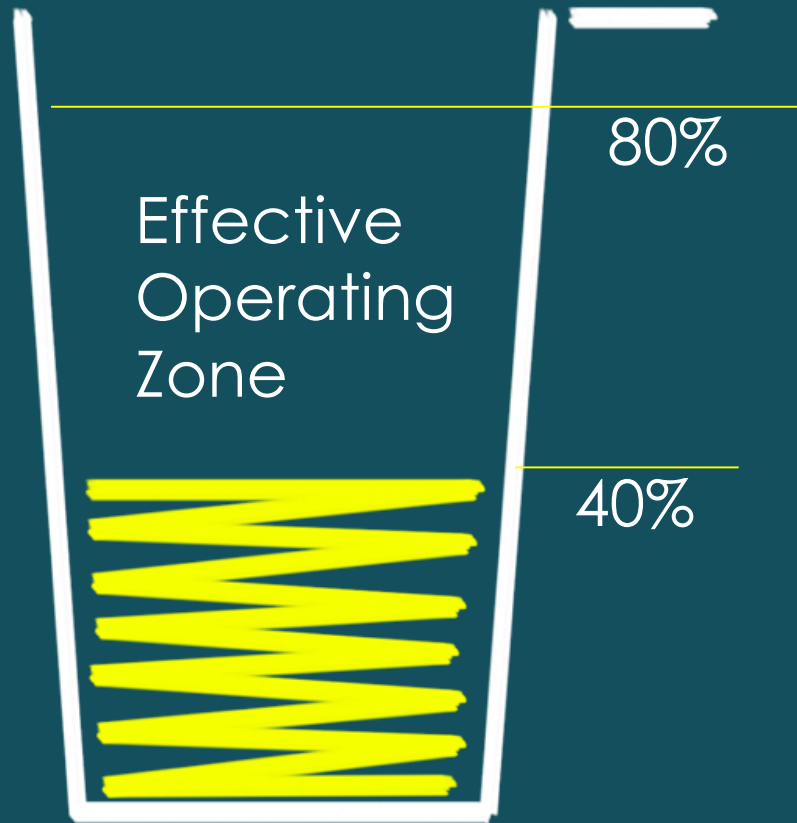




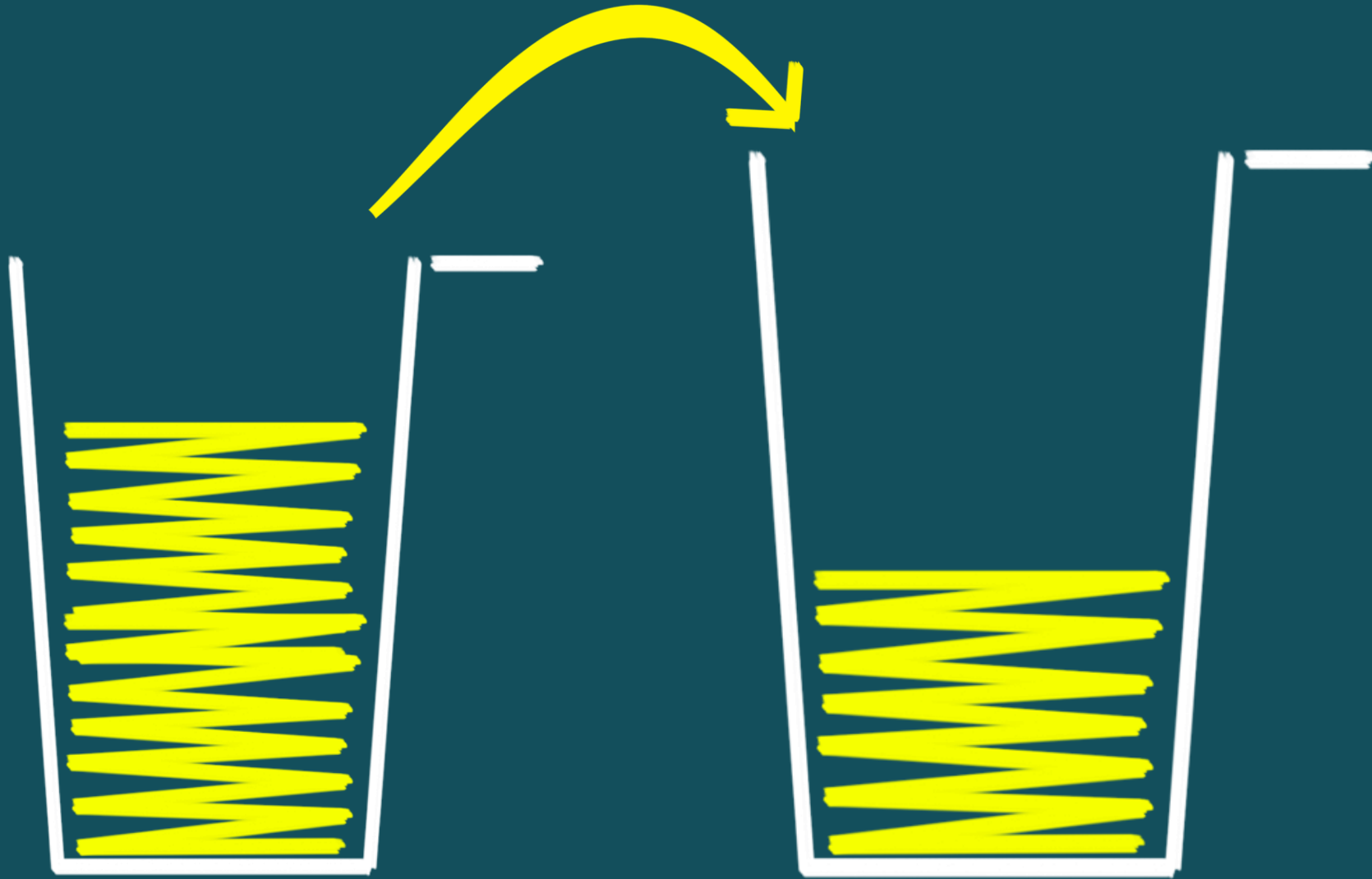


Realistic  
Capacity





Growth Strategy



A high-speed photograph of water splashing, creating numerous droplets and a textured surface. The water is in shades of blue and white, with a bright, slightly hazy background.

**Strategically there are only 2 things you can do with a business**

- **Fill up the cup = Platform**
- **Bigger cup = Growth**



What we learnt from our visit to Disney Institute?



*“Our consistent business results are driven by strategically focusing on **certain business functions** and opportunities in which other companies **often fail to see the value** and potential—and that is a key source of what **differentiates us.**”*



We have learned to be intentional where others may be unintentional.

# How to be INTENTIONAL?

**WE'RE  
HIRING!**



Hire Good  
People

Training - Soft Skills

**Relationships**

Care - Happy Staff/  
Happy Client



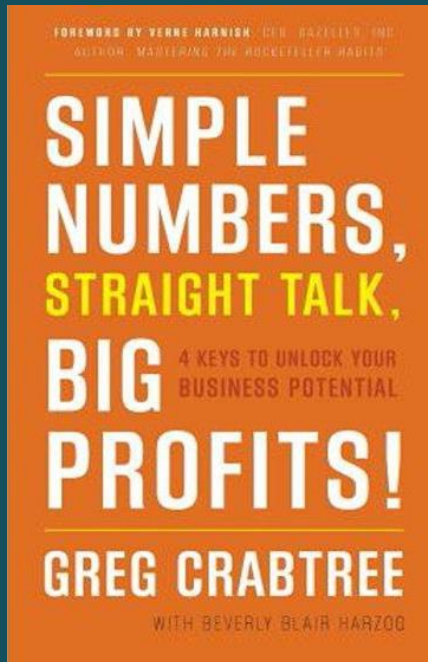
A roller coaster with teal tracks and orange supports, with a train full of people descending a steep drop. The background features palm trees and a cloudy sky.

- Client Experience (CX)

- Employee Experience (EX)



# No 1 Driver of Profitability = Labour Efficiency



1. Clear the Distortions (2 sets of books)
2. Set Appropriate Targets
3. Labour Efficiency Ratio

Contribution Margin (CM) = GP minus direct labour costs

Direct Labour Efficiency Ratio ( Direct LER) = GP/DL as a Ratio

Management/Admin Efficiency Ratio (Mgt. LER) = CM/ML as a Ratio



# Labor Productivity Measure

$$\text{Labor Efficiency Ratio}^{\text{TM}} \text{ (LER)} = \frac{\text{Gross Profit}}{\text{Direct Labor}}$$

# Labor Efficiency Ratio

- Measures the productivity of your workforce through time
- Establishes how well “tuned” your economic engine is
- Can measure “Management Efficiency Ratio” as a sub-category
- Three primary ways to optimize Labor Efficiency Ratio™

## Income Statement

### YEAR 1

Gross Profit

11,000,000

## Income Statement

### YEAR 2

Gross Profit

12,700,000

$$\text{LER Year One} = \frac{\text{Gross Profit}}{\text{Direct Labor}} \\ \text{unit of labor)}$$

= 2.75 (Profit per

$$\text{LER Year Two} = \frac{\text{Gross Profit}}{\text{Direct Labor}} \\ \text{unit of labor)}$$

= 3.43 (Profit per

*How did the company increase its Labor Efficiency Ratio to become more productive?*

# Optimizing Labor Efficiency Ratio™





Revenue	\$	3,000,000
Direct Cost (PI,Fees,Para planning)		<u>600,000</u>
<b>Gross Profit</b>		2,400,000
<i>GP as % of Revenue</i>		80%
Direct Labor (Service planner, CSR)		<u>900,000</u>
<b>Contribution Margin</b>		1,500,000
<i>Direct LER</i>	\$	<u>2.67</u>
Operating expenses:		
Facilities		200,000
Marketing		50,000
Salaries (management and admin)		400,000
Payroll taxes and benefits		156,000
Other operating expenses		<u>200,000</u>
Total operating expenses		<u>1,006,000</u>
<i>Management LER</i>		<u>3.75</u>
<b>Net operating Income</b>		<u>494,000</u>
Other expenses:		
Depreciation		35,000
Interest Expense		<u>25,000</u>
Total other expenses		<u>60,000</u>
<b>Pre-tax Net Income</b>	\$	<u><u>434,000</u></u>
<i>as a % of Revenue</i>		14.47%
<i>as a % of Gross Profit</i>		18.08%

Business Engine

Business Chasis

80-90% time



	Original	Step 1 20%
Revenue	\$ 3,000,000	\$ 3,210,000
Direct Cost (PI,Fees,Para planning)	450,000	481,500
<b>Gross Profit</b>	2,550,000	2,728,500
<i>GP as % of Revenue</i>	85%	85%
Direct Labor (Planners,Service planners, CSR's)	900,000	900,000
<b>Contribution Margin</b>	1,650,000	1,828,500
<b>Direct LER</b>	<b>\$ 2.63</b>	<b>\$ 3.03</b>
Operating expenses:		
Facilities	200,000	200,000
Marketing	50,000	50,000
Salaries (management and biz admin)	500,000	500,000
Payroll taxes,Works Comp, Super and benefits	168,000	168,000
Other operating expenses	200,000	200,000
Total operating expenses	1,118,000	1,118,000
<b>Management LER</b>	<b>3.30</b>	<b>3.66</b>
<b>Net operating Income</b>	532,000	710,500
Other expenses:		
Depreciation	35,000	35,000
Interest Expense	55,000	55,000
Total other expenses	90,000	90,000
<b>Pre-tax Net Income</b>	\$ 442,000	\$ 620,500
<i>as a % of Revenue</i>	14.73%	19.33%
<i>as a % of Gross Profit</i>	17.33%	22.74%

Profit under 15%

Goal is to get 25% Profit

Less than 3x Labour  
Efficiency Margin

Team frustrated –  
stuck doing tasks that  
are not highest and best  
used



	Original	Step 1 20%	Step 2 25%	Step 3 back to 20%
Revenue	\$ 3,000,000	\$ 3,210,000	\$ 3,434,700	\$ 3,434,700
Direct Cost (PI,Fees,Para planning)	<u>450,000</u>	<u>481,500</u>	<u>515,205</u>	<u>498,032</u>
<b>Gross Profit</b>	2,550,000	2,728,500	2,919,495	2,936,669
<i>GP as % of Revenue</i>	85%	85%	85%	86%
Direct Labor (Planners,Service planners, CSR's)	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>	<u>1,028,000</u>
<b>Contribution Margin</b>	<u>1,650,000</u>	<u>1,828,500</u>	<u>2,019,495</u>	<u>1,908,669</u>
<b>Direct LER</b>	<b>\$ 2.83</b>	<b>\$ 3.03</b>	<b>\$ 3.24</b>	<b>\$ 2.86</b>
Operating expenses:				
Facilities	200,000	200,000	200,000	200,000
Marketing	50,000	50,000	50,000	50,000
Salaries (management and biz admin)	500,000	500,000	500,000	500,000
Payroll taxes,Works Comp, Super and benefits	168,000	168,000	168,000	183,360
Other operating expenses	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Total operating expenses	<u>1,118,000</u>	<u>1,118,000</u>	<u>1,118,000</u>	<u>1,133,360</u>
<b>Management LER</b>	<b>3.30</b>	<b>3.66</b>	<b>4.04</b>	<b>3.82</b>
<b>Net operating Income</b>	<u>532,000</u>	<u>710,500</u>	<u>901,495</u>	<u>775,309</u>
Other expenses:				
Depreciation	35,000	35,000	35,000	35,000
Interest Expense	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>
Total other expenses	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>
<b>Pre-tax Net Income</b>	<u>\$ 442,000</u>	<u>\$ 620,500</u>	<u>\$ 811,495</u>	<u>\$ 685,309</u>
<i>as a % of Revenue</i>	14.73%	19.33%	23.63%	19.95%
<i>as a % of Gross Profit</i>	17.33%	22.74%	27.80%	23.34%

13% Growth

\$128k



## 2014 Salary Cap

# \$1,028,000

(20,000)  
School  
10,000  
38,000  
100,000  
128,000

Reduce CSR to 3 full days - Children at  
Promoted to Servicing Planner  
Hire 2 Full time Virtual CSRs  
Hired New Adviser





	Original	Step 1 20%	Step 2 25%	Step 3 back to 20%
Revenue	\$ 3,000,000	\$ 3,210,000	\$ 3,434,700	\$ 3,434,700
Direct Cost (PI,Fees,Para planning)	450,000	481,500	515,205	498,032
<b>Gross Profit</b>	2,550,000	2,728,500	2,919,495	2,936,669
<i>GP as % of Revenue</i>	85%	85%	85%	86%
Direct Labor (Planners,Service planners, CSR's)	900,000	900,000	900,000	1,028,000
<b>Contribution Margin</b>	1,650,000	1,828,500	2,019,495	1,908,669
<b>Direct LER</b>	<b>\$ 2.83</b>	<b>\$ 3.03</b>	<b>\$ 3.24</b>	<b>\$ 2.86</b>
Operating expenses:				
Facilities	200,000	200,000	200,000	200,000
Marketing	50,000	50,000	50,000	50,000
Salaries (management and biz admin)	500,000	500,000	500,000	500,000
Payroll taxes,Works Comp, Super and benefits	168,000	168,000	168,000	183,360
Other operating expenses	200,000	200,000	200,000	200,000
Total operating expenses	1,118,000	1,118,000	1,118,000	1,133,360
<b>Management LER</b>	<b>3.30</b>	<b>3.66</b>	<b>4.04</b>	<b>3.82</b>
<b>Net operating Income</b>	532,000	710,500	901,495	775,309
Other expenses:				
Depreciation	35,000	35,000	35,000	35,000
Interest Expense	55,000	55,000	55,000	55,000
Total other expenses	90,000	90,000	90,000	90,000
<b>Pre-tax Net Income</b>	<b>\$ 442,000</b>	<b>\$ 620,500</b>	<b>\$ 811,495</b>	<b>\$ 685,309</b>
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<i>as a % of Gross Profit</i>	17.33%	22.74%	27.80%	23.34%

13% Growth

\$128k

Target 2015 20% Profit

Build Capability and Capacity



	Original	Step 1 20%	Step 2 25%	Step 3 back to 20%	Step 4 to 25%
Revenue	\$ 3,000,000	\$ 3,210,000	\$ 3,434,700	\$ 3,434,700	\$ 3,675,129
Direct Cost (PI,Fees,Para planning)	450,000	481,500	515,205	498,032	520,000
<b>Gross Profit</b>	2,550,000	2,728,500	2,919,495	2,936,669	3,155,129
<i>GP as % of Revenue</i>	85%	85%	85%	86%	86%
Direct Labor (Planners,Service planners, CSR's)	900,000	900,000	900,000	1,028,000	1,028,001
<b>Contribution Margin</b>	1,650,000	1,828,500	2,019,495	1,908,669	2,127,128
<b>Direct LER</b>	<b>\$ 2.83</b>	<b>\$ 3.03</b>	<b>\$ 3.24</b>	<b>\$ 2.86</b>	<b>\$ 3.07</b>
Operating expenses:					
Facilities	200,000	200,000	200,000	200,000	200,000
Marketing	50,000	50,000	50,000	50,000	50,000
Salaries (management and biz admin)	500,000	500,000	500,000	500,000	500,000
Payroll taxes,Works Comp, Super and benefits	168,000	168,000	168,000	183,360	183,360
Other operating expenses	200,000	200,000	200,000	200,000	200,000
Total operating expenses	1,118,000	1,118,000	1,118,000	1,133,360	1,133,360
<b>Management LER</b>	<b>3.30</b>	<b>3.66</b>	<b>4.04</b>	<b>3.82</b>	<b>4.25</b>
<b>Net operating Income</b>	532,000	710,500	901,495	775,309	993,768
Other expenses:					
Depreciation	35,000	35,000	35,000	35,000	35,000
Interest Expense	55,000	55,000	55,000	55,000	55,000
Total other expenses	90,000	90,000	90,000	90,000	90,000
<b>Pre-tax Net Income</b>	<b>\$ 442,000</b>	<b>\$ 620,500</b>	<b>\$ 811,495</b>	<b>\$ 685,309</b>	<b>\$ 903,768</b>
<i>as a % of Revenue</i>	14.73%	19.33%	23.63%	19.95%	24.59%
<i>as a % of Gross Profit</i>	17.33%	22.74%	27.80%	23.34%	28.64%

7% Growth

Target 2016  
25% Profit

Double Cash Profit





# Rethink the Org Structure







RIGHT SEATS  
RIGHT PEOPLE  
RIGHT THINGS



# RIGHT QUESTIONS

What are my **RIGHT SEATS**?

Do I have the **RIGHT PEOPLE** in each seat?

Are the **RIGHT** people doing the **RIGHT THINGS**?



## Front Stage

- Advisers

## Back Stage



The background of the slide is a photograph of a theater stage. On the left, a bright light illuminates a white wall. In the center, there are dark blue curtains. To the right, the stage is dark with some equipment visible. In the foreground, rows of red theater seats are visible, and a green patterned rug is on the floor.

## Front Stage

- Advisers
- Associate Advisers
- Client Relationship

## Back Stage

A background image showing a group of four business professionals in an office setting. A man and a woman on the left are shaking hands, while a woman with glasses and a man on the right look on with smiles. The image is semi-transparent, and a green geometric pattern is visible in the bottom right corner.

# Client Relationship



The background of the slide is a photograph of a theater stage. In the foreground, there are rows of red seats. The stage floor is visible, and in the background, there are dark curtains and stage lighting fixtures. A vertical white line separates the 'Front Stage' and 'Back Stage' sections.

## Front Stage

- Advisers
- Associate Advisers
- Client Relationship

## Back Stage

- Practice/  
Office Manager
- Admin Coordinator
- Dedicated Virtual (CSR)
- Dedicated Outsourcing  
(Paraplanners)

# ADVICE MANAGER

Front Stage | Back Stage



# Advantages



Frees up advisers time



Reduce  
the amount  
of reworks



Ensure a consistent  
compliance across  
the business



Speeds up  
turnaround time

(Coordinate  
the whole process)

**Turn Problems into Solutions**



## 2. ASSIGN SPECIFIC ACCOUNTABILITY FOR EACH PROCESSES

## PROCESS ACCOUNTABILITY



- [illegible]

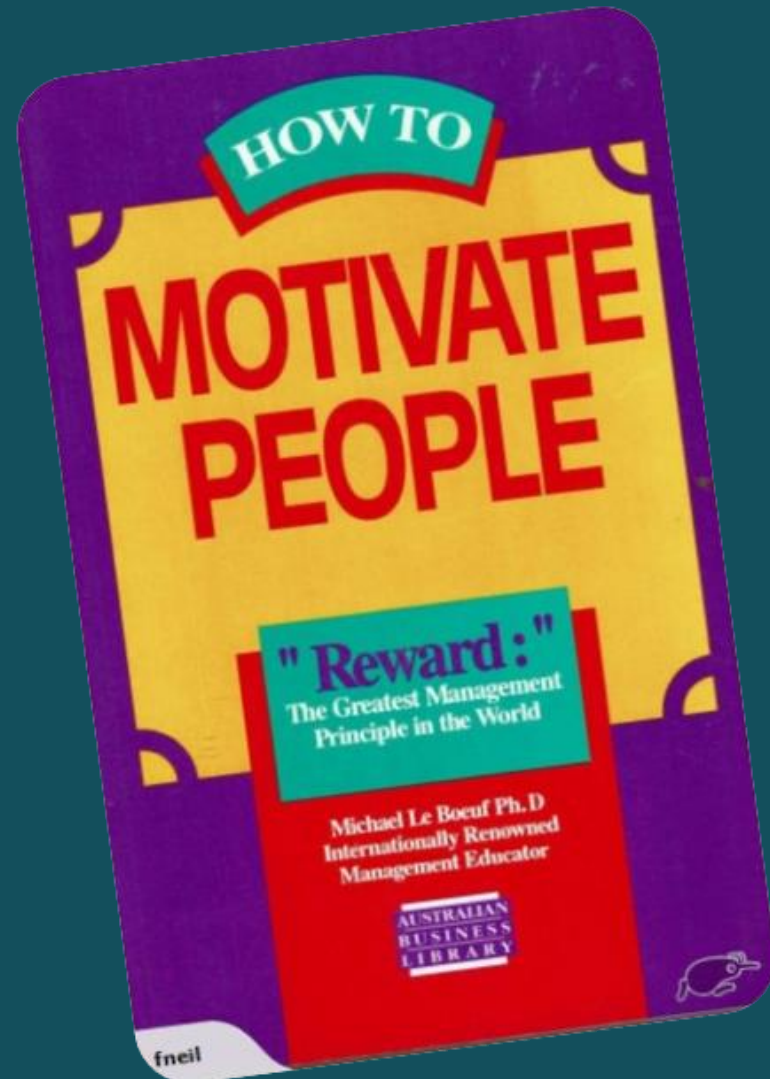


# IDENTIFY PROCESSES

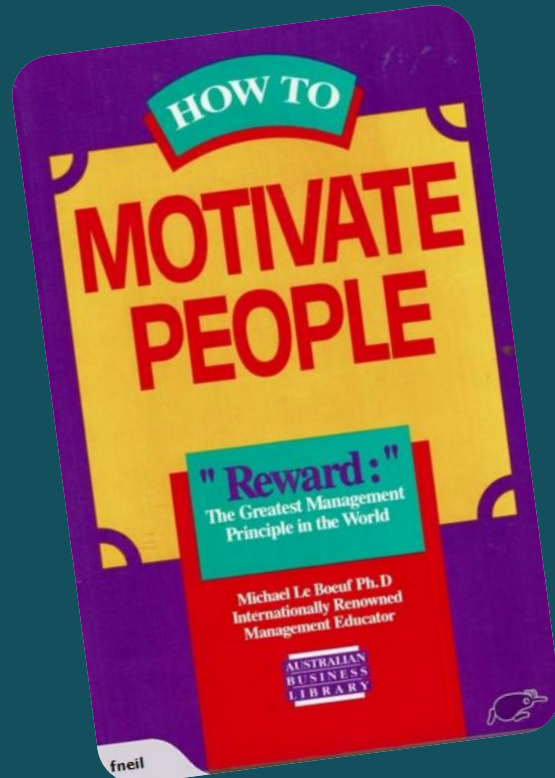
- Lead Gen/Marketing
- Sales Process
- Implementation Process
- Ongoing Service
- Accounting
- Recruitment - Attracting and Retaining

# Constraints Matrix

<b>Step 1: Identify a Constraint (bottleneck)</b>	<ul style="list-style-type: none"><li>• Look for areas where work flows get hung up or slowed, where team members get frustrated or overwhelmed or where your ability to implement client service is substandard.</li><li>• The constraint may be a person, process or technology</li></ul>
<b>Step 2: Describe the Constraint</b>	<ul style="list-style-type: none"><li>• How does it look?</li><li>• When does it happen?</li><li>• Is it caused by a lack of training?</li><li>• Does having a flawed process in place cause it?</li><li>• Are you maximising the use of your technology?</li><li>• Do you need new technology?</li></ul>
<b>Step 3: Identify Possible Solutions</b>	<ul style="list-style-type: none"><li>• What are the options for solving the constraint?</li><li>• What resources are available to assist you?</li><li>• The more options the better!</li></ul>
<b>Step 4: Choose a Solution</b>	<ul style="list-style-type: none"><li>• Weigh the options from Step 3 and select the strategy that will maximise the result of solving the constraint.</li></ul>
<b>Step 5: Action Required</b>	<ul style="list-style-type: none"><li>• What are the action steps to implement the solution?</li><li>• Organize them sequentially into a realistic action plan.</li></ul>
<b>Step 6: Monitoring Change</b>	<ul style="list-style-type: none"><li>• Any implementation requires accountability.</li><li>• Establish the timeline for implementation, and put these times on your weekly team meeting agenda to ensure you and your team are accountable for making these important changes.</li></ul>







- The thing that gets reward gets done

