

Making the Leap to Business Owner

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We are hearing from an increasing number of Advisers seeking our counsel on commencing their own financial planning practice, and having coached many new business owners, we thought it timely to share some insights on this life-changing decision. There is a considerable difference between being a salaried Financial Planner and being a self-employed Financial Planner. It is not simply that your position has changed from having to do what the "mother ship" dictates to making your own work rules. After years of discipline to be a "model employee" and striving to be at the top of the pile, being a self-employed Financial Planner may be a daunting, or exciting prospect, and sometimes both!

Undeniably there are benefits to working by your own rules - flexibility, autonomy, the ability to build an asset; all are great sweeteners, however before you make your final decision to jump ship; ask yourself this:

What attracted you to being an employed Financial Planner originally?

Are you running away from something that's become too difficult, or are you now running towards something more difficult? Being self-employed means more responsibility for those around you, not just yourself.

Start with some honest soul-searching.

Whatever your motivation, we strongly suggest that however painful, you need to dig deep to understand why you want to go it alone. Are you really self-employment material or do you have an employee mindset? Whilst you may have talent and exceptional technical skills for financial planning, do you have the same for business ownership? The skills and discipline required to successfully run a business are somewhat different to those required to be a successful financial planner – do you have what it takes to be both?

Not surprisingly, the same factors that attract people to self-employment can also become a burden. A good business person should structure their business to get the lifestyle they want and not be chained to the desk BUT when you are building your business from scratch you will often need to put in the hard yards to enable you to choose your lifestyle.

The buck stops with you!

Have you truly addressed the financial implications of becoming your own boss? You are leaving a regular income, and will now have business overheads to pay. From the outset you need to set clear ideas about what you are willing to spend in order to get the job done. Some see value in sinking cash into sponsorships in the hope of bringing new referral sources, others may seek out a business coach to assist getting their business going, like most things it could be a combination of both. However, it doesn't just stop there, when you are an employee you have the benefit of, and sometimes take for granted, something as simple as a photocopier! You will now be responsible to cover the costs of everything from your printing costs, to your IT, rent and telephone expenses. Many a quality business has failed due to poor cashflow management. You must understand cashflow and be able to monitor it vigorously from day one.

There are also many advisers who have been provided with an opportunity to 'purchase' the client base that they have built whilst being employed, thus giving them a revenue stream from their very first day in business. Those who have 'cut the cord' and made the mental and commercial shift to running a business have enjoyed far greater success than others who have struggled to lose the employee mentality. Those who take a passive approach to their own business and still expected their previous employer to provide leadership and direction find that the grass may not be so much greener on the other side of the ledger.

Fail to plan, and you plan to fail!

Have a vision of where you want to be, be resolute about writing a business plan, realise that it is a dynamic document that must be reviewed and updated regularly; it's pointless to write a plan, bind it & throw it in the bottom draw to be forgotten. We have seen many a lengthy business plan that was written for financiers with much detail and sometimes

naïve ambition, but very little practical application of the activities that will be undertaken to ensure success of the plan. An **effective** business plan includes the tangible activities that need to be undertaken to achieve the objectives that are documented, and it will only work when it is acted upon, then reviewed, 'tweaked', and measured on a regular basis.

Compliance is your friend.

Understand that running a compliant business is about doing the right things by your clients and keeping yourself out of gaol. Decide whether you are a business owner who wants to be ground breaking and displays best practice; or you are just happy with a "pass". Anyone can cut corners, but it takes true understanding of business and financial planning to understand that compliance **matters** and that compliance is every ones responsibility. A few simple steps inside a business can make a huge difference!

People power

Inevitably there are going to be cultural differences when you are setting your own rules. Do you want to run your operation in the same manner as the operation you've come from? If not consider this.... taking people with you from one business into another may be a mistake – they may never get used to your rules or the new culture you would like to operate in.

While you may be successful at managing relationships with clients, managing staff is a completely different experience. The ability to inspire people to do a great job and achieve their own life and career goals with job satisfaction is in vast contrast to the need to extract all that you can from your subordinates. As a business owner you must ensure you manage staff behaviour. It is critical to set expectations from the outset and ensure staff are engaged in your business and their contribution to its success.

Before you start, make sure the staff you need and their responsibilities within the business are fully understood and documented. It may be beneficial to start out with fewer staff and build on that as opposed to over-employing, only to find out in 12 months time that it is time to downsize. Part-time, casual, or even contract workers can be good alternatives in the early stages of a business and at peak workflow times. Cutting staff numbers due to excess manpower or poor performance can be difficult to manage and an unnecessary burden on you and your business.

Other important criteria for suitable staff are a can-do attitude, a solid work ethic and a collective goal to succeed. Remember, if you take staff you've always had, you have limited opportunity to search for other talent which may benefit your business. Creating a blend of loyal, trusted staff and new blood may help achieve a pool of talent who will have an assortment of skills to bring to the table.

Additionally, you need to ensure that you have a good handle on Industrial Relations rules. Not only are you managing staff on a human level you need to understand what's lawful in employing them. One of the hardest and most complex responsibilities of running a business is usually staff - get it right and they can deliver a fabulous return on investment, get it wrong and they can cost the business much more in lost time and productivity.

When making the transition from being an employee financial planner to running your own practice, it is vital to do your homework during planning phase. Understand the opportunities, and also be honest in your reflection of your own ability and propensity to be able to do what it takes to survive and thrive in business. If you make the decision to take the plunge, do so with the intention of 'running it like a business' from the very beginning. Be aware that you will no longer have the same safety net that you had when employed, and yet take every advantage of the support that is available to you as a business person, through your dealer group and/or independent service providers. The sacrifices you will make and the dedication you will contribute to your business will all be worth it as you see the value of your asset grow. We hope you enjoy the success that you seek!

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