



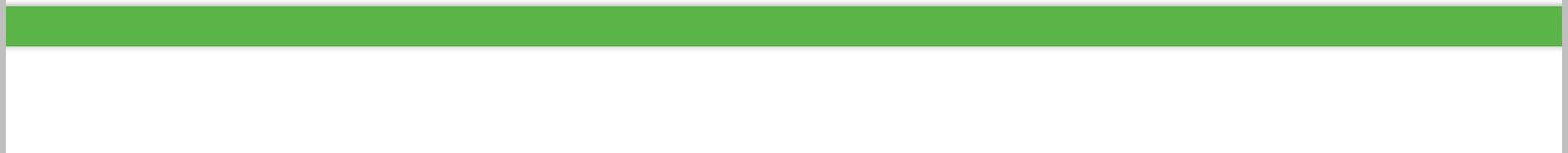
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If it aint broke

Practice101

Author: Johann Maree

Web: <https://www.practice101.com.au>



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1. INTRODUCTION

The COVID-19 pandemic has forced all of us to hit a reset button, accelerating the need and rate of change exponentially. Every crisis presents us with an opportunity to fix what was broken.

The future of work is shifting dramatically as every business owner explores innovative approaches rather than hold on to old ones. To drive client engagement, morale, and performance everyone must proactively confront the models of the past to discover new ones.

Notwithstanding this there are still many people and businesses that ignore the signals that something is not working.



2. WAITING TO FAIL

The warnings are usually there before something goes wrong. Cracks in the system or complaints from clients and then something fails and causes a bigger mess than expected. Consider also that businesses that were not necessarily broken have had competitors enter the market with a new idea and with that changing the flow of billions of dollars.

Examples to think about are what happened to the taxi industry when Uber and Lyft appeared. The hotel industry is still smarting from the impact of Airbnb. Blockbuster all but disappeared after Netflix arrived. Amazon is having a similar impact on the retail industry. Fixing things before they break – pre-emptive transformation is an absolute necessity says Boston Consulting Group’s, Grant Freeland. “To be able to transform pre-emptively,” he writes, “leaders need to anticipate change by continually exploring new options.” One of the biggest dangers successful companies face, he reminds us, is complacency. “When a company is doing well, danger lies in self-satisfaction.”

The phrase “if it ain’t broke, don’t fix it” has been attributed to Thomas Bertram Lance, Director of the Office of Management and Budget during American President Jimmy Carter’s time. It is certainly true that there may be things we put off replacing or fixing due to our complacency, being penny wise and pound foolish. Or by having a cavalier attitude about threats to business strategy, business continuity, being naive to think that terrible things will never happen to us and rather, will happen to others instead.

It is one thing not to replace a refrigerator or a car because it still works fine but hanging on to aging computers, CRM systems, business processes and strategy could have devastating consequences for your advisory business.

“if it ain’t broke, don’t fix it”

3. WHAT IS HAPPENING HERE?

In the two years that changed everything, one thing remains the same: Human behaviour. If you think that cannot be the case, consider this. People often make inconsistent or irrational decisions which are based on fear rather than on rational assessment.

Author Dan Heath in his book, *Upstream: The Quest to Solve Problems Before They Happen*, discusses how decisions made in healthcare, finance, military and government programs all intuitively focus on solving problems instead of preventing them. Heath believes that this is a result of heuristics or mental short cuts which allow humans to solve problems and make judgements quickly.

Medical specialists are seeing this same behavior, that despite the obvious benefit of avoiding an illness, it makes more emotional sense to treat the problem after it happens than to take simple action to prevent it and therefore people are more skeptical of a secondary prevention vaccine than an actual treatment. This behavior also explains why so many people change their minds after they contract COVID-19 and are admitted to hospital- once they have the problem they start to think very differently about available solutions.



4. WHAT DOES THIS HAVE TO DO WITH BEING A FINANCIAL ADVISER?

As a financial adviser you are no doubt familiar with the solution vs prevention heuristic mentioned above. For every client of yours that started a savings plan early and created wealth during their working life and thereby ensured a comfortable retirement lifestyle, there are other clients who came to see you in their fifties and asked you to help solve their problem because of their poor prior planning.

Financial advisers are humans too and suffer from the same built-in heuristic to solve problems rather than to prevent them.

This heuristic allows advisers and businesses to settle into a comfort zone which can and will lead to some form of discomfort which will not promote business growth.

If you or your advisory business are maintaining current conditions and not investing time and resources into ongoing improvement you will be a step behind those financial advisers and businesses that are putting all their effort into getting better every day.



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5. CHANGE THE WAY YOU THINK

Start thinking about prevention rather than solutions. Ask yourself, "where do I see my business in five years' time?" Ask, "what will my fee for service proposition look like?" Ask "will my fees be more or less than what I charge to-day?" These questions force your brain to consider a different and more strategic way of looking at your future. Are you thinking that you will not be in business in 2025, that robo- advice will take away your clients or that your fee position requires a business model re-think?

Re-thinking your business model and protecting your brand and revenue stream is something you must consider in these challenging times. Think about protecting your business from a low fee environment and robo- adviser competition.

On the face of it the modern cliché "if it ain't broke, don't fix it" is inaccurate, misguided, and dangerous to continued business success. Sometimes the only action is to take the right actions to prevent the problem.

Consider completing a Practice101 Practice Assessment to determine the size of your problem so that you can put in place a preventative strategy before it is too difficult to fix. Resist the human heuristic to look for a solution and start thinking about prevention.

Johann Maree

www.practice101.com.au

