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TRANSITION TALK

Maximizing Business Growth Through Benchmarking

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The average advisor faces a difficult and increasingly competitive industry. With industry consolidation, technological advances, increased competition, more regulatory oversight, and the need to **recruit and retain talent**, it has never been more critical that financial advisors use benchmarking as part of their ongoing strategic planning process. With benchmarking, a business owner can improve their relative revenue and expense performance, organizational structure, and marketing results to support growth and achieve short-term and long-term goals. Used in conjunction with your business planning process, benchmarking is a powerful tool to track and **build additional enterprise value**.

What is Benchmarking and Why it is Critical?

Benchmarking is defined as a measurement of the quality of an organization's policies, products, programs, and strategies as compared against standard measurements of their peers and “best-in-class” providers. An effective benchmarking program provides insight into the connection between your business decisions and the resulting outcomes.

Benchmarking improves performance by identifying and applying demonstrated best practices to sales, operations, and procedures. Comparing the relative performance of their products, services, and sales both externally (against competitors) and internally (with ongoing operations and business decisions) ensures that performance meets or exceeds the competition. The objective of benchmarking is to find examples of

superior performance and understand the business practices driving it. Effective business owners utilize benchmarking insights to improve their own performance by incorporating these best practices, not through imitation, but through innovation.

The Four “M’s” for Incorporating Benchmarking into Business Planning

Every firm has unique needs for benchmarking. For example, the goals of a mature firm versus that of a start-up practice may differ greatly. More established business and solo advisors might be more likely to utilize benchmarks to implement changes that result in increased efficiency and profitability. By contrast, a young developing practice may be more focused on driving and managing growth in clients and revenue.

Don’t, however, confuse activity with achievement. Keeping yourself busy often feels good, but the goal is to improve something about your practice—to make progress—and to do so based on a plan with measured results.

To be most effective in incorporating your benchmarking report into your business planning process, it is critical that you employ the four “M’s”:

Mark

There are considerable differences between the enterprise structure, capabilities, and benchmarking for jobs, practices, and enterprises. Identifying your current structure and recognizing the strengths, weaknesses, and challenges that you face will help focus your decision-making process to be more impactful.

Measure

Once you’ve identified your starting position, using proper and relevant benchmarking metrics provides clarity and a way forward for growth and improvement. Your performance benchmarked against industry peers and top performing firms will provide a clearer picture of your current competitive position.

Monitor

Monitoring your performance on a regular basis allows you to track success over time and allows you to quantify any strategy adjustments. Additionally, the regular use of peer and market data can help you identify new trends and opportunities in the market place.

Master

Guided by your personal progress, knowledge of industry trends, and your progress against the competition, you’ll gain valuable business intelligence that empowers you to confidently adjust course as needed. Utilize the benchmarks of peers and top performers to drive innovation in your own business plan.

How Does Benchmark Reporting Work?

Benchmarking reports are used in conjunction with an accurate, comprehensive, and up-to-date [assessment of business value](#). Your value will help place you in the larger scope of the industry and will identify your close peers as well as your relativity to leading firms.

Together the FP Transitions [Comprehensive Valuation](#) and [EquityBuilder™ Benchmarking](#) Reports identify and evaluate key performance indicators. These indicators are broken down by [revenue strength and enterprise strength](#) and help you better understand your current situation, verify where you perform vs. your peers, and track the impact of business decisions on value.

Revenue Strength includes benchmarks that effectively influence value by predicting how likely your revenue is to continue in a post-sale scenario. Key performance metrics in this area include growth rate, AUM per client, and average fees among others.

Enterprise Strength focuses on the scalability and sustainability of your business structure. Metrics here center around the ability of your firm to manage compensation structure, technology, overhead, and assist

you in developing strategies to better manage your staffing, structure, and client experience. Key performance metrics for [scalability and sustainability](#) include number of staff members, pay per employee, and clients per professional to name just a few.

Using these key metrics that affect revenue and enterprise strengths will provide insights into your business as compared to top performers. They will help you identify changes that can provide long-term improvements in the overall growth and value of your business.

FP Transitions as Your Strategic Partner

The efficacy of any benchmarking program depends upon reliable, consistent, and comparative data. The [FP Transitions benchmarking report](#) is based off P&Ls, Balance Sheets, and other practice information provided by thousands of other practices over many years of annual valuation reports. This allows us to provide a reliable and consistent data set for comparative analysis that empowers you to make and track business decisions and their outcomes accurately.

Over the past 20 years, FP Transitions benchmarking data has helped independent advisors and registered reps maximize their enterprises and provide improved outcomes for their clients and owners alike. While our valuation and benchmarking reports are powerful tools on their own, they are also part of a greater whole, the [Equity Management System \(EMS\)](#). Through EMS many advisors have taken advantage of access to exclusive resources and consulting which provide context and personalized guidance to fully leverage their report findings for strategic growth and planning.

The industry is continually evolving, and the landscape requires advisors to quickly and effectively identify and adapt to the competition. Arming yourself with the best insights into your own business as well as the industry as a whole will allow you to nurture business growth and success while remaining agile and able to thrive with the demands of an ever changing professional field.

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