Recognising when it's time to bring in the experts

Columnist: Rachael Dunne, DKN Financial Group equity partners executive director

Today's changing landscape provides a fertile ground for quality wealth management practices to strategically grow and strengthen their businesses through succession and growth strategies. The questions to ask, however, are when is the right time to make your move and how do you go about it?

We all recognise the importance of seeking professional advice from planners and accountants in order to achieve our long-term financial goals. For the same reasons, it is just as important for businesses to seek advice from experts when planning their long-term goals and financial position. The case study below highlights the importance of taking your time, undertaking in-depth research and establishing a true understanding of your goals and agendas when implementing these strategies into your business.

In June, DKN Financial Group formed an equity partnership with StrategyOne Advice Network, a Sydney-based wealth management practice authorised with Lonsdale Financial Group. StrategyOne was formed through the recent merger of two financial planning businesses founded by Virginia Heyer and Venn O'Neill, who had previously operated under the authorisation of Godfrey Pembroke. DKN purchased a 25 per cent interest in StrategyOne.

For Heyer and O'Neill, the final decision to partner with DKN was the outcome of an exhaustive 18-month process of consultation with some of the industry's most respected consultants. So, what was the underlying reasoning behind the merger of these two individual businesses into StrategyOne and its subsequent equity partnership with DKN?

When Heyer and O'Neill first started looking into their individual long-term growth opportunities, the concept of merging their two businesses was not part of their plan. Both businesses were researching the idea of an equity partnership for very different reasons, and after more than six months of researching their potential opportunities and going around in circles, they decided to call in an expert in order to gain a better understanding of what they should really be looking for.

Anthony Hunt and Wayne Wilson from Hunts' Group Consulting subsequently spent two days asking a range of challenging questions about Heyer and O'Neill's long-term goals for their businesses, their current structure, revenue and cost drivers, and current and prospective service offerings.

The outcomes from these discussions, along with in-depth research into each business and corresponding market analysis, revealed their aspirations were very much aligned when looking at the bigger picture, and were not going to be met in their current individual business structures. Instead, they would benefit greatly from merging into one group.

These discussions also revealed a need to refine their operating systems, software, licensing and platform operations in order to strengthen their position and offering to clients. The benefit of scale when merging their businesses would assist them in accessing the best value from these solutions.

Once StrategyOne was formed, their next step was to establish what they required from an equity partner and how they should go about finding the right fit.

An equity partnership is like a marriage, Wilson points out. "You will be spending the next 10 to 20 years of your working life in this partnership, therefore it's important to research and make sure this decision is the right one. You need to be certain of what you are doing before heading down the aisle together."

It is also important to avoid being easily romanced by the first offer that comes in the door. In this instance, after doing the due diligence and asking the right questions, it soon came to light a number of the original offers that came forward, while very attractive, would not be appropriate and could have in fact jeopardised the long-term vision of StrategyOne as a business.

It's not just about the money; you need a range of criteria to help select the right partner. In order to achieve this, Hunts' Group worked with StrategyOne to create a questionnaire with over 200 questions that had been weighted according to StrategyOne's priorities in what they were looking for.

Once StrategyOne was ready to go to market, and knew what it was looking for, the search began. About 30 potential equity partners were approached, and those who put forward their proposal were measured on a combination of their financial offer and strategic alignment as reflected through their responses to the questionnaires undertaken.

DKN and its subsidiary, Lonsdale, were recognised as the most appropriate fit for a number of reasons. They provide a complete holistic solution by bringing minority stake holding, a quality and cost-effective platform solution, licensing and compliance solutions and an established and highly regarded business management team to assist StrategyOne in enhancing and implementing its overall business strategies now and into the future. Their approach as a minority stakeholder also enabled the flexibility for StrategyOne to maintain its own business model and brand without having to conform to the requirements of a prescriptive overarching body.

As pointed out by O'Neill: "This alignment has not only provided us with the position to continue our long-term growth, it has also created access to a broad range of solutions which have increased efficiencies in our business and the amount of time we can now spend focusing on our clients."

When asked what key learnings came out of this process, O'Neill points out that if they were to do this again, they would have sought the assistance of a consultant sooner. "It's about recognising your own skill set and knowing when to seek assistance from those who are specialists in their field. Financial planners are good at financial planning; they are not business analysts," O'Neill says.

"This process also reminded us of the importance in aligning with the right service providers, meaning that the overall service we can provide to our clients is higher, more effective and more cost efficient." «

> "After more than six months of researching their potential opportunities and going around in circles, they decided to call in an expert in order to gain a better understanding of what they should really be looking for."