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Advice at its tipping point

The combined effects of small events are being felt across the financial planning industry. Jan Kolbusz examines the role that technology will play in the new environment.

What do *Sesame Street's* Big Bird, Twitter and a statement of advice have in common? Aside from being annoyingly pervasive distractions in our everyday life (especially for parents of pre-school kids, or teenagers with a mobile phone and a tweet habit), they are living examples of the theory of former journalist Malcolm Gladwell's "tipping point" thesis.

First published in 2000, Gladwell's seminal book, *The Tipping Point: How Little Things Can Make a Big Difference*, explored how a combination of small events, unified, can become powerful forces for change.

His core idea was to explore the nature of "epidemics" in society and the pre-conditions required for a trend to catch on and "tip" us into a mass movement. The phenomenal rise of online connectedness through Twitter and other social media sites is a strong example of this.

Shaping his views from the perspective of an epidemiologist observing microbes in a laboratory, Gladwell asserted compelling propositions about the viral nature of change and populist trends in society. These boil down to three rules:

1. Law of the few: the financial planning industry has had – and continues to spawn – its share of people referred to in Gladwell's book as connectors, mavens and salespeople – these folk typically champion an idea, spread the word, sell the notion and create fertile ground for ideas to flourish. The expression "entrepreneurial spirit" or "industry luminary" is often applied to such people with hindsight.

An example is the development in the early 1990s of portfolio administration platforms, and the core group of people who saw a better way to "do" financial planning and support advisers for a better industry, or at least an administratively more efficient industry.

2. Stickiness factor: to paraphrase Gladwell, this is the unique and compelling "glue" that binds a trend and drives it further to mass acceptance. Big Bird and his puppet pals provided a stickiness factor that helped drive the global success over decades of kids TV and redefined how literacy and numeracy can be taught via this medium.

Stickiness is often counterintuitive. Think about the early adopters of fee-for-service business models. Did we think of them as visionaries or fringe dwellers? Many at the time found the notion of building a sustainable business on non-recurring revenue streams as counterintuitive. That no longer applies today.

3. Power of context – perhaps the most poignant rule for the financial planning industry is the notion that context is critical in determining if a trend becomes a movement. The pre-conditions must be right for the tipping point to occur.

So what are the big contextual shifts? The 800 pound gorilla in this room is the consumer. Supported by a willing army of legislators and consumer lobby, fed by a diet of easily accessible, 24/7 information and service, and enlightened by the aftershocks of the GFC, this beast is here to make its presence felt.

A statement of advice is proof that environment is everything. These lumpy documents show the consequences of government intervening on the consumer's behalf.

The financial planning industry is at a critical stage – a tipping point. The pre-conditions for change in the way professional advice is designed and delivered are being defined, right now. I am not just talking about the ongoing process of government intervention through Future of Financial Advice, Financial Services Reform or any of the other legislative changes.

A client-focused movement, demanded by service- and tech-savvy consumers, coupled with the industry's post-GFC preparedness to evolve towards a professional future, is forging a galvanising stimulus for change. This is being led by a few brave individuals. For advisers it means providing both high-tech and high-touch services.

One of financial planning's challenges is to deliver value on the customer's terms. Another is yielding sensibly to the legislators' will while keeping an eye on the myriad daily issues of being in business: investment markets; compliance; staffing; the sales and new prospects pipeline; existing client needs; administration and support; IT spend and development; product knowledge; ongoing education…the list is long.

The application of new technology designed to overcome the obstacles the industry faces, together – not in isolation or piecemeal – is a no-brainer. We're inching towards the reality of fixing all of the obstacles at once.

The tipping point for wholesale change of our industry is not far off. Remember, it was not that long ago we were stuck debating whether the internet would be a safe place to do business. ☒

Jan Kolbusz is the managing director of financial technology company decimal. Contact Jan at jk@decimal.com.au