

Personal Financial Planning: Strategies for Successful Practice Management

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ABSTRACT

This research project identified principles of practice management as applied to the personal financial planning process. The purpose of this research was to establish principles that Financial Planners could use to improve service delivery to the individual. In broad terms this is known as practice management and this research attempted to develop a greater understanding of practice management and provide a basis for further research on the subject.

To do this in a meaningful way the research had two structured phases. The first phase was a theoretical study that provided the basis for the design of a research instrument. The second phase was an empirical study that was done on the responses received on the research instrument to establish principles of practice management.

The research successfully identified four components and twenty principles of practice management, as well as three demographic drivers of income and succeeded in meeting the research objectives.

Declaration

I declare that this research project is my own work. It is submitted in partial fulfillment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University.

Hugh Crankshaw

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CHAPTER 1

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1.1 CHAPTER INTRODUCTION

This research project has the objective of identifying practice management strategies that South African Financial Planners can use in the personal financial planning process.

In this chapter, the motivation for the research is supported by describing the personal financial planning process and the need that exists to do personal financial planning for individuals in a modern economy. This need resulted in the establishment of a financial services sector, in particular multiple long-term insurance companies who produce products that individuals may purchase to assist them in achieving their future financial goals.

It describes how this industry structure has developed a complex product environment which created a demand for Financial Planners to develop a financial plan and select appropriate products with individuals. The process that financial planners use to manage this interaction with individuals is called practice management and is critical to both the individual's financial plan and the financial success of the financial planner. The impact on practice management resulting from legislation is discussed as well.

The chapter concludes by summarising the need for, and defining the scope of, the research project.

1.2 THE PERSONAL FINANCIAL PLANNING PROCESS

Personal financial planning is the process by which an individual considers their current personal and financial information, determines future financial goals and develops a financial plan to meet these goals (Dawes, 1998). Once the financial plan is implemented, it is reviewed on a regular basis to assess progress towards these goals and make adjustments to them as personal and financial information changes.

The following example illustrates this process. An individual currently aged twenty five earning a monthly income (personal and financial information), wishes to retire at age sixty five having saved an amount of money to live off during retirement and be financially independent (future financial goal). How much money should be saved each month from age twenty five and sixty five to achieve the future financial goal is determined. The individual begins to save the required amount every month until age sixty five (financial plan). At age thirty the individual decides to retire at age sixty with the same future financial goal. This increases the amount of money which must be saved every month and the individual proceeds to save the new amount of money (review and adjustment of the financial plan).

Future financial goals for an individual may include planning for life events such as death and minimising the financial consequences for remaining family members, been disabled and not able to work and earn an income, financial independence at retirement, choosing appropriate investments to build wealth,

making provision for unforeseen health care expenditure and providing for the education of children. These goals are common to a broad spectrum of individuals in a modern economy and the successful achievement of them requires personal financial planning.

1.3 INDUSTRY STRUCTURE

To meet the demand for products and services that assist individuals to achieve their future financial goals, specialised businesses have been established that develop financial products which individuals can purchase according to their future financial goals. One type of business model that operates in this market is a long-term insurance company. A long-term insurance company is able to take on a financial risk of an individual in exchange for the individual paying the company an amount of money in regular instalments.

An example of this would be an individual who purchases a house by use of a mortgage with a bank and has the future financial goal of the outstanding mortgage being settled in the event of the individual's death. If the individual will not have sufficient cash on hand at death to do so, the individual can transfer this risk to the long-term insurance company by agreeing the amount of risk to be taken by the company in the event of the individual's death and the amount of money to be paid by the individual to the company for the transfer of the risk.

As an indication of the size of the long-term insurance industry, as at March 2004, there were 78 long-term registered insurers. Approximate net premiums

received for 2003 amounted to R156.8 billion, with total assets amounting to R822.1 billion. Core products consisted of life assistance, sinking fund, health and disability insurance (Burger, 2006).

The size of the industry has led to a high degree of complexity for an individual who wishes to purchase a financial product. This is because each company has their own suite of financial products presenting the individual with a wide choice, and that differences between these products can be subtle in nature. This complexity can result in the individual purchasing a financial product that will not meet the future financial goal or, will meet the future financial goal but not in the most efficient manner.

1.4 FINANCIAL PLANNERS

This complex financial product environment, together with the need to consider other factors, such as current personal and financial information, future financial goals and the regular review of these goals, has meant that there is a demand for a personal financial planning service. This service aims to assist an individual to develop a financial plan, select the correct financial products that are required to meet the plan's objectives and review the plan with the individual on an ongoing basis.

This service is provided by Financial Planners. A definition of a Financial Planner according to Botha, du Preez, Geach, Goodall and Rossini (2006, p. M1-3) is "a person who provides a variety of services, principally advisory in

nature, to consumers with respect to management of financial resources based on the analysis of individual consumer needs and goals”. A Financial Planner takes individuals through a consultative financial planning process to identify the individual’s future financial goals. The financial planner then makes recommendations to the individual about financial products which are the most appropriate to use to achieve the future financial goals, and assists the individual with the implementation of the new financial product. Once the financial product is in place the Financial Planner will review the progress of the personal financial plan with the individual on a regular and ongoing basis. This is because personal and financial information and financial goals of the individual can change requiring adjustments to the plan. The Financial Planner is then in a position to advise the individual what effect these changes have on the personal financial plan and recommend adjustments to the plan so that it continues to meet the individual’s future financial goals.

There are many individuals and Financial Planners who engage each other in the provision of this service. As an indication of the number of Financial Planners in South Africa, in February 2004 the Financial Services Board, a statutory body which regulates Financial Planners was processing 14 500 licence applications in terms of a new legislative framework (Burger, 2006).

1.5 PRACTICE MANAGEMENT

Most Financial Planners do not earn a fixed salary. The Financial Planner can either charge fees for the personal financial planning process, receive a

commission from the selling of a financial product or a combination of both. A Financial Planner's level of earnings is determined by their ability to identify individuals who require the financial planning process, the quality of the personal financial planning process they undertake with an individual, the ongoing review of the individual's financial plan and having the correct infrastructure to interact with the individual over an extended period. This is because the chances of selling a product are increased, and therefore level of earnings, as a Financial Planner becomes more skilled in these steps. These elements, identification of individuals, the personal financial planning process, review and infrastructure, form the foundation of the practice management process and are fundamental to both the achievement of future financial goals in the individual's financial plan and the financial success of Financial Planner.

Within these elements there are many skills, attributes and structural requirements which a Financial Planner needs to have, develop or acquire whilst providing personal financial planning services to individuals. The capacity of the Financial Planner to acquire and implement them will determine their ability at implementing practice management principles. Some of these skills and attributes are now a legislative requirement which sets a minimum standard for practice management and directly impacts on Financial Planners.

1.6 LEGISLATIVE TRENDS

Taking into consideration the size of the industry, the potential devastating financial effects for individuals should financial planning be done inappropriately

and international best practice, the Financial Advisory and Intermediary Services Act (FAIS) (Republic of South Africa, 2002) was promulgated. The intention of FAIS was to regulate the conduct of companies offering financial products and Financial Planners and provide better protection to individuals. Section 15 of the FAIS Act prescribed a general code of conduct to which Financial Planners must adhere whilst providing services to individuals. The general duties of a Financial Planner are to “at all times render financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry” (Republic of South Africa, 2002, Section 15 part 2). Section 15 of the FAIS Act describes in detail the requirements that needed to be followed by a Financial Planner to be compliant with the provisions of the code of conduct. The impact of FAIS on practice management has been increased costs of compliance and lengthening of the financial planning process.

To reinforce the objectives of FAIS, National Treasury is currently assessing remuneration models of Financial Planners. The remuneration model which causes National Treasury most concern is where Financial Planners receive upfront commissions from companies offering financial products after the selling of a product. It is the view of National Treasury that this remuneration model undermines the relationship between Financial Planners and individuals as it encourages inappropriate personal financial planning. It is the stated intent of National Treasury that commissions should be paid on an on-going basis so that the Financial Planner is encouraged to give continual advice about financial products sold (Cameron, 2006). The implications of these changes are not yet

fully understood, but have the potential to affect the manner in which Financial Planners apply practice management principles.

1.7 PROBLEM STATEMENT

Personal financial planning, financial products and Financial Planners are all essential processes, products and services to a broad body of individuals wishing to achieve future financial goals in the modern South African economy. The number of individuals, financial products, Financial Planners, and amounts of money connecting in the industry are significant and the effects of making incorrect decisions are potentially financially devastating for all.

Added to these entrenched industry risks has been the introduction of legislation to regulate the industry by laying down minimum standards. These minimum standards have increased the cost of doing business through higher standards of compliance and a lengthening of the financial planning process.

Practice management integrates these industry factors together in the personal financial planning process. How practice management is implemented by a Financial Planner determines both the achievement of the individual's personal financial plan and the financial success of the Financial Planner.

This research project will provide Financial Planners with relevant and specific data by identifying the top three practice management strategies that South African Financial Planners can use in the personal financial planning process.

The title of the research project is stated as follows:

Personal Financial Planning: Strategies for Successful Practice management

1.8 SCOPE OF THE RESEARCH

The research will:

- Confine itself to Financial Planners who work in the long-term insurance industry
- Establish principles of practice management as they relate to the personal financial planning process.
- Identify the top three practice management principles used in the personal financial planning process.
- Identify the top two issues challenging Financial Planners in practice management today.

CHAPTER 2

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2.1 CHAPTER INTRODUCTION

This review of literature and the supporting theory base establish that personal financial planning is a service which is both widely used and applicable to many individuals. It defines and places the personal financial planning process in a service system model and develops within this framework components and principles of practice management. Recent legislation and its consequences on the personal financial planning process are noted.

2.2 LIMITATIONS OF THE THEORY BASE

Although there is an established industry delivering personal financial planning services to individuals, Black, Ciccotello and Skipper (2002) suggest that both the theory base and the required research to guide how the theory base should be applied is lacking in depth. Evidence of this is found in the rarity of Masters and Doctorate programs within university programs that are specific to personal financial planning. To overcome this limitation current literature borrows heavily from existing disciplines where the theory base is applied to personal financial planning. This literature review will evidence the same limitations as the theoretical framework is developed around the research objectives.

2.3 THE NEED FOR PERSONAL FINANCIAL PLANNING

In research done in the United States by Elmerick, Montalto, and Fox (2002), data from the 1998 Survey of Consumer Finances was used to determine the extent to which Financial Planners were used by households. The result of this research showed that 21.2% of households in the United States made use of a Financial Planner. Elmerick *et al* (2002) also note that in a consumer survey commissioned by the Consumer Federation of America and the Financial Planning Association it was reported that 92% of Americans consider financial planning to be personally important. Elmerick *et al* (2002) are of the view that when consumers are looking for comprehensive personal financial planning they are more likely to seek the services of a Financial Planner over and above

other specific experts in financial discipline such as accounting. Ameriks, Caplin and Leahy (2002) have used survey data to show that where households decide that they need to do personal financial planning, they spend more time developing and monitoring plans and this effort is associated with increased wealth. Tomecek (2003) has identified a shift in attitude of individuals who now recognise that integrated long-term financial planning is critical to effective financial management and that a single expert who can consolidate all of their financial needs into a comprehensive plan is more efficient.

An individual who wishes to achieve financial independence at retirement or protect assets that are mortgaged if they die, faces the risk of not having the money to do so if no personal financial planning has been done. The personal financial planning process is an exercise in applying risk management techniques at an individual level. This should include the more comprehensive identification of risks which individuals face, the appropriate prioritisation of these risks and the effective management of these risks (Elgar, 2004). It was noted that individuals have the tendency to spend more time on managing smaller risks that they encounter but do not spend time on risks that affect their overall financial wellbeing. Elgar (2004) suggests that the tools for Financial Planners to use in the personal financial planning process will increase in sophistication and that the skill level of Financial Planners will have to increase as well.

2.4 CHARACTERISTICS OF PERSONAL FINANCIAL PLANNING

2.4.1 The Service System Model

Kotler (2003, p. 444) defines a service as “any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”. Applying this definition to the personal financial planning process, where a Financial Planner assists an individual to develop a personal financial plan and then reviews the personal financial plan on an ongoing basis, it is proposed that the financial planning process is an intangible process, which does not result in a physical product that is owned. The personal financial planning process is a service and Financial Planners operate in this market context.

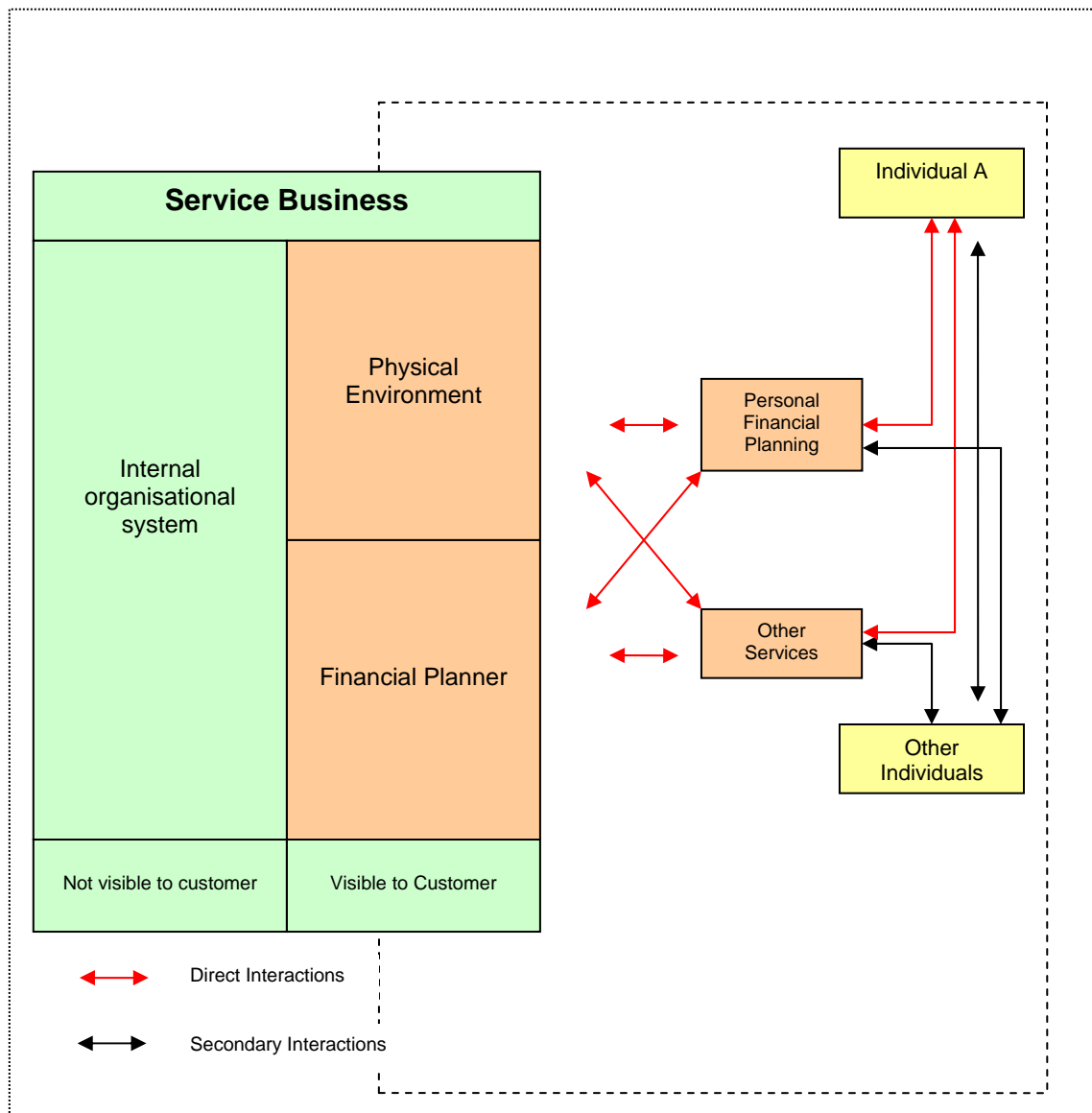
Considering the five service categories and other general distinctions noted by Kotler (2003), the financial planning process is not a pure service, but rather a major service with some accompanying minor goods. This is because the financial plan has some tangibles attached to it. These tangibles would include the documentation of the plan and the report in which the plan is reviewed. It is a people based service that requires the client to be physically present, services personal needs and has the objective of making a profit.

These attributes affect the way in which a Financial Planner structures the efficient delivery of the financial planning service to an individual (Kotler 2003).

The attribute of intangibility means that an individual will make judgements about the expected level of the financial planning service based on the people and the environment they see, and may want assurance from others prior to the delivery of the service.

An individual's perception of quality will not only be their expectations and actual service received, but will also include the process they are taken through (Parasuraman, Zeithaml and Berry, 1985). Figure 2.1 below illustrates the interaction of these different elements in the context of the personal financial planning process.

Figure 2.1: The service business as a system



Source: Adapted from Kotler (2003:450)

There are two principles in this model which need further consideration. These are:

- As a system there are elements that are either visible or not visible to the customer. Elements that are visible would include the Financial Planner that the individual interacts with, the office environment and other

customers. Elements that are not visible to the individual would be the technology deployed to keep track of an individual's financial plans and administration processes.

- An individual will either have direct or indirect interactions with the elements of the system. A direct interaction would be the completion of a financial plan, whilst an indirect interaction might be contact with another individual.

What Figure 2.1 demonstrates is that all these elements combine and affect the ability of the Financial Planner to deliver the financial planning process as a service to an individual. The model is further supported by the proposition from Booms and Bitner (1981) that in addition to established marketing principles of product, price, place and promotion, three additional factors need to be considered in a service environment. These are:

- "People" who in the context of the personal financial planning process would be the Financial Planner and their interaction with the individual. What is evident is that the selection and training of these Financial Planners will play a large role on the quality of the personal financial planning process which is delivered.
- "Physical evidence" or the environment to which the individual is exposed in the interactions with the Financial Planner. This would look at

supporting the credibility of the personal financial planning process by the quality of documentation used, qualifications and other facilities.

- “Processes” that differentiate or give efficiencies in the personal financial planning process that are experienced by the individual in the personal financial planning process.

This service system model demonstrates that personal financial planning has characteristics which allow it to be defined as a service and that principles of a service business can be applied to the personal financial planning process.

2.4.2 The Personal Financial Planning Process

Although there are limitations in the academic theory base of personal financial planning, it is possible to define the process and construct a framework that is used when a Financial Planner intends to deliver the service of a personal financial planning process to an individual. The University of the Free State (2005, p. 1) defines the personal financial planning process as the “organisation of an individual’s financial and personal data for the purposes of developing a strategic plan to constructively manage income, assets and liabilities to meet near and long-term goals and objectives”. Evensky (1997) suggests that a Financial Planner should focus attention on the individual and be dedicated to assisting the individual achieve their future financial goals and reduce uncertainty. The Financial Planning Institute of Southern Africa (FPI) has developed a financial planning process consisting of six steps which all

Financial Planners should follow when doing personal financial planning with an individual (FPI, 2006). The University of the Free State (2005) describes what activities a Financial Planner should do within the context of each step. Elements of the six steps are requirements of FAIS for the Financial Planner to be compliant (Republic of South Africa, 2002). The six steps are:

Step 1 – Establishing and defining a professional relationship

In this step the financial Planner should identify the services which will be performed, disclose details required by legislation, determine the time frame of the engagement, establish responsibilities of both the individual and the financial planner, the manner of remuneration, identify additional information that clarifies the scope of the service and record what has been agreed.

Step 2 – Gathering data, including goals

There are two separate elements in this step. The first is gathering financial information that is relevant to the individual's personal circumstances, the signing by the individual of a letter of authority giving the Financial Planner access to the personal financial information and advising the individual of the importance of the completeness and accuracy of the information relative to the scope of the agreed service. The second is the determination of the individual's future financial goals. These goals allow the financial planner to be specific in the personal financial planning process. These goals need to be measurable and relevant to the agreed scope and if unrealistic, the Financial Planner should discuss this with the individual.

Step 3 – Analysing and evaluating financial status

By analysing the information which is gathered the Financial Planner is able to determine if the individual's future goals can be met given their current resources and financial habits. As assumptions around, but not limited to, future retirement dates and income needs will be used by the financial Planner, these should be agreed with the individual and may require additional information to complete the analysis.

Step 4 – Developing and presenting financial planning recommendations

There are three elements in this step. The first is to identify and evaluate financial planning alternatives. This is because the analysis may determine different solutions that an individual may choose to achieve a future financial goal, or that existing financial plans already meet the future financial goal. It is incumbent of the financial planner to articulate why a particular solution is proposed.

The second element is the development of the financial planning recommendations. These should be consistent with the agreed scope, the future financial goals, the data provided by the individual and the analysis performed by the Financial Planner.

The third element is the presentation of the financial plan to the individual. Here the financial Planner should discuss all the relevant information that affects the

financial plan, and note for the individual that as their personal and financial information changes these assumptions may not be consistent with future financial goals. A written record of the presentation should be given to the individual, and a copy kept by the financial planner.

Step 5 – Implementing the financial planning recommendations

There are two elements to this step. The first is to agree who will be responsible for the implementation of any actions or recommendations that arise from the financial planning process. The second is to select financial products which will achieve the future financial goals. Implied in this is the need for the Financial Planner to research financial products and demonstrate technical knowledge and depth of understanding of financial products.

Step 6 – Monitoring the financial planning recommendations

This step ensures that the individual's financial plan remains current with personal and financial information by setting review dates with the individual, advising the individual that they should notify the Financial Planner should personal or financial information change and explaining the scope of the review process.

From this we can surmise that a Financial Planner operates in a complex service environment which requires a structured approach to ensure that

individual's future financial goals are met and compliance requirements are adhered to.

2.4.3 Principles of Practice Management

Personal financial planning is a service business which is delivered to individuals by the Financial Planner. Practice management is the system that delivers this service. Referring back to Figure 2.1, the term practice management can be used to describe the service business system of a Financial Planner and this framework will be developed to identify the four components of practice management, the principles which apply to each area and their placement in the framework.

The development of this framework begins in understanding what an individual expects from the service and the design of the service to meet their needs and create competitive advantage. Research done by Sayer (2004) showed that the respondents identified four areas that an ideal Financial Planner should exhibit in practice management. These are to act with integrity, honesty and professionalism, have knowledge and expertise, fill needs efficiently with superior products and deliver after sales service. Day and Barksdale (2003) established that trust was a key element of respondents in the process of selecting a professional service. Aligned to trust, competence and capacity of the professional service were identified as the two major components of trust. Further, respondents indicated reasons why a professional service was not selected. These included poor presentation, poor people skills and lack of

communication skills. Coulter and Ligas (2004, p. 493) found that “successful customer relationships depend on the personal aspects of the relationships as well as on the way in which the core service is performed” and suggested that the ability of the people who deliver the service to adapt to diverse needs was a success determinant for the respondents. This body of research reinforces the important role people play in the delivery of services as suggested by Booms and Bitner (1981) and the need for a high degree of customer orientation in practice management.

As most Financial Planners are financially rewarded for the selling of a financial product, conflict results from the trade off between immediate personal financial success for the Financial Planner and the need to remain customer orientated. Rozell, Pettijohn and Parker (2004) examined this issue and found that high customer orientation was positively related to higher sales performance. The driving factor behind customer orientation was the level of emotional intelligence resident in the sales team.

This implies that a Financial Planner should adapt their approach to different individuals. Botha *et al* (2006) suggest different approaches to financial planning depending on the target market. One is the Life Cycle Model which considers the consumption and saving of income by reviewing the patterns of income and expenditure of an individual over their lifetime. Broadly this model presumes that at an early life cycle stage an individual is reliant on others to support them financially. During the income generating stage, the individual should have enough income to meet current needs and save for a period when

there is no or little income. At retirement needs remain constant but income falls. A financial Planner who understands where an individual is in the life cycle model is better able to do financial planning for the individual. The money personality model divides individuals into thirteen personal traits and nine financial personality groups. Personality traits would include pride, work ethic, risk-taking and trust. Financial personality traits would include hunters, perfectionists, producers and money masters. The Financial Planner who understands these different money personalities will help clients to make decisions which provide both financial security and emotional stability and be able to adapt the personal financial plan to meet the needs of the client.

The first two components of practice management that can be identified from this body of theory are as follows:

- A Financial Planner has to have particular personal attributes. These attributes should include high standards of ethics, the ability to build relationships of trust, high emotional intelligence, engage in continuous education and be entrepreneurial.
- A Financial Planner has to have particular personal skills. These skills include the ability to communicate with customers who have either different money personalities or who are in different life cycle stages, strong technical knowledge and professional presentation techniques.

Next, the Financial Planner needs to consider the management of the individual whilst the service is delivered. Some guidelines suggested to Financial Planners are to segment the client base into profitability categories, retain key customers, maximising referral business from existing customers and marketing to qualified prospects (Financial Planning Consultants, 2005). Other elements that have been discussed in the six step financial planning process are the consultative planning process and the need to manage the personal financial planning needs of an individual on an ongoing basis. Botha *et al* (2006) suggests qualifying customers before beginning the personal financial planning process to ensure that the Financial Planner is able to meet the expected needs of the individual.

The third component of practice management that can now be identified is the strategy a Financial Planner must use with an individual. These include qualification of new customers, consultative personal financial planning on an ongoing basis, referrals from for customers and segmentation of existing customers into appropriate service offerings.

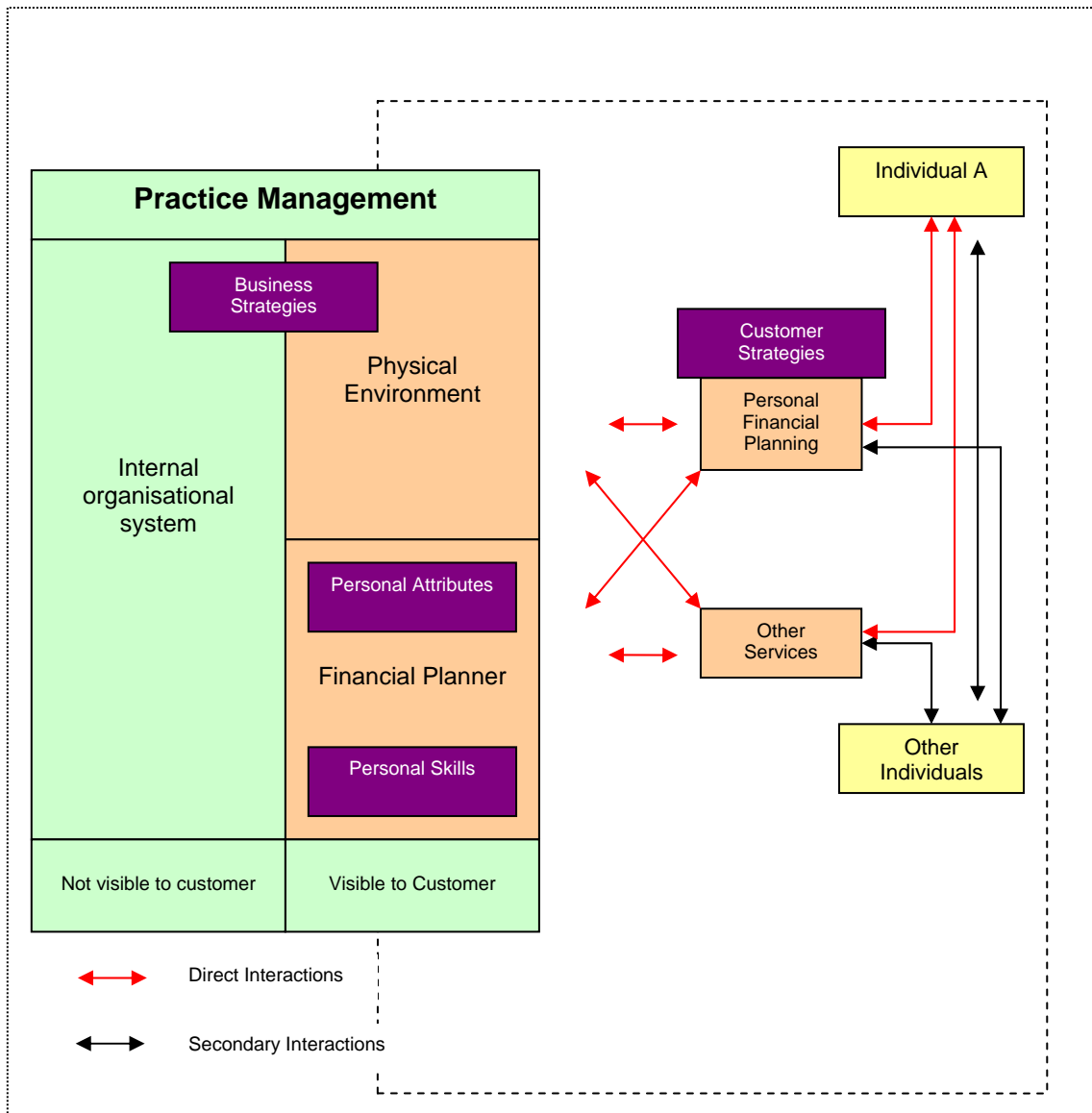
The three components of practice management already identified need to operate together by using business strategies which is the fourth component of practice management. The organisation of the business begins with a business plan which should not only be about the pursuit of personal wealth, but should include the principle of individuals, for whom personal financial planning is done, achieving their future financial goals as the business fulfils its professional goals (Schweizer, 2006).

An effective marketing plan, designed to achieve competitive advantage will help build presence in a target market. The marketing plan positions the Financial Planner in the minds of individuals around trigger events that cause the individual to seek out the Financial Planner and should consist of a logo, prospect profile and marketing materials (Swift, 2005).

Technology can increase the efficiency of the business. Peppard (2000) suggests that in financial services integrated information is critical for the successful management of customer relationships. Other business strategies which should be adopted are recruitment and development of support staff and their integration into the business plan and risk management processes to ensure compliance (Botha *et al*, 2006).

Figure 2.2 below illustrates where the four components of practice management are applied in the service system model and the need for these components to be integrated into the service system model to create an effective financial planning service.

Figure 2.2: Practice Management as a Service System



Source: Adapted from Kotler (2003:450)

2.5 LEGISLATION

One of the trends in the industry has been the passing of legislation to regulate the financial Planning industry. These include the Policyholder Protection Rules – section 62 of the Long – term Insurance Act No.52 of 1998, the Financial Intelligence Centre Act No. 38 of 2001 and the Financial Advisory and

Intermediary Services (FAIS) Act No. 37 of 2002. Although these pieces of legislation, in particular FAIS, have created problems for Financial Planners in their implementation, the spirit of FAIS must be understood. Botha *et al* (2006, p. M1-19) describes the reason for the regulation of Financial Planners resulting from “the lack of financial literacy amongst the majority of the South African population together with the intangible nature of financial products and services has lead to many clients suffering financial hardship as a result of poor advice given by” Financial Planners. FAIS addresses this by providing protection for consumers, ensuring they have adequate information to make decisions, regulation of the financial planning process, the licensing of Financial Planners, establishing a code of conduct (Botha *et al*, 2006).

FAIS imposes minimum standards of service that a Financial Planner must adhere to when preparing a financial plan for a customer. Further, FAIS provides for an Ombud with authority to sanction Financial Planners should they breach these minimum standards of service. The office of the FAIS Ombud was established on 30 September 2004. In the first six months of operation it handled 544 cases, resolving 14% of these and determining that Financial Planners pay back to customers R444 760 (FAIS Ombud, 2005).

FAIS requires that a Financial Planner must appoint a compliance officer, keep records for five years, institute monthly accounting records and annual financial statements and institute a process to manage complaints (JMR Software, 2003). Where similar legislation has been introduced in Australia and the United Kingdom, substantial numbers of Financial Planners left the industry (Life

Offices Association (LOA), 2006). The report goes on to suggest that to restructure the remuneration model, at the same time that FAIS is embedding itself, would increase the Financial Planner's costs to a point that significant numbers of Financial Planners would exit the industry.

Legislation requires Financial Planners to integrate the legislative requirements into practice management principles by adopting both the spirit of the regulations and managing the risks of non compliance.

CHAPTER 3

RESEARCH QUESTIONS

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3.5 CHAPTER INTRODUCTION

This chapter provides reasons for the selection of the research questions and specifies three research questions that will be tested.

3.2 REASONS FOR SELECTION OF RESEARCH QUESTIONS

Given the limitations of the literature and theory base as discussed in Chapter 2, together with the lack of previous research, it is not possible to develop a research proposition or hypothesis to test. Use will be made of research questions to validate the existing theory base and expand it in the area of practice management.

3.6 RESEARCH QUESTIONS

Specific research questions that have been identified are as follows:

- What practice management principles are required for Financial Planners who offer the service of personal financial planning?
- Which three practice management principles are the most important when offering the service of personal financial planning?
- What are the top two challenges that a Financial Planner faces in practice management?

CHAPTER 4

RESEARCH METHODOLOGY

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4.1 CHAPTER INTRODUCTION

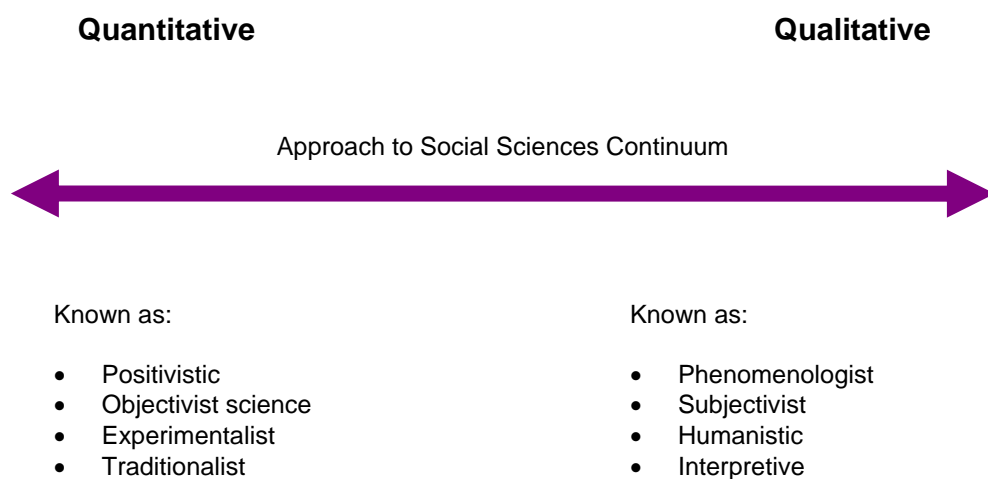
This chapter defends the choice of research methodology which was selected as most suitable to answer the research problem. Different research paradigms were reviewed and a quantitative methodology was selected as the preferred of research methodology.

The unit of analysis, population of relevance, sample methods and sample sizes are all defined and the research instrument is defended and described. The choice of research instrument selected was a survey which was distributed for completion and returned for analysis. The proposed methods of data analysis were described and the research limitations were noted.

4.2 RESEARCH PARADIGMS

A paradigm is a framework that people apply in a scientific process based on their philosophies and assumptions of the world and the nature of knowledge. In the context of research it would influence the way research is done (Hussey & Hussey, 1997). The two paradigms of research methodology are the quantitative paradigm and qualitative paradigm and different terms are used to indicate them. These are listed in Figure 4.1 below.

Figure 4.1: Opposite approaches to main research paradigms



Source: Adapted from Hussey and Hussey (1997, p. 54)

A summary of the main features of the two paradigms is described in Figure 4.2 below.

Figure 4.2: Features of the two main paradigms

Quantitative	Qualitative
Tends to produce quantitative data	Tends to produce qualitative data
Uses large samples	Uses small samples
Concerned with Hypothesis testing	Concerned with generating theories
Data is specific and precise	Data is rich and subjective
Location is artificial	The location is natural
Reliability is high	Reliability is low
Validity is low	Validity is high
Generalises from sample population	Generalises from one setting to another

Source: Adapted from Hussey and Hussey (1997, p. 48)

Welman and Kruger (2001) have distinguished between the two paradigms by noting differences around intervention. Quantitative research design exposes participants to an intervention that they would not have been subjected to in the normal course of events. Qualitative research design does not create interventions, but uses existing sources and interprets information about events which have already taken place. Criticism of the qualitative paradigm suggests the researcher does not observe reality but an interpretation of reality as they become absorbed in the research process and the excessive dependence of relying on secondary sources of information. Criticism of the quantitative

paradigm is that it is difficult to capture a complex issue in a single measure and placing a numeric number on a human behaviour is not always possible.

4.3 SELECTED METHODOLOGY

Having considered the purpose of the research, and the different research methodologies, this research project made use of a quantitative methodology to assess the validity of the principles of practice management. The determining factor of this decision was the limitations of the existing theory base, as discussed in Chapter 2, which would have made it difficult to categorise qualitative findings in meaningful way.

This theoretical limitation also resulted in a hypothesis not been stated and meant that the research became exploratory in nature. Exploratory research is used to find a hypothesis, determine whether a phenomenon exists or research in a new area that lacks established research findings (Welman and Kruger, 2001).

4.4 DEFINITION OF UNIT OF ANALYSIS

The unit of analysis by definition is the members or elements of the population of relevance (Welman and Kruger, 2001). For this research project the unit of analysis is Financial Planners.

4.5 POPULATION OF RELEVANCE

It is a requirement of research to obtain data to answer the research problem. A population is the source from which this data can be obtained. In research, the term population does not automatically mean people, but is the full set of cases from which a sample is taken (Saunders, Lewis and Thornhill, 2003). The population is the study object on which the research problem has application and may consist of individuals, groups or human products (Welman and Kruger, 2001).

For this research project the population of relevance was Financial Planners employed by Standard Bank in South Africa.

4.6 DETERMINATION OF SAMPLE SIZE AND METHDOLOGY

The purpose of sampling is to maintain the integrity of the research, whilst considering time frames and cost constraints. The correct use of sampling techniques can mean that the validity of the research leads to higher overall accuracy (Saunders *et al*, 2003)

The sample size used was all Financial Planners employed at Standard Bank in South Africa which was 723 Financial Planners at the date the research was done. As it was possible to establish the exact number of Financial Planners and the potential for all Financial Planners to participate in the research was

equal, there was no need to adopt variants of probability or non-probability sampling techniques.

4.7 RESEARCH INSTRUMENT

In order to gather primary data on the research objectives, a self-administered survey was constructed. Principles of survey design were followed and took into account the order and flow of questions so that they would be logical to the respondent, ensure ease of answering, have visual appeal, be simple, have clear and concise instructions and not appear to be too long (Saunders *et al*, 2003).

In addition to this, an acknowledged expert on practice management was asked to review the questions on practice management in the survey as additional validation. This was Lee Rossini (Soc Sci, LLB, LLM, CFP, Diploma in Business Management (Damelin), Diploma in Compliance Management (RAU)) who is currently a consultant in the field of compliance and business practice in the insurance sector of the financial services industry. Lee Rossini is also contributing author for the LexisNexis Butterworths Financial Advisor Development Series.

The survey (see Annexure A) was divided into the following three sections:

Section 1: Demographic Information

This included items such as age, gender and income, broken up into specific units where the respondent was asked to indicate the matching unit to their own demographic. Seven demographic questions were asked of each respondent.

Section 2: Statements on Practice Management Strategies

Use was made of a Likert rating scale on twenty statements about principle of practice management, broken into the four components of practice management. A separate statement was constructed for the four components of practice management but they were not rated statements. The purpose of these statements was to frame the specific principle statements more precisely. Each component was constructed as a separate unit. Five different attitudinal parameters were asked for each statement and a non-applicable parameter was included. The Likert scale asked each respondent to indicate their level of agreement with the statement by marking the appropriate number (Welman and Kruger 2001)

Section 3: Open Ended Questions

Three open ended questions were asked. All questions were directly related to practice management. The first question asked respondents to select and rank statements on practice management used in the survey. The second asked

respondents to describe the biggest issue facing their practice and the third asked for general comments.

4.8 DATA COLLECTION

The survey was e-mailed to all Financial Planners described in the population of relevance. Respondents were asked to reply by a certain date and used either a dedicated faxmail service or e-mail address to return the completed survey. This meant a trouble free return process for the respondent. Surveys that were returned within the specified timeframe were captured into Microsoft Excel in preparation for the data analysis.

4.9 DATA ANALYSIS

The primary data collected from the returned surveys was analysed by statistical means and tests using Microsoft Excel. This was in support of the quantitative paradigm selected. Qualitative data was evaluated by means of a content analysis which allowed the data to be converted into more manageable set of information.

4.10 RESEARCH LIMITATIONS

The research had the following limitations:

- The lack of previous academic research and theory meant that the research was exploratory in nature and used quantitative methods to establish a hypothesis.
- The population of relevance which is Financial Planners employed by Standard Bank had the potential to exhibit a bias about their environment as it pertains to Standard Bank and not the industry as a whole.
- The population of relevance chosen may not be large enough given the overall size of the industry and the number of Financial Planners currently licensed.
- Although no sampling methodology was adopted the research relied on the population of relevance to complete and return the survey, this brought into play the response rate from respondents and the ability of the research to reach conclusions which can be broadly applied to practice management.

CHAPTER 5

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RESEARCH RESULTS

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5.1 CHAPTER INTRODUCTION

This chapter describes the empirical findings from the research into the principles of practice management applied to the personal financial planning process. The format of the analysis followed a similar sequence of how respondents were asked to complete the survey. The sequence was as follows:

- The sample is described and the response rate for the survey calculated.
- Section 1 of the survey was analysed by reviewing the demographic distribution of the respondents and relationships between the demographics.
- Section 2 of the survey was analysed by reviewing the responses to the statements on practice management and used quantitative methods to test the degree to which the respondent agreed with the statements on practice management and the ranking of these statements.
- Section 3 of the survey was analysed by reviewing responses to open ended questions and using a combination of quantitative and qualitative methods to establish the three most important statements and two challenges facing the respondent.

5.2 THE SAMPLE

As described in Chapter 4 – Research Methodology Financial Planners employed by Standard Bank in South Africa at the date on which the survey was distributed were selected as the population of relevance. These Financial Planners were distributed across South Africa and at the date of distribution of the survey instrument, the number of Financial Planners in the nominated population of relevance was 723.

Surveys were distributed to all 723 Financial Planners and a total of 185 surveys were returned, of which it was possible to use 179 surveys in the analysis. The 6 surveys not used arose from the failure of the respondents to complete the required responses. The response rate achieved for the survey was 24.7%. This excluded the 6 surveys not used in the analysis.

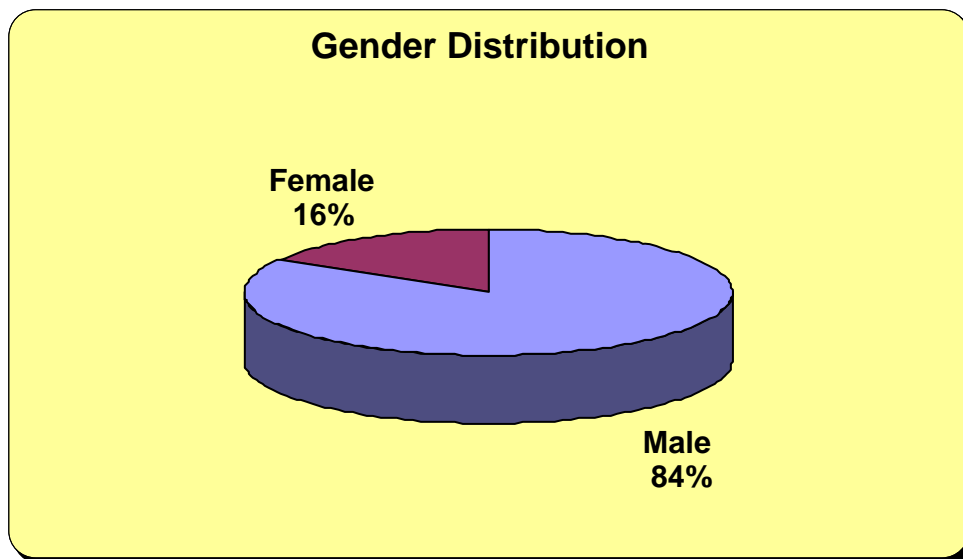
5.3 ANALYSIS OF DEMOGRAPHIC DISTRIBUTION

The demographic distribution of the respondents included gender, age, highest level of education, total monthly income (before tax), number of existing clients, number of years as a financial planner, number of direct support staff in your practice. The analysis was done by totalling the number of respondents in each category of the demographic and graphing the result. The analysis of each of the demographic categories follows below.

5.3.1 Gender Distribution

The gender distribution of the respondents indicated that 151 were male (84%) and 28 female (16%). Figure 5.1 presents the gender distribution graphically.

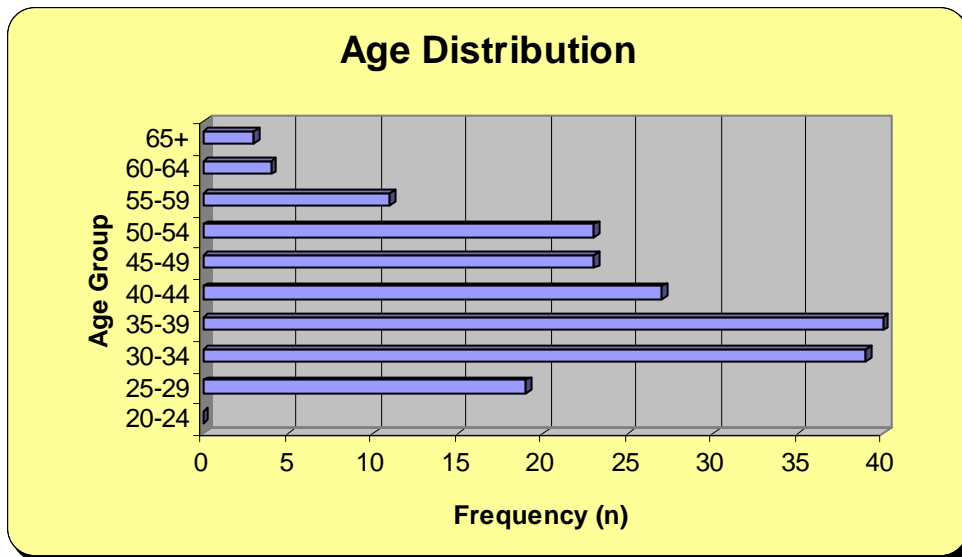
Figure 5.1: Gender distribution of respondents



5.3.2 Age Distribution

The age distribution of the respondents indicated that the largest group of respondents (40, representing 22.7%) were between the ages of 35 and 39 years. The second largest group of respondents (39, representing 21.7%) were between the ages of 30 and 34 years. There were no respondents between the ages of 20 to 24 years. Figure 5.2 represents the age distribution graphically

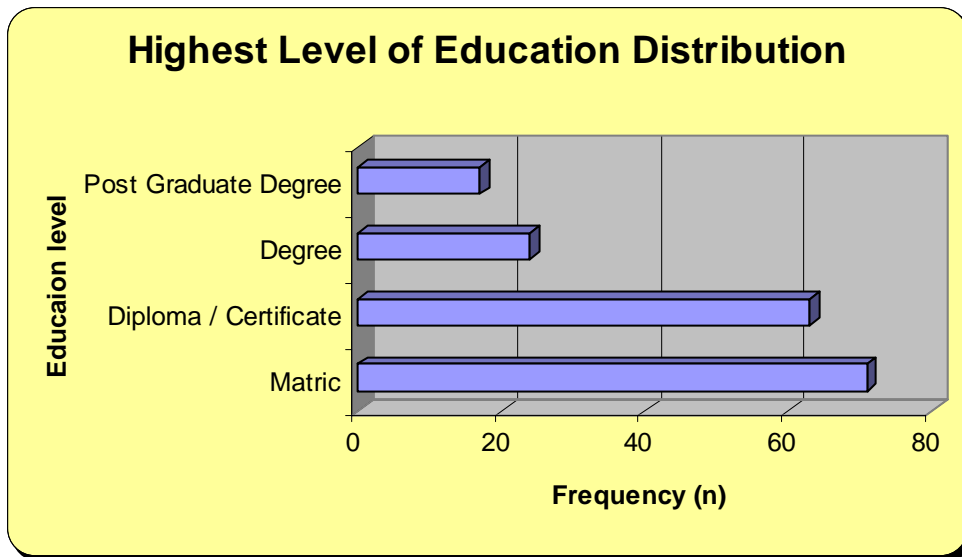
Figure 5.2: Age distribution of respondents



5.3.3 Highest level of Education Distribution

The highest level of education distribution of the respondents indicated that the largest group of respondents (71, representing 39.6%) held a Matric certificate. The second largest group of respondents (63, representing 35.1%) held Diplomas / Certificates. The smallest group of respondents (17, representing 9.4%) held a Post Graduate degree. Figure 5.3 represents the highest level of education distribution graphically.

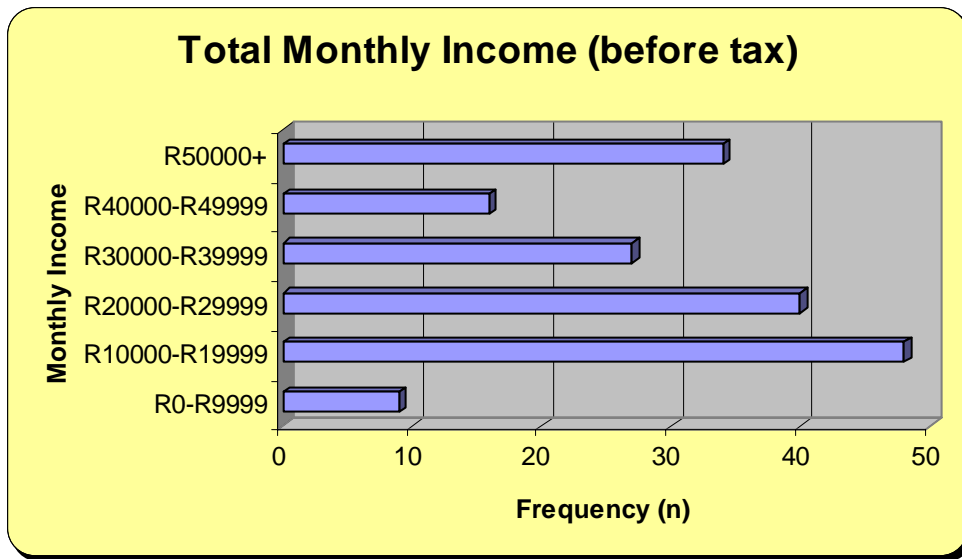
Figure 5.3: Highest level of education distribution of respondents



5.3.4 Total Monthly Income (before tax) Distribution

The highest level of monthly income (before tax) distribution of the respondents indicated that the largest group of respondents (48, representing 26.8%) indicated earnings of between R10 000 and R19 999. The second largest group of respondents (40, representing 22.3%) indicated earnings of between R19 000 and R20 000. The smallest group of respondents (16, representing 8.9%) indicated earnings of R40 000 to R49 000. Figure 5.4 represents the total monthly income (before tax) distribution graphically.

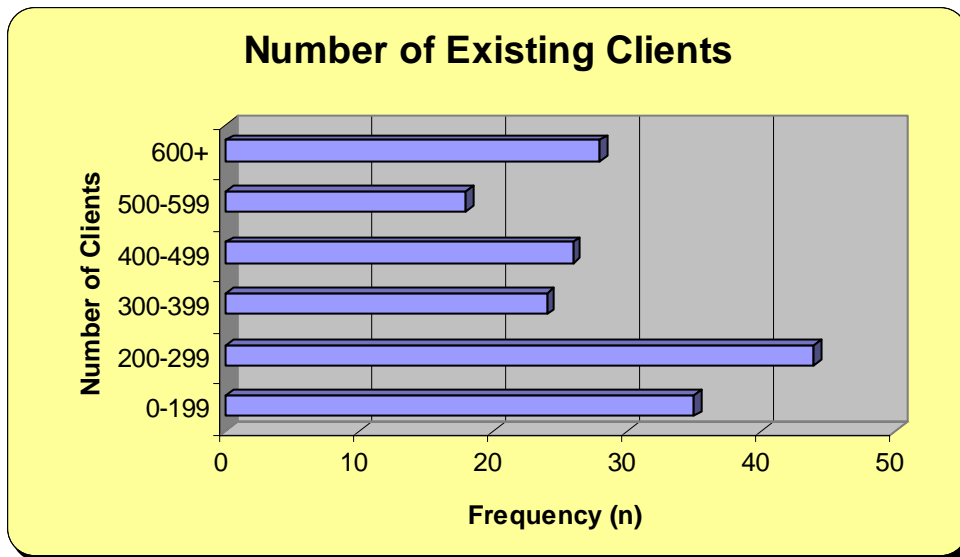
Figure 5.4: Total monthly income (before tax) distribution of respondents



5.3.5 Number of Existing Clients Distribution

The highest number of existing clients distribution of the respondents indicated that the largest group of respondents (44, representing 24.5%) indicated number of clients 200 and 299. The second largest group of respondents (35, representing 19.5%) indicated number of clients 0 and 199. The smallest group of respondents (18, representing 10%) indicated number of clients between 500 and 599. Figure 5.5 represents the number of existing clients distribution graphically.

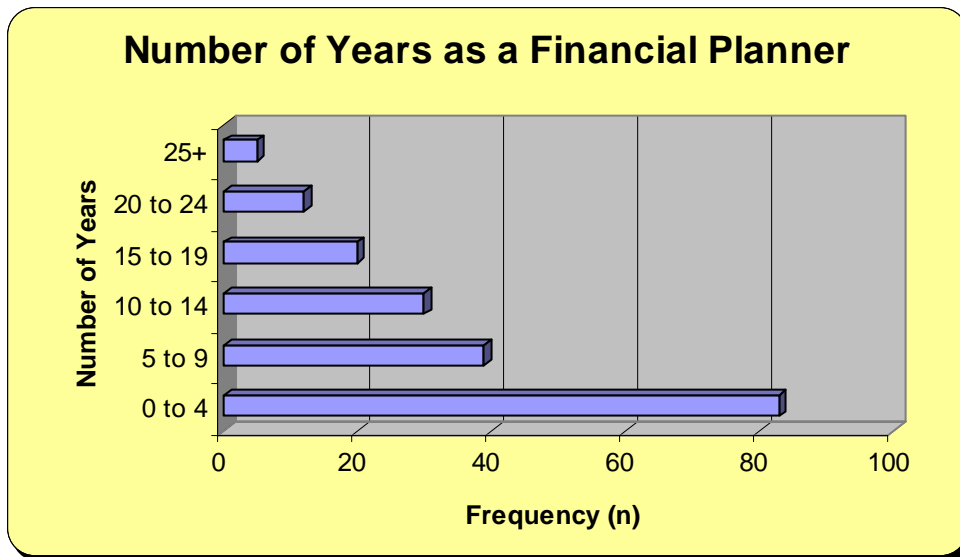
Figure 5.5: Number of existing clients distribution of respondents



5.3.6 Number of Years as a Financial Planner Distribution

The highest number of years as a financial planner distribution of the respondents indicated that the largest group of respondents (83, representing 46.3%) indicated number of years between 0 to 4 years. The second largest group of respondents (39, representing 21.7%) indicated number of years between 5 and 9 years. The smallest group of respondents (5, representing 2.7%) indicated number of years 25 plus. Figure 56 represents the number of years as a financial planner distribution graphically.

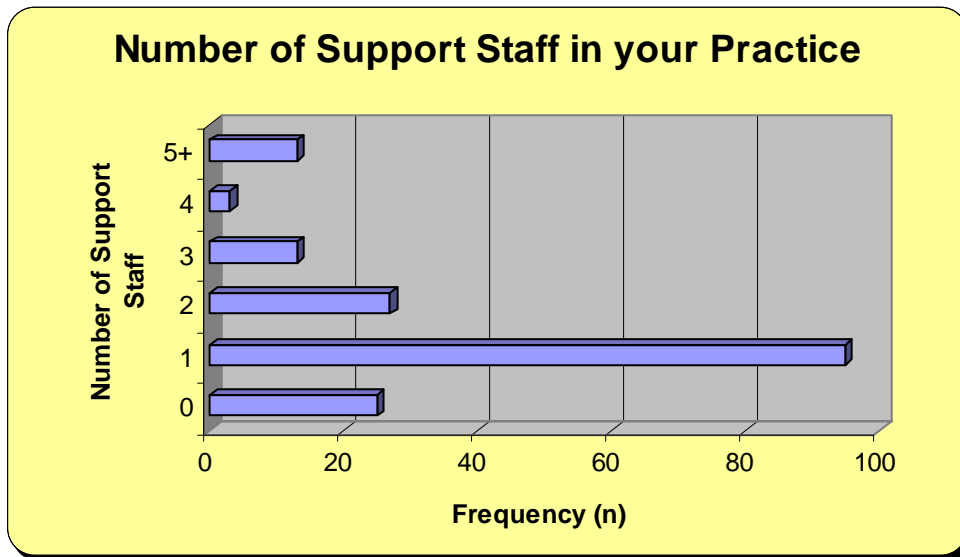
Figure 5.6: Number of years as a financial planner distribution of respondents



5.3.7 Number of Direct Support Staff in Your Practice Distribution

The highest number of direct support staff in your practice distribution of the respondents indicated that the largest group of respondents (95, representing 53%) indicated number of staff as 1. The second largest group of respondents (27, representing 15%) indicated number of staff as 2. The smallest group of respondents (3, representing 1.67%) indicated number of staff as 4. Figure 5.7 represents the number of direct support staff in your practice distribution graphically.

Figure 5.7: Number of direct support staff in your practice distribution of respondents



5.3.8 Relationships between Demographics

The relationships which were analysed all used total monthly income (before tax) as a non-changing demographic and examined the effect on income by introducing other demographics. The three demographics which were changed included highest level of qualification, number of years as a Financial Planner and number of existing clients.

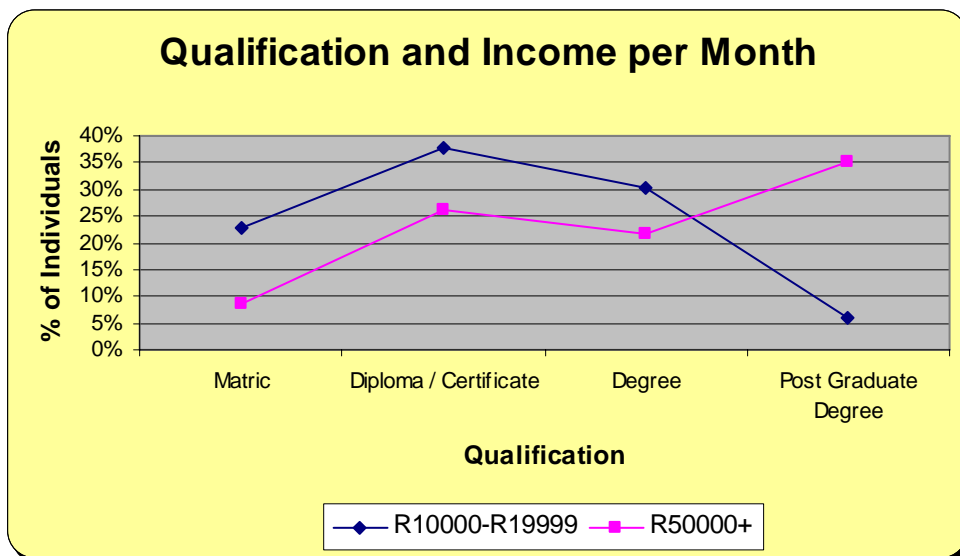
5.3.8.1 The Relationship between Highest Level of Qualification and Total Monthly Income (Before Tax)

The frequency of responses were totalled for the highest level of qualification and total monthly income (before tax) demographics. Two high and low income

categories were selected and the percentage of individuals achieving these income levels in the qualification category was calculated.

The analysis showed that 9% of Financial Planners with Matric were earning R50 000+ month compared to 35% of Financial Planners with Post Graduate Qualifications. This was a positive correlation suggesting that higher levels of qualifications results in increased income. This was further supported by results in the lower income category of R10 000 to R19 000 where 23% of respondents with a Matric earned this income compared to 6% of Post Graduate Degree in the same income category. Figure 5.8 represents this graphically.

Figure 5.8: Relationship between highest level of qualification and monthly income (before tax)

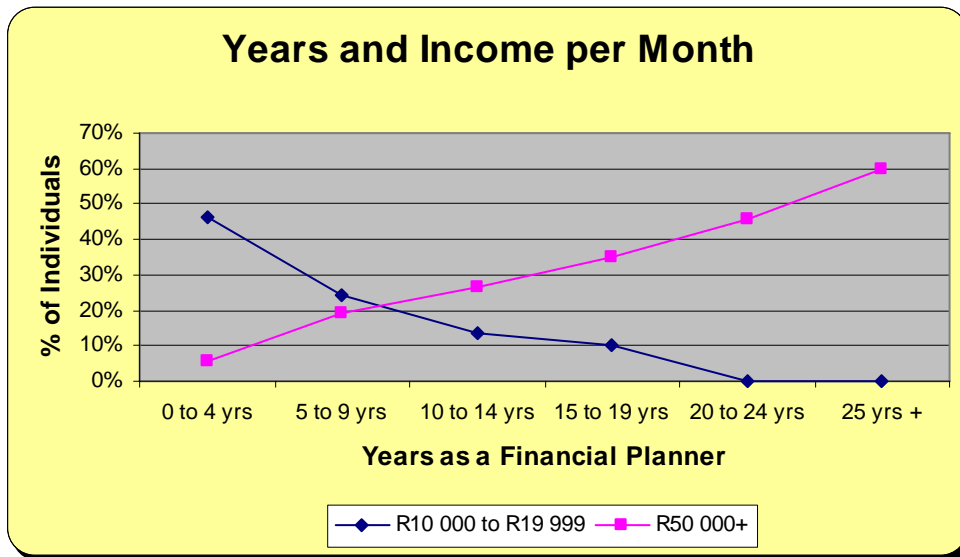


5.3.8.2 The Relationship between number of Years as Financial Planner and Total Monthly Income (Before Tax)

The frequency of responses were totalled for the number of years as a Financial Planner and total monthly income (before tax) demographics. Two high and low income categories were selected and the percentage of individuals achieving these income levels in the years of service category was calculated.

The analysis showed that 6% of Financial Planners with 0 to 4 years experience were earning R50 000+ month as compared to 60% of Financial Planners with 25 years+ of experience. This was a positive correlation suggesting that increased time results in increased income. This was further supported by results in the lower income category of R10 000 to R19 000 where 46% of respondents in the 0 to 4 year category earned this income compared to 0% in the 25 year + category. Figure 5.9 represents this graphically.

Figure 5.9: Relationship between number of years as a Financial Planner and total monthly income (before tax)



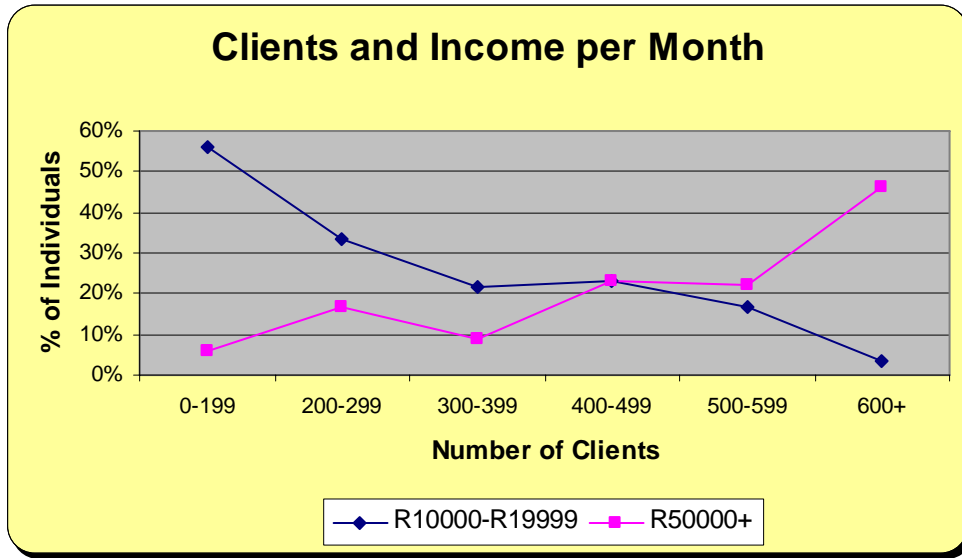
5.3.8.3 The Relationship between number of Existing Clients and Total Monthly Income (Before Tax)

The frequency of responses were totalled for the number of existing clients and total monthly income (before tax) demographics. Two high and low income categories were selected and the percentage of individuals achieving these income levels in the number of existing clients category was calculated.

The analysis showed that 6% of Financial Planners with 0 to 199 clients were earning R50 000+ month as compared to 46% of Financial Planners with 600+ clients. This was a positive correlation suggesting that increased number of clients results in increased income. This was further supported by results in the lower income category of R10 000 to R19 000 where 56% of respondents in the

0 to 199 category earned this income compared to 4% in the 600+ clients category. Figure 5.10 represents this graphically.

Figure 5.10: The relationship between number of existing clients and total monthly income (before tax)



5.4 ANALYSIS OF STATEMENTS ON PRACTICE MANAGEMENT PRINCIPLES

In Section 2 of the survey, respondents were requested to rate 20 statements concerning practice management, using a five-point Likert scale as the method to express their views. The twenty statements were broken into four components which covered different aspects of practice management. The objective of Section 2 of the survey was to gain an understanding regarding a respondent's perceptions about the principles of practice management and their importance.

To understand the relative importance of each variable, all 20 variables were converted into averages (means) and standard deviations. Standard deviation values are an indication of the spread of the mean distributions and values which are low imply a narrow distribution, whilst higher values imply a wide distribution. A linear transformation was conducted to generate a rating scale by mapping the five point Likert scale. Values were assigned to the scale, i.e. 1=5%; 2=25%; 3=50%; 4=75%; and 5=100%. Table 5.1 contains a summary of the results of this analysis.

Table 5.1: Relative importance of principles of practice management as perceived by the respondent

Components of Practice Management	Statements on Principles of Practice Management		Mean	Std Deviation	Rating %
A Financial Planner has to have the following personal attributes	1	High standards of integrity and ethics	4.87	0.50	97.30%
	2	Build relationships of trust	4.87	0.50	97.38%
	3	High emotional intelligence	4.23	0.86	84.60%
	4	Engage in continuous education	4.50	0.61	90.00%
	5	Be entrepreneurial	4.37	0.76	87.30%
A Financial Planner has to have the following personal skills	6	An ability to communicate with customers who have different money personalities	4.61	0.61	92.28%
	7	An ability to communicate with customers who are in different life cycle stages	4.63	0.59	92.54%
	8	Strong technical knowledge relating to product, legislation and macroeconomic factors	4.50	0.70	90.00%
	9	Presentation techniques which convey information in a professional manner	4.50	0.70	90.00%
A Financial Planner must use these strategies with customers	10	Qualify new customers prior to proceeding with the financial planning process	4.19	0.82	83.82%
	11	Engage in a consultative financial planning process with customers	4.44	0.71	88.82%
	12	Manage financial planning needs of customers on an ongoing basis	4.51	0.58	90.28%
	13	Obtain referrals for new customers from existing customers	4.08	0.85	81.68%
	14	Segment customers in the practice according to value and offer appropriate services to each segment	3.85	1.05	77.08%
	15	Discontinue customer relationships where value gained is less than the costs of maintaining the relationship	3.07	1.16	61.34%
A Financial Planner must use the following business strategies	16	Use strategic planning to develop a business plan	4.17	0.82	83.48%
	17	Develop a marketing plan that promotes competitive advantage	4.15	0.82	83.06%
	18	An ability to recruit, develop, retain and lead support staff	4.09	1.04	81.70%
	19	Use technology to gain efficiencies	4.33	0.78	86.52%
	20	Manage risk by ensuring compliance requirements are adhered to	4.57	0.68	91.46%

The most significant findings of the analysis were as follows:

The average of the mean scores for all twenty statements was 4.33 and the average rating 86.53%. Eighteen statements had mean scores above 4. The average mean score for these eighteen statements was 4.42 and the average rating 88.46%. This suggests that respondents had a high level of support for the majority of the statements.

The average standard deviation for all twenty statements was 0.76. This is a narrow range of distribution as a whole and suggests that respondents mostly strongly agreed or agreed with the statements.

5.4.1 Component Analysis

For components of practice management the average mean scores and rating were analysed. The components were ranked highest to lowest using the average mean score per component. Table 5.2 below contains a summary of the results of this analysis.

Table 5.2: Average mean score ranking by components of principles of practice management

Component	Average Mean Score	Average Rating
Personal attributes	4.57	91.32%
Personal skills	4.56	91.21%
Business strategies	4.26	85.24%
Customer strategies	4.03	80.50%

The personal attributes component ranked highest with an average mean score of 4.57. The customer strategies component ranked lowest with an average mean score of 4.03.

The same analysis was done using the average standard deviation per component and the components were ranked from the lowest average standard deviation to the highest. Table 5.3 below contains a summary of the results of this analysis.

Table 5.3: Average standard deviation ranking by components of principles of practice management

Component	Average Standard Deviation
Personal attributes	0.65
Personal skills	0.65
Business strategies	0.83
Customer strategies	0.86

The personal attributes and personal skills components had equal average standard deviation values of 0.65 and ranked highest. The customer strategies component ranked the lowest with an average standard deviation value of 0.86.

5.4.1.1 Individual Component Analysis

An analysis of each component was done to assess responses to each of the statements within the context of the component. This analysis looked at which statements had the highest and lowest mean scores as well as the lowest and highest standard deviation values. Where the scores and values were equal in a category, all statements were included on the tables. The components are examined in the order they appeared on the survey instrument.

5.4.1.2 Personal Attributes Component Analysis

Results of the analysis are detailed in the tables below.

Table 5.4: Highest mean score for statements in the personal attributes component

Statement Number	Statement	Highest Mean Score
1	High standards of integrity and ethics	4.87
2	Build relationships of trust	4.87

Table 5.5: Lowest mean score for statements in the personal attributes component

Statement Number	Statement	Lowest Mean Score
3	High emotional intelligence	4.23

Table 5.6: Lowest standard deviation value for statements in the personal attributes component

Statement Number	Statement	Lowest Standard Deviation
1	High standards of integrity and ethics	0.50
2	Build relationships of trust	0.50

Table 5.7: Highest standard deviation value for statements in the personal attributes component

Statement Number	Statement	Highest Standard Deviation
1	High emotional intelligence	0.86

5.4.1.3 Personal Skills Component

Results of the analysis are detailed in the tables below.

Table 5.8: Highest mean score for statements in the personal skills component

Statement Number	Statement	Highest Mean Score
7	An ability to communicate with customers who are in different life cycle stages	4.63

Table 5.9: Lowest mean score for statements in the personal skills component

Statement Number	Statement	Lowest Mean Score
8	Strong technical knowledge relating to product, legislation and macroeconomic factors	4.50
9	Presentation techniques which convey information in a professional manner	4.50

Table 5.10: Lowest standard deviation value for statements in the personal skills component

Statement Number	Statement	Lowest Standard Deviation
7	An ability to communicate with customers who are in different life cycle stages	0.59

Table 5.11: Highest standard deviation value for statements in the personal skills component

Statement Number	Statement	Highest Standard Deviation
8	Strong technical knowledge relating to product, legislation and macroeconomic factors	0.70
9	Presentation techniques which convey information in a professional manner	0.70

5.4.1.4 Customer Strategies Component

Results of the analysis are detailed in the tables below.

Table 5.12: Highest mean score for statements in the customer strategies component

Statement Number	Statement	Highest Mean Score
12	Manage financial planning needs of customers on an ongoing basis	4.51



Table 5.13: Lowest mean score for statements in the customer strategies component

Statement Number	Statement	Lowest Mean Score
15	Discontinue customer relationships where value gained is less than the costs of maintaining the relationship	3.07

Table 5.14: Lowest standard deviation value for statements in the customer strategies component

Statement Number	Statement	Lowest Standard Deviation
12	Manage financial planning needs of customers on an ongoing basis	0.58

Table 5.15: Highest standard deviation value for statements in the customer strategies component

Statement Number	Statement	Highest Standard Deviation
15	Discontinue customer relationships where value gained is less than the costs of maintaining the relationship	1.16

5.4.1.5 Business Strategies Component

Results of the analysis are detailed in the tables below.



Table 5.16: Highest mean score for statements in the business strategies component

Statement Number	Statement	Highest Mean Score
20	Manage risk by ensuring compliance requirements are adhered to	4.57

Table 5.17: Lowest mean score for statements in the business strategies component

Statement Number	Statement	Lowest Mean Score
18	An ability to recruit, develop, retain and lead support staff	4.09

Table 5.18: Lowest standard deviation value for statements in the business strategies component

Statement Number	Statement	Lowest Standard Deviation
20	Manage risk by ensuring compliance requirements are adhered to	0.68

Table 5.19: Highest standard deviation value for statements in the business strategies component

Statement Number	Statement	Highest Standard Deviation
18	An ability to recruit, develop, retain and lead support staff	1.04

To deepen the understanding of the mean scores, two tables were compiled ranking each statement with the highest and lowest mean scores in each component.

In the ranking of highest mean scores it was found that statement 1, “Having high standards of integrity and ethics” had the highest mean score of 4.87. Statement 12, “Manage financial planning needs of customers on an ongoing basis” had the lowest mean score of 4.51. Table 5.19 below gives the results of all component statements.

5.4.1.6 Ranking of the Highest Mean Score Statement from each Component

Table 5.20: Highest mean score statement in components

Statement Number	Statement	Highest Mean Score
1 (Attributes)	High standards of integrity and ethics	4.87
2 (Attributes)	Build relationships of trust	4.87
7 (Skills)	An ability to communicate with customers who are in different life cycle stages	4.63
20 (Business)	Manage risk by ensuring compliance requirements are adhered to	4.57
12 (Customer)	Manage financial planning needs of customers on an ongoing basis	4.51

In the ranking of lowest mean score it was found that statement 15, “Discontinue customer relationships where value gained is less than the costs of maintaining the relationship” had the lowest mean score of 3.07. Statement 9,

“Presentation techniques which convey information in a professional manner” had the highest mean score of 4.51. Table 5.20 below gives the results of all component statements.

5.4.1.7 Ranking of the Lowest Mean Score Statement from each Component

Table 5.21: Lowest mean score by component

Statement Number	Statement	Lowest Mean Score
15 (Customer)	Discontinue customer relationships where value gained is less than the costs of maintaining the relationship	3.07
18 (Business)	An ability to recruit, develop, retain and lead support staff	4.09
3 (Attributes)	High emotional intelligence	4.23
8 (Skills)	Strong technical knowledge relating to product, legislation and macroeconomic factors	4.50
9 (Skills)	Presentation techniques which convey information in a professional manner	4.50

5.4.2 INDIVIDUAL STATEMENT ANALYSIS

5.4.2.1 Ranking of Mean Scores

All statements were ranked from the highest to the lowest mean score regardless of the particular component of practice management to which they were allocated. Statement numbers were colour coded according to each component to provide a visual reference of the component. The objective of this



ranking was to isolate the three statements with the highest or lowest mean scores regardless of the component to which they were attached. The results of this ranking are detailed in table 5.21 below.

Table 5.22: Mean score ranking of all statements from highest to lowest

Statements on Principles of Practice Management		Mean
2	Build relationships of trust	4.87
1	High standards of integrity and ethics	4.87
7	An ability to communicate with customers who are in different life cycle stages	4.63
6	An ability to communicate with customers who have different money personalities	4.61
20	Manage risk by ensuring compliance requirements are adhered to	4.57
12	Manage financial planning needs of customers on an ongoing basis	4.51
9	Presentation techniques which convey information in a professional manner	4.50
8	Strong technical knowledge relating to product, legislation and macroeconomic factors	4.50
4	Engage in continuous education	4.50
11	Engage in a consultative financial planning process with customers	4.44
5	Be entrepreneurial	4.37
19	Use technology to gain efficiencies	4.33
3	High emotional intelligence	4.23
10	Qualify new customers prior to proceeding with the financial planning process	4.19
16	Use strategic planning to develop a business plan	4.17
17	Develop a marketing plan that promotes competitive advantage	4.15
18	An ability to recruit, develop, retain and lead support staff	4.09
13	Obtain referrals for new customers from existing customers	4.08
14	Segment customers in the practice according to value and offer appropriate services to each segment	3.85
15	Discontinue customer relationships where value gained is less than the costs of maintaining the relationship	3.07

Colour	Component
Red	Personal attributes
Blue	Personal skills
Green	Customer strategies
Yellow	Business strategies

The highest mean score of 4.87 was given to two statements, “Build relationships of trust” (statement 2) and “High standards of integrity and ethics” (statement 1). The rating percentage of these two statements was above 97.3%. The second highest mean score of 4.63 was given to the statement “An

ability to communicate with customers who are in a different life cycle stage” (statement 7). The rating percentage for this statement was 92.54%. The third highest mean score of 4.61 was given to the statement “An ability to communicate with customers who have different money personalities” (statement 6). The rating percentage for this statement was 92.28%.

The lowest mean score of 3.07 was given to the statement “Discontinue customer relationships where value gained is less than the costs of maintaining the relationship” (statement 15). The rating percentage for this statement was 61.34%. The second lowest mean score of 3.85 was given to the statement “Segment customers in the practice according to value and offer appropriate services to each segment” (statement 14). The rating percentage for this statement was 77.08%. The third lowest mean score of 4.08 was given to the statement “Obtain referrals for new customers from existing customers” (statement 13). The rating percentage for this statement was 81.68%.

5.4.2.2 Ranking of Standard Deviation Scores

All statements were ranked from the lowest to the highest standard deviation value regardless of the particular component of practice management to which they were allocated. Statement numbers were colour coded according to each component to provide a visual reference of the component. The objective of this ranking was to isolate the three statements with the lowest or highest standard deviation scores regardless of the component to which they were attached. The results of this ranking are detailed in table 5.22 below.



Table 5.23: Standard deviation value ranking of all statements from lowest to highest

Statements on Principles of Practice Management		Std Deviation
2	Build relationships of trust	0.50
1	High standards of integrity and ethics	0.50
12	Manage financial planning needs of customers on an ongoing basis	0.58
7	An ability to communicate with customers who are in different life cycle stages	0.59
4	Engage in continuous education	0.61
6	An ability to communicate with customers who have different money personalities	0.61
20	Manage risk by ensuring compliance requirements are adhered to	0.68
8	Strong technical knowledge relating to product, legislation and macroeconomic factors	0.70
9	Presentation techniques which convey information in a professional manner	0.70
11	Engage in a consultative financial planning process with customers	0.71
5	Be entrepreneurial	0.76
19	Use technology to gain efficiencies	0.78
17	Develop a marketing plan that promotes competitive advantage	0.82
10	Qualify new customers prior to proceeding with the financial planning process	0.82
16	Use strategic planning to develop a business plan	0.82
13	Obtain referrals for new customers from existing customers	0.85
3	High emotional intelligence	0.86
18	An ability to recruit, develop, retain and lead support staff	1.04
14	Segment customers in the practice according to value and offer appropriate services to each segment	1.05
15	Discontinue customer relationships where value gained is less than the costs of maintaining the relationship	1.16

Colour	Component
Red	Personal attributes
Blue	Personal skills
Green	Customer strategies
Yellow	Business strategies

The lowest standard deviation value of 0.50 was given to two statements “Build relationships of trust” (statement 2) and “High standards of integrity and ethics” (statement 1). The second lowest standard deviation value of 0.58 was given to the statement “Manage financial planning needs of customers on an ongoing basis” (statement 12). The third lowest standard deviation value of 0.59 was

given to the statement “An ability to communicate with customers who are in a different life cycle stage” (statement 7).

The highest standard deviation value of 1.16 was given to the statement, “Discontinue customer relationships where value gained is less than the costs of maintaining the relationship” (statement 15). The second highest standard deviation value of 4.63 was given to the statement “Segment customers in the practice according to value and offer appropriate services to each segment” (statement 14). The rating percentage for this statement was 92.54%. The third highest standard deviation value of 1.04 was given to the statement “An ability to recruit, develop, retain and lead support staff” (statement 18).

5.5 ANALYSIS OF OPEN-ENDED QUESTIONS

Section 3 of the survey instrument asked three open-ended questions. Question 1 was designed to force respondents to select and rank in order of importance three statements from section 2 of the survey. The objective of the question was to gain an understanding of what respondents views were of the importance of statements. Question 2 asked respondents to describe the “biggest challenge” that the respondent faced. The objective of this question was to see if additional issues, not mentioned under section 2, about practice management principles were noted. Only 9% of respondents completed question 3 and the general comments made were deemed to not add any value to the main objectives of the research. For the purposes of analysis question 3 has not been considered.

5.5.1 ANALYSIS OF QUESTION 1

The intention of this question was to establish the three most important statements in Section 2 that the respondent selected and ranked in order of importance. The responses for each statement were totalled for each ranking and a percentage calculated using the number of response for each statement and the total number of respondents.

Table 5.23 below shows the top four statements in ranking position number 1. Statement number 1 was the highest ranked statement with 61.4% of respondents choosing this as the most important statement out of all twenty statements.

Table 5.24: Statements ranked in position 1

Statement	Statement Number	% of Respondents
High standards of integrity and ethics	1 (Attributes)	61.4%
Build relationships of trust	2 (Attributes)	12.8%
Manage financial planning needs of customers on an ongoing basis	12 (Customer)	4.5%
Use strategic planning to develop a business plan	16 (Business)	3.9%

Table 5.24 below shows the top four statements in ranking position number 2. Statement number 2 was the highest ranked statement with 24.6% of respondents choosing this as the most important statement out of all twenty statements.

Table 5.25: Statements ranked in position 2

Statement	Statement Number	% of Respondents
Build relationships of trust	2 (Attributes)	24.6%
Strong technical knowledge relating to product, legislation and macroeconomic factors	8 (Skills)	11.7%
An ability to communicate with customers who are in different life cycle stages	7 (Skills)	11.7%
Manage financial planning needs of customers on an ongoing basis	12 (Customer)	9.5%

Table 5.25 below shows the top four statements in ranking position number 3. Statement number 12 was the highest ranked statement with 14.5% of respondents choosing this as the most important statement out of all twenty statements.

Table 5.26: Statements ranked in position 3

Statement	Statement Number	% of Respondents
Manage financial planning needs of customers on an ongoing basis	12 (Customer)	14.5%
Strong technical knowledge relating to product, legislation and macroeconomic factors	8 (Skills)	10.0%
An ability to communicate with customers who are in different life cycle stages	7 (Skills)	7.8%
Manage risk by ensuring compliance requirements are adhered to	20 (Business)	6.7%

To ascertain whether there were other statements that had a significant response, the final analysis calculated all responses to the statements regardless of ranking and calculated a percentage. Table 6.26 below shows the

results of this analysis and the three statements which received the highest overall responses. The result showed that the same statements and ranking were evident.

Table 5.27: Overall statement ranking

Statement	Statement Number	% of Respondents
High standards of integrity and ethics	1 (Attributes)	70%
Build relationships of trust	2 (Attributes)	37.4%
Manage financial planning needs of customers on an ongoing basis	12 (Customer)	28.5%

5.5.2 ANALYSIS OF QUESTION 2

Responses for question 2 were grouped on a qualitative basis to establish common themes out of the responses. The significant groupings were compliance (this related to the legislative requirements which Financial Planners have to follow), practice management (this related to the aspects described in the literature review) and poor client perceptions (this related to poor industry perceptions created by the media).

The biggest issues facing Financial Planner regarding practice management was compliance (38.5%) and practice management (12.8%)

CHAPTER 6

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DISCUSSION OF RESULTS

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6.1 CHAPTER INTRODUCTION

This chapter discuss the results of the research using the three research questions as its major themes. The objective of this chapter is to integrate the research results and the theory base to establish whether the research objectives have been met.

Each question has been examined separately and results and theory which relate to the research questions have been isolated and discussed. Specific findings are stated for each of the research questions and the analysis closes with a discussion as whether or not the research objectives have been met.

6.2 ANALYSIS OF RESEARCH QUESTION 1

Research question 1 asked “What practice management principles are required for Financial Planners who offer the service of personal financial planning?”

6.2.1 Demographic Results

The monthly income (before tax) demographic was used as an indicator of the Financial Planner broadly applying the components of practice management. The assumption was that higher levels of monthly income (before tax) meant better use of the principles of practice management. Although this assumption was not directly supported in the literature review, it was implied in the discussion of the personal financial planning process as a service, where the literature suggested that success in delivering a service can only come in the application of a broad number of principles. This was illustrated in chapter 2, Figure 2.2.

Three demographic distributions were selected and analysed against the monthly income (before tax) demographic. These were highest level of qualification, number of years as a financial planner and number of existing clients. The findings of each analysis will be discussed below.

6.2.1.1 Finding Number 1 - Highest Level of Education Demographic

The objective of analysing the highest level of education demographic and its effect on income was to see if having a higher level of education increased the monthly income (before tax) of a Financial Planner.

The requirement for education as a Financial Planner is directly supported in the literature. The literature references an environment which is complex, increasing in complexity and will require higher levels of sophistication going forward. The level of education is “physical evidence” which an individual seeking the personal financial planning service will use as a factor to assess competency. Competency is a component of trust and is used by individuals when selecting a professional service. Higher levels of education imply higher levels of competency and therefore higher levels of trust. Further, the literature describes that one the top four requirements identified by individuals who wished to make use of a Financial Planner was “knowledge and expertise”. It is worth noting that legislation stipulates that a Financial Planner should exercise “due skill” when providing personal financial planning services to an individual. This places a legal obligation for education on the Financial Planner and prescribes minimum levels of education.

The research indicated that 35% of Financial Planners with a Post Graduate Qualification earned R50 000+ a month as opposed to 9% of Financial Planners with a Matric. The percentage of Financial Planners earning R50 000+ a month with a Diploma / Certificate was higher than that of Financial Planners in the

Matric and Degree categories, but lower for Financial planners in the Post Graduate Degree category. The percentage of Financial Planners earning R50 000+ in the Degree category was higher than those in the Matric category. The results of the income category R10 000 – R19 999 displayed an opposite trend, with 23% of Financial Planners in the Matric category and 6% in the Post Graduate Degree category.

The research found a direct correlation between the highest level of education demographic and the monthly income (before tax) demographic. This trend suggests that higher levels of education results in higher levels of income.

6.2.1.2 Finding Number 2 - Number of Years as a Financial Planner Demographic

The objective of analysing the number of years as a Financial Planner demographic and its effect on income was to see if the number of years as a Financial Planner increased the monthly income (before tax) of a Financial Planner.

The literature describes personal financial planning as a continuous process that requires ongoing adjustment as an individual's "personal and financial" information changes or the individual changes "future financial goals". One of the customer strategies proposed by the literature is the use of life cycle planning with an individual. Both of these concepts imply that a Financial Planner should be providing the personal financial planning process over the

extended period of an individual's life. The number of years as a Financial Planner is a "physical evidence" in the context of marketing a service that an individual can use to make a judgement about whether to use the service or not and gives credence to the capacity that the Financial Planner has to fulfil the expectations of the individual. Capacity, in addition to competence, is another component of trust, which is used by individuals when selecting a professional service. Research has established that individuals deem "after sales service" as one of the top four requirements expected of a Financial Planner. These principles imply that a higher number of years as a Financial Planner should result in increased income flows.

The research indicated that 60% of Financial Planners with 25 years+ earned R50 000+ a month as opposed to 6% of Financial Planners with 0 to 4 years. The percentage of Financial Planners earning R50 000+ increased in every category from 0 to 4 years up to 25 years+. The results of the income category R10 000 – R19 999 displayed an opposite trend, with 46% of Financial Planners in the 0 to 4 years category and 0% in the 25 years+ category. The percentage of Financial Planners earning R10 000 – R19 999 decreased in every category from 0 to 4 years to 20 to 24 years where it was 0% thereafter.

The research found a direct correlation between the number of years as a Financial Planner demographic and the monthly income (before tax) demographic. This trend suggests that increased number of years results in higher levels of income.

6.2.1.3 Finding Number 3 - Number of Existing Clients Demographic

The objective of analysing the number of existing clients demographic and its effect on income was to see if the number of existing clients increased the monthly income (before tax) of a Financial Planner.

The theory base makes reference to the “service system model” and the important aspects which must be considered when marketing a service. Part of this model indicates that an individual will interact with other individuals when using the service as a “direct” interaction and this has either a positive or negative effect on the system. The number of existing clients also presents “physical evidence” to an individual who is considering the use of the service. This suggests that existing clients impact the service and implies a link between the number of clients and the level of income.

A question to be considered concerns the optimum number of clients required to generate the required level of income. The most efficient model for a Financial Planner would be to have the lowest number of clients possible to generate the required level of income.

The research indicated that 46% of Financial Planners with 600+ clients earned R50 000+ a month as opposed to 6% of Financial Planners with 0 to 199 clients. The percentage of Financial Planners earning R50 000+ increased in the categories 200 to 299, 400 to 499 and 500 to 599 clients, but decreased from 200 to 299 clients to 300 to 399 clients. The results of the income category

R10 000 – R19 999 displayed an opposite trend, with 56% of Financial Planners in the 1 to 199 client category and 4% in the 600+ category. The percentage of Financial Planners earning R10 000 – R19 999 decreased in every category from 0 to 199 clients to 600+ clients.

The research found a strong correlation between the number of existing clients demographic and the monthly income (before tax) demographic. This trend suggests that increased number of clients results in higher levels of income. Although this suggests that an increasing number of clients are required to generate a higher level of income, the research reveals that it is possible to achieve the same level of income with fewer clients. In the context of practice management this is a better position to attain.

6.2.2 Statements on Principles of Practice Management

The objective of analysing responses to specific statements on the principles of practice management was to establish the extent of agreement Financial Planners felt with the statements. These responses could then be used to ascertain what practice management principles, if any, were considered essential in the delivery of the personal financial planning process and in so doing answer the research question.

6.2.2.1 Findings on all Statements

This section examined all the questions as one entity and made no distinctions for a component of practice management.

6.2.2.1.1 Finding Number 1 – Average Mean Score

The literature review established a framework of practice management and derived a list of twenty principles that were grouped into components of practice management. The four components were personal attributes, personal skills, customer strategies and business strategies. This process formed the basis of Section 2 of the survey instrument. It was not assumed that the principles of practice management identified in this literature review represented a comprehensive list of principles of practice management. However, it did provide a credible foundation for this research project and created a framework against which the first research question could be tested.

It is important to note that the framework used in this research project considered each practice management principle of equal value and presented this as an ideal practice management process for testing in the survey instrument.

The research found that the mean score attributed to all statements on principles of practice management was above 4, with a standard deviation value of 0.76. This suggests a high level of agreement from Financial Planners that all

the principles of practice management listed in the survey instrument are important to the practice management process.

6.2.2.1.2 Finding Number 2 - Trust

Previous research into customer expectations identified the issue of integrity, honesty and professionalism as one of four most important aspects that customers consider when selecting a Financial Planner. Literature reviewed suggested trust as the most important criteria when individuals selected a professional service.

The research found that the highest mean score for all statements was given to two statements, statement 1 “High standards of integrity and ethics” and statement 2 “Build relationships of trust” in the personal attributes component. Given the stated customer expectations on this issue and the results of this research, it is a reasonable to propose that the two most important principles in practice management are having the personal attributes of integrity and trust.

6.2.2.1.3 Finding Number 3 – Customer Strategies

Legislation delivered a code of conduct which prescribed the minimum level of service that a Financial Planner is to provide to an individual. One aspect of this code of conduct refers to acting with care and diligence. At this basic level, a Financial Planner needs to assess whether they are able to fulfil these requirements with all existing clients in their practice, and if not, take steps to

rectify this and remain compliant with legislation. Research has shown that individuals required Financial Planners to fill their needs adequately and a principle of practice management is to discontinue customer relationships where these needs cannot be met. It is not feasible for a Financial Planner to meet either the legislative or desired needs of every individual they may encounter.

The research found that the two statements with the lowest mean scores of 3.07 and 3.85 respectively and standard deviation values greater than 1 were statement 15 “ Discontinue customer relationships where value gained is less than the costs of maintaining the relationship” and statement 14 “Segment customers in the practice according to value and offer appropriate services to each segment. In the context of the high average mean score for all statements this was a significant difference.

This could be attributed to the nature of the population of relevance who are Financial Planners employed by a bank. In this environment the notion of “firing” or differentiating the service to a customer may go against an overriding value proposition of the bank, which has relationships with the customer through other products and services.

This could also result from a misunderstanding by the Financial Planner regarding the concept of a higher number of customers leading to an increase in income. This should not be done at all costs and the focus should rather be on having the right type of customer.

In an attempt to understand this result further, an analysis was done to see if any of the demographic factors were responsible for driving the result. This analysis was inconclusive and the survey instrument does not appear to provide any additional information on this result.

6.2.2.1.4 Finding Number 4 – Support Staff

The service system model demonstrates that all aspects of the practice are interrelated. This suggests that if there is any weakness in a part of the system the overall service experience of the individual will be adversely affected. One of the components of the practice management service system is the support staff that may either be visible or not visible to the individual, but have an important role in the delivery of the service.

The research found that in the number of direct support staff in your practice demographic, 84% of all respondents had direct support staff in their practice. This was a high percentage value and demonstrated that the majority of Financial Planners use support staff. However, statement 18 “An ability to recruit, develop, retain and lead support staff” had the third lowest mean score of 4.09 and standard deviation value of 1.04.

These results implied that although the majority of Financial Planners use support staff, both the structures around and attitudes towards support staff need improvement and the effects of this improvement present as tangible benefits in the practice management service system.

6.2.2.2 Findings for Components of Practice Management

The components of practice management which have been identified are personal attributes, personal skills, customer strategies and business strategies. These were identified by picking up key themes in the literature which was reviewed. The personal attributes and skills components were grounded in requirements of legislation, the strong emphasis on trust and requirements of individuals. The customer strategies component was grounded in the personal financial planning process and the business strategies component was grounded in the service system model. All are interdependent and each one must be successful in their own right for a practice to deliver the service.

The research found that when the four components' mean scores were averaged, customer strategies had the lowest overall mean score of 4.03. The personal skills component had the highest mean score of 4.57.

This result suggests that Financial Planners did not fully understand the personal financial planning process, or do understand it, but selected principles which were convenient and chose to ignore others. The limitation to this conclusion was that the result for this component was influenced by the aspect of the financial Planner working for a bank and potentially not having the freedom to apply all of the customer strategies freely in the context of practice management as an individual.

6.2.3 Conclusion on Research Question 1

The aim of question one was to establish principles of practice management. It is clear from the overall mean scores that all the principles of practice management were validated, and further insight was gained into the role of specific principles of practice management such as trust as well as demographic drivers and their effect on income.

6.3 ANALYSIS OF RESEARCH QUESTION 2

Research Question 2 asked “Which three practice management principles are the most important when offering the service of personal financial planning?”

The objective of this research question was to have the Financial Planner identify the three practice management principles which were seen to be the most important. This was done so that the research project could establish in addition to the quantitative analysis an overall view on the principles of practice management.

The research found that the three selected principles based on a simple vote were as follows:

- Statement 1 “High Standards of integrity and ethics” with 61.4%
- Statement 2 “Build relationships of trust” with 24.6%
- Statement 12 “Manage financial planning on a ongoing basis” with 14.5%

Statements 1 and 2 are consistent with the findings of the research results already discussed. Statement 12 had a mean score of 4.51 and ranked sixth overall. However this is the first time statement 12 appears as significant result.

Statement 12 is part of the customer strategy component and was identified as the last step in the personal financial planning process. Without it the personal financial plan does not remain current with an individual's changing personal and financial goals, the Financial planner does not build a practice and a commitment to after sale service does not exist. It is an important principle and is not out of place as one of the three selected principles.

6.3.1 Conclusion on Research Question 2

The objectives for Research question were met. Three principles of practice management were clearly identified by the respondents.

6.4 ANALYSIS OF RESEARCH QUESTION 3

Research Question 3 asked "What are the top two challenges that a Financial Planner faces in practice management?"

The objective of this research question was to have the Financial Planner identify the top two challenges facing financial Planner in practice management. This was qualitative analysis and grouped themes together using a content analysis.

The results of the research found that the top two challenges were as follows

- Compliance
- Practice management

The aspects of legislation and its impact on the Financial Planners has required Financial Planners to change the way in which they operate, a further analysis showed that Financial Planners who had been in the industry for longer were more prone to state that compliance was an issue. This would imply that this category of Financial Planners are having trouble adjusting to the new legislative requirements.

The matter of practice management is a clear indication that Financial Planners lacked skills when it came to issue in their practice, or experience high levels of dissatisfaction with how their practices were running. The latter may be a reflection of working in the bank, where there are possible constraints placed on the Financial Planner in the manner in which a clients have to be dealt with.

6.4.1 Conclusion on Research Question 3

The objectives of question 2 were met. Two clearly identifiable issues facing Financial Planners in their practices were articulated and expressed in the result of the research.



CHAPTER 7

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

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7.1 SUMMARY OF RESEARCH

The personal financial planning process, which individuals use to achieve future financial goals, has generated the need for products and services to assist the individual achieve these future financial goals. The complexity of making financial decisions resulted in individuals requiring the services of Financial Planners to assist them to make the correct financial decisions on an ongoing basis. Adding an additional layer of complexity to this environment is the recent promulgation of legislation which ensures that the Financial Planner acts in the best interest of individuals and gives the best service to the individual at all times.

The many requirements that have to be met are often approached in an unstructured way resulting in inconsistent service delivery to the individual. It is this inconsistency that has motivated this research. The focus of this research is to establish principles that Financial Planners can use to improve service delivery to the individual and achieve personal financial success. In broad terms this is known practice management and this research will attempt to develop a greater understanding of practice management and provide a basis for further research on practice management.

To do this in a meaningful way this research has two structured phases. The first phase was a theoretical study that provided the basis for the design of a research instrument. The second phase was an empirical study that was done

on the responses received on the research instrument to establish principles of practice management.

7.2 CONCLUSIONS AND RECOMMENDATIONS

The most significant conclusions and recommendations with regard to practice management are as follows:

Four components of practice management were identified in the research. These were personal attributes, personal skills, customer strategies and business strategies. All four components integrate with each other and a weakness in one will impact on another. The implications for Financial Planners are that to improve service delivery the four components need to be managed and developed as a single unit. It also means that existing measuring systems, which tend to focus on activity and financial measures, need to be expanded to allow for monitoring of all the components in the practice.

Twenty specific principles of practice management were identified and classified into one of the four components. There was high levels of agreement from Financial Planners that all the identified principles were relevant to a practice management environment. It was noted that these twenty principles were a starting point for the development of a body of theory surrounding practice management and not a final list. The implications for a financial planner are that the range of skills which are required are very broad. To be good in a particular aspect of practice management will probably result in failure as a whole over

the long-term. How Financial Planners are able to adapt in this environment will be a determinant of success.

The single most important practice management principle from the perspective of both individuals and Financial Planners was identified. This was without question the need for high levels of integrity, ethics and trust. The implications for Financial Planners are that no breach of these standards should be tolerated at any cost. It also brings into question the current recruitment practices of entities that employ Financial Planners. Most recruitment procedures are based on assessing sales ability and sometimes other competencies. Testing for personal attributes is rarely done, but these attributes together with those already mentioned were the highest ranked principles in the research results. It is recommended that ethics testing and training should be introduced in a formalised way to meet the requirements that this principle of practice management suggests.

Three demographic drivers of income were identified. These were levels of education, number of existing clients and number of years as a Financial Planner. The research results for two of the demographics, levels of education and numbers of years as a Financial Planner, had significant positive correlations. This meant that higher levels of education and increased years as a financial planner resulted in increased levels of earnings. The implications of these findings are applicable at both a personal and business level. At a personal level the case for engagement in ongoing education is clearly made. At a business level organisations should be testing for this trait at recruitment

stage and making opportunities for further study or development available. Further, the need to retain Financial Planners in the industry over an extended period of time will be of benefit. The third demographic of number of existing clients poses two questions. These are, what is the ideal size for number of clients per Financial Planner and how does a Financial Planner manage the client base to an efficient level? These questions require detailed research and fall outside the scope of this research project. However, it is recommended that information be gathered by Financial Planners that will assist in the answering of these questions.

7.3 MAIN CONTRIBUTIONS OF THIS RESEARCH

The main contribution of this research was to increase the information available regarding practice management principles in the personal financial planning process. These contributions can be summarised as follows:

- Exploratory research in to the principles of practice management has been undertaken.
- A research instrument has been developed and can be used to replicate the research.
- Principles of practice management have been placed in the context of a service system model and four components have been identified.

- Specific principles of practice management have been identified for use by Financial Planners.
- The personal financial planning process has been articulated and placed in an appropriate context.

7.4 RECOMMENDATIONS FOR FUTURE RESEARCH

Based on the outcomes of this research the following recommendations are submitted for future research regarding practice management.

- Although this research establishes a base set of principles of practice management, it is recommended that research is done to test and incorporate other principles which may be appropriate.
- The research of principles remains theoretical in nature. It is recommended that research is done which examines how effective Financial Planners are at applying the principles of practice management. It is felt that this will link the theory and actual experience together and provide insight into how effective the theory is.
- The theory suggests that the application of these principles leads to improved financial success for the Financial Planner. This has not been tested and empirical research on this subject would help develop the subject matter further.

In closing, this research has presented principles which it is hoped will deepen the understanding of the personal financial planning process and the role of practice management and in so doing further the body of knowledge related to this field.



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ANNEXURE A – THE RESEARCH INSTRUMENT



An MBA Research Project Survey

Personal Financial Planning: Strategies for Successful Practice Management

This survey assesses your rating of Practice Management strategies as a Financial Planner. The survey has three sections which we request you respond to.

The completed survey can either be e-mailed to fpsurvey@mweb.co.za or faxed to 0866857954.

If you are going to submit the survey via e-mail, please remember to save your changes to the document and **forward** the e-mail to the given address. This will ensure that the document is sent as an attachment with the e-mail.

Section 1: Demographic Information

Please indicate your response by making a mark in the space provided in the appropriate block.

Gender

Male		Female	
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Age

20 – 24		45 – 49	
25 – 29		50 – 54	
30 – 34		55 – 59	
35 – 39		60 – 64	
40 – 44		65 +	

Highest level of Education

Matric	
Diploma / Certificate	
Degree	
Post Graduate Degree	

Total monthly income (before tax)

R 0 – R 9 999	
R 10 000 – R 19 999	
R 20 000 – R 29 999	
R 30 000 – R 39 999	
R 40 000 – R 49 999	
R 50 000 +	



Number of existing clients

0 – 199	
200 – 299	
300 – 399	
400 - 499	
500 - 599	
600 +	

Number of years as a Financial Planner

0 – 4	
5 – 9	
10 – 14	
15 – 19	
20 – 24	
25 +	

Number of direct support staff in your practice

0	
1	
2	
3	
4	
5+	

Section 2: Statements on Practice Management Strategies

Please read the statements carefully and then indicate your response to each statement by circling or marking the relevant number in each row. In cases where you have no experience of the particular statement, please mark “Not Applicable” (N/A).

A Financial Planner has to have the following personal attributes	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Not Applicable
High standards of integrity and ethics	1	2	3	4	5	N/A
Build relationships of trust	1	2	3	4	5	N/A
High emotional intelligence	1	2	3	4	5	N/A
Engage in continuous education	1	2	3	4	5	N/A
Be entrepreneurial	1	2	3	4	5	N/A



A Financial Planner has to have the following personal skills	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Not Applicable
An ability to communicate with customers who have different money personalities	1	2	3	4	5	N/A
An ability to communicate with customers who are in different life cycle stages	1	2	3	4	5	N/A
Strong technical knowledge relating to product, legislation and macroeconomic factors	1	2	3	4	5	N/A
Presentation techniques which convey information in a professional manner	1	2	3	4	5	N/A

A Financial Planner must use these strategies with customers	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Not Applicable
Qualify new customers prior to proceeding with the financial planning process	1	2	3	4	5	N/A
Engage in a consultative financial planning process with customers	1	2	3	4	5	N/A
Manage financial planning needs of customers on an ongoing basis	1	2	3	4	5	N/A
Obtain referrals for new customers from existing customers	1	2	3	4	5	N/A
Segment customers in the practice according to value and offer appropriate services to each segment	1	2	3	4	5	N/A
Discontinue customer relationships where value gained is less than the costs of maintaining the relationship	1	2	3	4	5	N/A

A Financial Planner must use the following business strategies	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Not Applicable
Use strategic planning to develop a business plan	1	2	3	4	5	N/A
Develop a marketing plan that promotes competitive advantage	1	2	3	4	5	N/A
An ability to recruit, develop, retain and lead support staff	1	2	3	4	5	N/A
Use technology to gain efficiencies	1	2	3	4	5	N/A
Manage risk by ensuring compliance requirements are adhered to	1	2	3	4	5	N/A

Section 3: Open Ended Questions

Please write your response in the space provided below each question.

Question 1: Please select from the list of attributes, skills and strategies in section 2, which in your view are the three most important practice management strategies and list them below in order of importance?

1 _____

2 _____

3 _____

Question 2: What is the biggest challenge you face in your practice today

Question 3: Do you have any general comments on practice management issues that you feel are relevant to the survey?
