

## GUIDE 4: ASSESSING FIT



The primary keys to a successful acquisition are price and fit. The consequences of a poor fit are damaging for both parties. The following notes provide some guidance on assessing and determining a strong fit.

### Preparation

- Set the criteria in advance and stick to it as you move through the initial assessment exercise without letting your emotions become too involved.
- Be honest with yourself when assessing the potential for fit.

### Management approach

- Do the two firms share a similar approach to managing the firm?
- Are there any management systems or formulas in use in either firm and to what extent are they followed? (Check management meeting notes for clues).
- What level of autonomy do individuals working in each firm enjoy? Are there defined decision rights, and how are they assigned and reviewed? This provides a strong indication of culture, as decision rights are a strong signal when assessing consistency of behaviour.

### Clients

- Are there similarities in the types of client, typical challenges faced and solutions offered? Client lists should be supported by conversations with advisers.
- Is there relative experience of dealing with each firm's type of client and potential for genuine empathy?

### Proposition

- What depth of financial planning has been undertaken? There's a vast difference in approaches to financial planning and an early inspection of client files should provide clues.
- What types of products are used with clients? Do the firms use the same types of solution or are there significant differences?
- What differences are there in your investment management solutions? Differences in this area often present insurmountable challenges, so this is a key priority.



## **Roles and structure**

- Are there similarities in the roles undertaken? Again, discussing roles with individuals generally provides greater insight than (often) out of date job descriptions.
- What are the arrangements for adviser support and is there a match? Advisers that have enjoyed a particular type of support, can often really struggle in a different environment.

## **Processes**

- How are processes defined? Some firms interpret checklists as processes, some have detailed written instructions and others have workflows in software systems. Is there a match? Every firm claims to have processes and there are huge differences.
- Is there evidence that processes are adhered to? Does anyone check? Are there consequences for non-adherence? Again, discussions are important here and the main leaders of the business may not know the answers, as they probably don't deal with these issues on a regular basis.

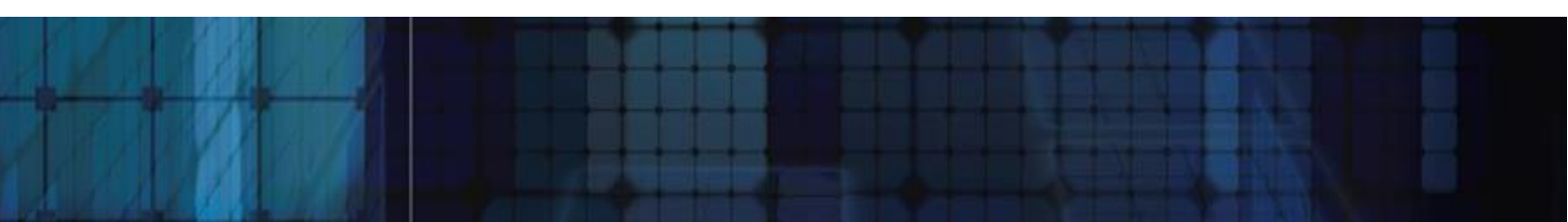
## **Premises**


- What are the standards of accommodation in use?
- Do clients visit the offices and if so, how many meeting rooms are needed?
- Have you considered the physical location, proximity to each other's offices and geographical spread of clients?

## **Risk management**

- How is regulation regarded within each firm? Is it a burden or a tool to support good governance?
- Are there similarities in the firms' approaches to regulatory compliance? Are these similarities born out in the results? (i.e. number of complaints, cost of PI cover, regulatory return detail etc.).

## **Financial management**

- Do both firms administer their finances on either a cash or an accrual basis?
  - Do both firms follow a similar approach to fee matching and bookkeeping processes in general?
  - Do the firms hold similar amounts of capital (relative to regulatory requirements), or is one or the other holding significantly more or less? If so, why?
  - Is there a similar view on the management of cashflow within the firm, drawing money out for owners, investment into the firm for projects and
- 



so on? This can all be discovered through an assessment of the firm's detailed accounts and a discussion with the owner(s) and possibly their accountants.

This document is for use by financial professionals only. It is intended as general guidance only and should not be used as a recommendation to use or rely on any of the features mentioned. The information contained in this document is not advice, nor is it a substitute for advice.

**M223 Version (1) June 2020**

"Transact" is operated by Integrated Financial Arrangements Ltd, 29 Clement's Lane, London EC4N 7AE.  
Tel: (020) 7608 4900 Fax: (020) 7608 5300 email: [info@transact-online.co.uk](mailto:info@transact-online.co.uk) web: [www.transact-online.co.uk](http://www.transact-online.co.uk) (Registered office: as above; Registered in England and Wales under number: 3727592) Authorised and regulated by the Financial Conduct Authority (entered on the Financial Services Register under number: 190856)