

FROM COTTAGE INDUSTRY TO PROFESSIONAL COMPANIES:

VBP'S GUIDE TO SCALING
WITH CONFIDENCE



VITAL BUSINESS PARTNERS

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Introduction



With consumer demand for advice outstripping supply, many advice businesses are rapidly scaling.

The potential benefits of scale include increased capacity, operational and cost efficiencies, and higher profit margins.

In an increasingly complex, fast-moving environment, scale can be a true competitive advantage.

However, the initial process of scaling up often results in declining earnings before interest, taxes, depreciation and amortisation (EBITDA) margins. This is so common that many believe it's inevitable. But why is this so and does it have to be?

Fast growing businesses often plateau and even struggle for periods. Sometimes it's because of market changes but all too often it's a case of increasing complexity and inadequate resources.

Most businesses begin as small, founder-led practices. In cottage industries, they are kick-started by a handful of clients, mainly family and friends. These personal networks are critical, not just in advice, but in businesses of all sizes, however, reliance on personal relationships can limit growth.

Furthermore, as businesses get bigger and evolve, many outgrow the leadership and talent that established and led them through the early stages. In many cases, founders are not the right people to take a business to the next stage, often because it's not what they love to do.

We see this play out all the time in other sectors and industries but it's less pronounced in advice because there have been historically so few businesses of scale.

And yet inside many growing advice businesses, principals are realising this same truth.

They've built a successful practice over many years and have ambition to achieve more but, in their heart, many prefer to focus on engaging with clients and mentoring up-and-coming advisers.

That's the part of their job they enjoy the most - not the day-to-day running of an increasingly complex and expanding business.

As a result, an interesting trend is emerging amongst scaling firms. They are bringing in leaders with corporate experience and skills. These are the types of leaders who are more attuned to running large organisations than small practices.

On the other hand, there are also advisers who love the challenge of evolving into a CEO and learning how to run and scale a business. They no longer have the passion to remain an adviser.

Whichever the case, scaling a mid-tier advice firm requires the owner/s to make a choice to either be a great adviser or be a great CEO. At scale, they cannot do both.

Successful CEOs, be they an internal or external hire, understand that scaling and corporatising requires different choices and skills around operational efficiency, risk management, people leadership and strategy. A declining EBITDA margin is not inevitable, demonstrated by at least some of the many thriving large advice businesses.

What does scale mean?

Having a dedicated CEO, in and of itself, is not the key to scaling and corporatisation.

Many advice businesses have a CEO or General manager and are still run like a small practice.

At a high level, a CEO's role is to set and execute an organisation's vision and strategy; establish and manage the broader leadership team; and make vital business decisions on matters like the allocation of capital and resources, risk management and company culture.

Ultimately, they are responsible for the performance and success of a company.

The biggest obstacle

Arguably, the biggest challenge of scaling is overcoming the small business mindset.

There are many great things about having a small business mindset. For example, people with a small business mindset are problem solvers. They tend to go above and beyond for their clients, use company resources and funds conservatively, and think independently.

But for businesses trying to scale, a small business mindset is an inhibitor.



The small business mindset says, do everything yourself or hire friends and family. It's the reason why principal advisers can often be found lurking in the back office.

The small business mindset fails to adequately recognise that everyone has a natural ceiling: a certain level at which their knowledge and ability plateaus. Trying to progress beyond that level is not only ineffective but often dangerous because it exposes businesses to risk.

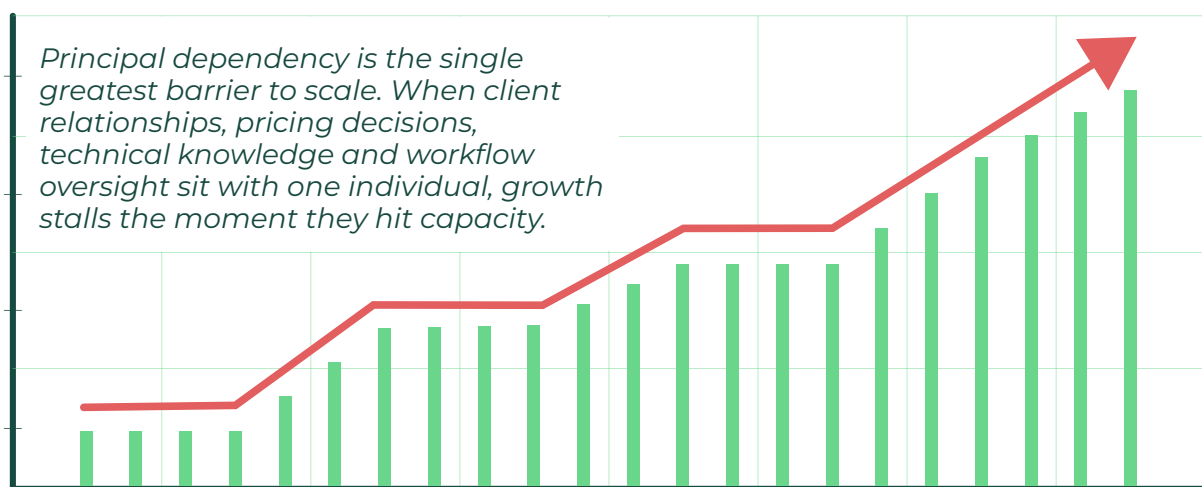
Cyber security is an obvious example. In today's operating environment, a cyber-attack is one of the key risks facing businesses. A breach has the ability to cause significant business disruption, compromise private information and data, impact clients, attract regulatory attention and penalties and destroy a business' reputation.

Yet, many advice businesses don't have adequate cyber security and risk management systems in place. There are no incident response or business continuity plans, and too much faith in paper-based attestations, often given to them by a licensee or external consulting firm.

VBP has created this guide to examine the benefits of scaling and corporatisation, and support those who are pursuing this route.

It provides tips on how to go from a cottage industry to a profitable, scalable company.

Eliminating principal dependency



At the end of the day, scaling and corporatising is about having formal systems, processes and frameworks in place to deliver advice efficiently in a consistent and methodical way. It is about protecting a business and its people by identifying and managing risks.

The biggest risk inside most advice businesses is principal dependency. The most successful businesses have made the advice relationship transferable between advisers and support staff.

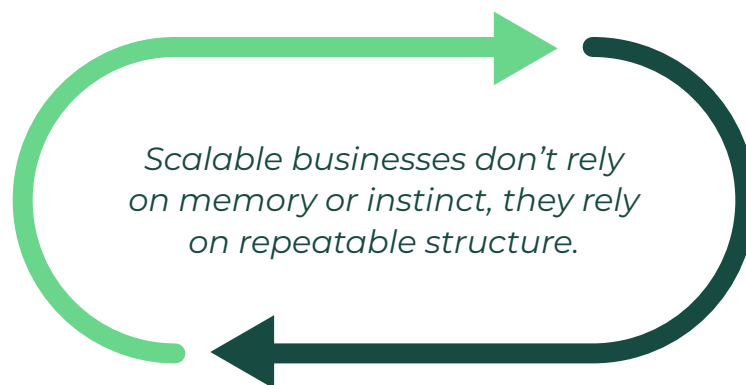
By doing so, they have significantly increased the capital value of their business.

But for the average advice business, too much knowledge resides inside a principal adviser's head.

While principals can quickly and easily identify an ideal client, scope their advice needs, and accurately determine a fee that will not only cover their cost to serve but that the client is willing and able to pay, it also keeps a firm heavily dependent on them.

If there are no methodical, documented processes for performing critical tasks like developing terms of engagement and pricing, it is difficult to efficiently develop and skill up-and-coming advisers and staff.

That means that businesses can't effectively operate for any meaningful length of time, let alone grow, without the principal adviser.



In the most efficient and successful business, processes are standardised and repeatable, enabling them to be performed by multiple people, if needed.

There is a clear business strategy, measurable goals and objectives, and a robust risk management framework to protect the business, employees and clients.

Growth is deliberate and purposeful.

In this environment, employees have clearly defined roles and responsibilities, and are encouraged to share, investigate and test their ideas.

The right people are in the right roles and people are recruited based on their experience, qualifications and suitability for the role.

Making yourself replaceable

Right now, there is an enormous opportunity for advisers to scale their businesses and make advice accessible to more people.

This opportunity is being created by favourable demographic trends, rising demand for advice amidst a shortfall in supply, and growing awareness of the attractiveness of the advice margin, which is bringing capital into the market.

Furthermore, the sector's attractive growth profile is underpinned by regulatory tailwinds.

Large businesses with scale are ideally positioned to capture value from these themes.

For those seriously thinking about scaling up, the current consolidation phase is expected to continue for some time and the industry's supply and demand imbalance will take years to address, serving as extra motivation for savvy entrepreneurs.

That said, there is a sense of urgency, as disruption is coming.

The conditions that have created this opportunity guarantee that more players will enter the advice space, including digital providers and global challengers. Those likely to be impacted the most will be small, sub-scale businesses that are principal dependent.

If your mission is to scale up and corporatise then the ultimate goal is removing key person dependency.



SECTION 1

Scaling up: Is it the right path?

Bureaucracy, mediocrity and internal politics. These are some of the negative things people bemoan about larger businesses.

However, size can have advantages too. It usually comes with a clear strategy, documented processes and policies, better access to capital, and a more structured approach to growth.

For these reasons and more, many small-to-medium enterprises aspire to scale up and, for lack of a better word, *corporatise*.

Another important reason is that corporatised businesses with standardised and repeatable processes, clean and accurate data, and robust governance and risk management, are more valuable and attractive

to prospective buyers and strategic partners. They're also attractive to employees.

In financial advice, more businesses are scaling, as heightened regulatory scrutiny and rising compliance costs put pressure on businesses to drive efficiencies and improved client outcomes.

The profession's talent shortage, and supply and demand imbalance, is also creating opportunities for businesses to grow organically and through M&A, and leverage technology and automation to deliver advice at scale.

While corporatisation is less about size and more about structured and efficient operations, it makes it easier for businesses to grow and scale.

But corporatisation isn't for everyone.

There are broadly two types of advice businesses in the market: small founder-owned and operated practices, and larger businesses with multiple advisers and shareholders, professional management, and a robust, resilient operating model.

Both models carry different risks.

Generally, small founder-led businesses are principal dependent and serve the needs of that individual, commonly providing employment for family members, distributing all profits and dividends each quarter, and enabling lifestyle choices.

Building and running a successful business of scale requires a lot of hard work and significant ongoing investment in people, systems, processes and technology, which many people do not have the skill, experience or risk appetite to undertake.

While risk (and reward) is spread across numerous shareholders in larger businesses, in founder-led businesses, it primarily sits with the principal adviser.

This model carries significant key person risk, including the risk that, when it comes time for them to retire, there is no real succession plan.

As a result, client books are commonly bought and absorbed by another firm because there isn't a profitable, sustainable operating model for someone to buy and takeover, leaving employees, clients and equity owners exposed.

Fueled by ambition

The founder-led business model suits many advisers. It is a popular choice and has been the dominant model for decades, but the demand for advice and growing technology innovation is maturing business models. The industry is shedding its cottage industry roots, transitioning into a profession, and there is increasing number of large businesses.

This trend is underpinned by favourable structural and demographic tailwinds, and capital flowing into the industry, which is fueling ambition.

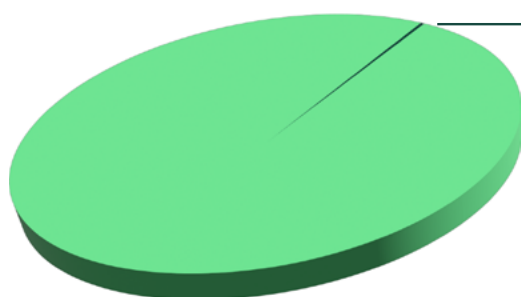
Many advisers, particularly younger advisers, want to build a business of significant allocation of capital value, and create a lasting legacy.

They want a business that will endure beyond them, which is only possible if it can scale and operate without them.

That effectively requires corporatisation.

But before heading down this path, advisers need to consider their medium-to-long-term goals.

They need to think about what they want to achieve professionally and personally, and whether they're prepared to give up owning and controlling 100 per cent of something to own a smaller slice of a much larger and potentially more valuable entity.



100% Control

Many founders equate success with owning 100% and maintaining full control. But scale often requires a different mindset that not everyone has an appetite for.

That said, scaling up isn't only about creating a valuable asset for sale. It also removes key person dependency, spreads risk and reward, and relieves pressure on principal advisers. It can provide security, continuity and community, making the journey much more enjoyable and satisfying.

Lean on your partners

Scale and corporatisation is foreign to some advisers because they have never worked inside a large organisation. They have never had to adhere to formal policies and procedures around things like pricing, procurement and HR. They have never managed large teams or reported to senior management or a Board.

For those who do have a corporate background, most have never led a corporation.

How then can they scale and corporatise their business?

The **biggest challenge is overcoming the small business mindset** which says I can do everything myself or hire family and friends to help.

Business owners run into problems when they don't deal effectively with the 'Peter principle', a concept in management that observes that leaders are promoted and promoted until they reach a level of incompetence. Everyone has a ceiling where their current knowledge and ability plateaus and they must re-invent or cease to be competent.

Advisers who are focused on scaling their business need to find partners that can help them develop and execute their strategy and manage growth.

They need people, be they internal or external, who can help them increase their capability and capacity, drive digital transformation, and effectively manage the various risks facing advice businesses including financial risk, regulatory risk and operational risks like cyber security threats.

Scaling up may not be for everyone but for those looking to make the transition, it has the power to transform businesses, accelerate growth, and reward business owners.

Building a professional services business of significant capital value requires the right strategy, business partners and technology. Advisers who are serious about serving more clients, improving processes and removing key-person dependency must embrace the business growth tools and solutions available to them including outsourcing, AI and automation.

Section 2

The business growth and optimisation toolbox: AI, automation and outsourcing

Outsourcing in financial planning isn't new but, in the past decade years, practices have really ramped up their use of offshore teams, particularly for paraplanning, administration and IT support, as they scale up.

A number of factors are behind this trend including capacity constraints, a shortage of on-shore talent and relatively high local salary expectations.

The Covid-19 pandemic lockdowns also transformed attitudes around working remotely and dramatically increased the adoption of cloud-based video communications. With the right technology, business leaders realised that people didn't need to be physically in the office to work effectively.

For businesses seeking to grow and scale, outsourcing and technology are a powerful combination with the ability to significantly increase a business' capacity to serve more clients, streamline and accelerate the delivery of advice, and minimise errors.

According to research conducted by VBP, in conjunction with Zurich, technologies like AI and machine learnings, alongside smart automation, are one of ten essential building blocks of a growing, high performing advice business.

In such businesses, technology serves the process, not the other way around.

For example, the customer relationship management (CRM) software is the workflow hub and compliance record, and automation reduces rework, errors, and delays.

The VBP report found that, while every advice firm is unique in its structure and systems, the foundations of operational excellence are universal and the best firms are effectively embedding technologies, like AI and automation, into their systems and processes. This is enabling them to scale with confidence.

Capturing the opportunity in AI and automation

While interest in AI is off the charts, when it comes to fully capturing the opportunity, the advice industry is yet to see significant transformation of efficiency. Many firms are still trying to figure out how to get the most out of their existing tech and which off-the-shelf AI solutions to use for simple tasks like booking meetings and file noting. They are years from transforming their whole business model using AI and there is a lot of hesitation, somewhat understandably.

However, it's important to move forward despite the uncertainty. Engaging with disruptive technology is a journey of many steps and there are no shortcuts. Businesses that are adopting a 'wait and see' approach will fall behind faster than they think.

We pinched this expression from the US Navy Seals. It represents how extensive preparation is for a new mission. The Seals walk through a plan step-by-step and rehearse responses to different possible scenarios. They repeat the process until each response has become smooth and 'muscle memory' allows them to execute quickly in combat.

Instead, businesses should continuously experiment with AI and move ahead, however incremental, because we believe that, when it comes to AI, *slow is smooth, smooth is fast*.

The takeaway for businesses owners is that it takes time to get really clear on the problem they are trying to solve and understand how to use available technology to solve it in the simplest way possible. Many businesses regret rushing in after seeing a great demo at the conference. AI solutions in particular

are often quickly supplanted by a competitor, meaning nothing should be embedded for the long term.

The best place to start on this journey is to conduct a task level analysis of every role. This involves listing the low value repetitive tasks like data entry (which can be automated using robotic process automation), medium value tasks like workflow management and reporting (generative AI can be leveraged to do these faster) and the high value tasks that humans will continue to do, with more help from AI over time.

Of course, real progress can't be achieved unless a practice's data is clean, complete, secure and in a digital format for cloud-based software and AI tools to access. Processes also need to be documented and mapped. Not only is this important for training team members and delivering consistent service and advice, it is the first step towards automating tasks and, more broadly, corporatising and scaling businesses.

People matter



So far, the fearmongering that AI is coming for everyone's jobs has been overstated, at least in the short term. Yes, many of the roles that it threatens to disrupt are entry level jobs involving administrative tasks that are repetitive and mundane, albeit essential. This makes outsourcing companies like Vital Business Partners particularly vulnerable to AI disruption. Yet, there is still strong demand for both traditional core roles and many new ones such as exception handlers, data scientists and bot designers.

While AI will make some jobs redundant, it is also creating new jobs. Whether that balances out remains to be seen but, in advice, the situation is more nuanced. The potential to achieve operational and cost efficiencies, accelerate growth and scale is significant for businesses that choose to engage with disruptive technologies, rather than adopting a 'wait and see' approach.

For most, the optimal model is a 'human + AI' operating model, where AI serves as a digital assistant and robots automate the lower value tasks, freeing people up to learn new skills, do more interesting and higher value work, and advance their careers. As such, firms embracing AI and automation are better positioned to increase employee engagement and satisfaction and retain talent.

This scenario represents a distinct shift in many businesses because the delivery of professional advice is still heavily dependent on people.

Getting businesses to this stage will be a journey and there will be rest stops and bumps along the way. Unless advisers want to become an AI or automation expert, they will need to lean on experienced, well-resourced partners. Leading people through change and working effectively with partners requires planning, thought and focus. Small steps, taken after careful planning will ensure businesses move forward smoothly and ultimately, fast.

Section 3

Strengthening risk management frameworks and addressing the biggest threat to growth

Stronger operational risk management is a key benefit of scale and corporatisation. When it comes to managing cyber risk, there are four simple and highly effective controls that advice businesses can implement quickly and cheaply to protect clients and prevent cyber criminals from gaining access to online systems, services and data.

When businesses are winning clients, launching new services and doing M&A it's exciting. Strong business momentum can make teams feel unstoppable but growth and momentum can be curbed in an instant, and even reversed, if risks are not adequately managed.

One of the biggest risks facing advice businesses is cyber security risk including online threats and data breaches.



While this risk is not unique to advice businesses, the industry's exposure to cyber security risk is arguably greater because it is so far behind others.

This is true of the wealth management sector in general.

In mid-2025, the Australian Prudential Regulation Authority (APRA) ordered superannuation funds to urgently implement basic user authentication tools, citing persistent failings in their digital infrastructure.

Safeguarding \$4.2 trillion

It is terrifying that the organisations responsible for safeguarding \$4.2 trillion in retirement savings do not have multifactor authentication for high-risk activities such as withdrawals.

Access control, including multifactor authentication, strong passwords and restricting privileges, is one of the simplest and most effective ways that organisations can prevent cyber criminals from gaining access to online systems, services and data.

Other relatively simple ways include upgrading and maintaining software, data encryption, and a robust incident response plan.

Yet most advice businesses don't have those four basic cyber security protocols and protections in place.

For advice leaders who are focused on growth and, more specifically, corporatising their business in order to scale, there must be a greater focus on total risk management.

This requires a mindset shift as advisers have traditionally focused on areas like compliance and regulatory risk and investment risk but given little attention to operational risks like cyber threats.

When it comes to cyber-crime, there are a couple of myths to debunk.

Firstly, cyber criminals are not reclusive 40-year-old nerds operating in isolation from their parents' garage, despite how they are often depicted in movies.

Cyber-crime is big business and many criminals run large, sophisticated global operations with hundreds of employees who are paid to deceive, manipulate and steal.

According to the Australian Cyber Security Centre, a cybercrime occurs every six minutes in Australia and the financial and insurance services sector is one of the top ten industries being targeted.

The three main forms of attack involve ransomware, supply chain disruption, and phishing including vishing which uses voice and video phishing.

Secondly, and more importantly, cyber security is not just an IT problem.

It can't be addressed by simply installing antivirus software and malware protections on computers.

Cyber security risk is a broader risk management problem that also involves people and processes. In many instances, humans are the weakest link in the chain, which is why social engineering has become such an effective technique for cyber criminals who are able to extract confidential information from people and convince them to do things that compromise security.

Educated and alert people, not just systems and technology, are the foundation of a strong defense.

The rapidly changing nature of cybercrime and the techniques being used highlights today's environment of accelerating disruption.

No sooner have organisations addressed one threat when another one arises.

Under these conditions, it's impossible for the average advice business, or any advice business, to manage the growing volume, complexity and tenacity of cyber threats without expert support.

The same can be said of technology in general, which is advancing so quickly that businesses need to reassess how they select and integrate advice tech, and utilise AI and automation.

Businesses can't go to tender for a solution, spend months assessing RFPs and making a decision, and another few months implementing it and training staff with the expectation that it will serve the business for the next five or so years.

By the end of that six-month period, the market has moved on.

Taking control

While advisers can't control their operating environment or stop cyber criminals from targeting their business, they can control their response and take action to strengthen their risk management posture, starting with a risk management framework that addresses how they intend to identify, assess, monitor and respond to risks.

For many SMEs, which are already struggling with capacity constraints, the most effective approach will be to leverage the resources of their licensee and/or partner with specialists.

Advisers don't have to manage business risks alone.

They are not expected to have the internal resources to assess risks, implement solutions, and detect and combat threats in real time.

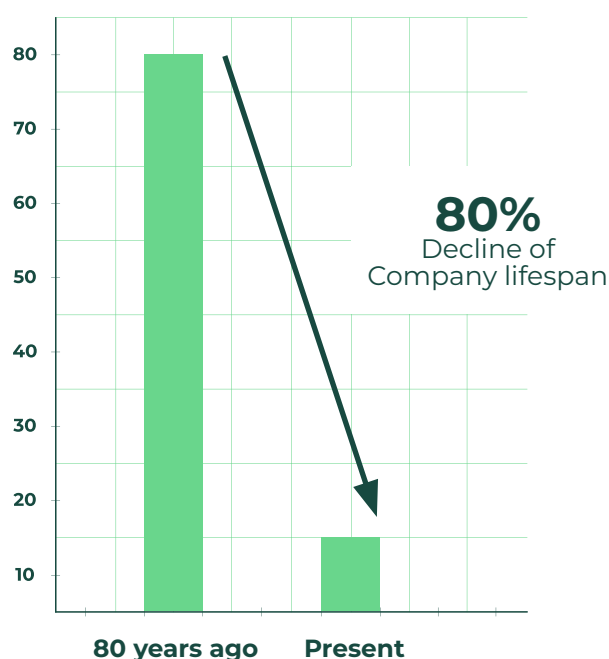
Many still rely on paper-based attestations from staff, including those who do not have a risk and compliance or technology background, to verify their risk management measures, illustrating the gap that must be closed to catch up.

Gaining a disruptive edge

According to a US study by Harvard Business Management, the average lifespan of an S&P 500 company has fallen by 80 per cent in the last 80 years to just 15 years, due to consolidation, shrinking and digital disruption.

As part of that study, HBM also looked at organisations that had been around for 100 years or more and found that they shared common attributes, namely a stable organisational purpose and a disruptive edge. This disruptive edge commonly involved bringing outside expertise in and learning from other sectors.

The study also found a link between longevity and size, with smaller organisations more able to innovate and adapt to change.



HBM's findings are positive for advice businesses, which are predominately SMEs but size can also be a disadvantage.

When it comes to cyber-crime, SMEs are key targets because they often have limited resources and weaker defenses.

The quickest and easiest way for businesses to beef up their resources and gain a disruptive edge is to leverage the resources and expertise of specialists.

Businesses that are growing, scaling and corporatising understand the value of partnering with experts because it frees them up to focus on the things that they're good at and generates revenue and profits.

Outsourcing jobs and roles in areas that businesses do not have a competitive advantage is critical for increasing their capacity to serve clients, achieving sustainable growth, and scaling up.



Conclusion

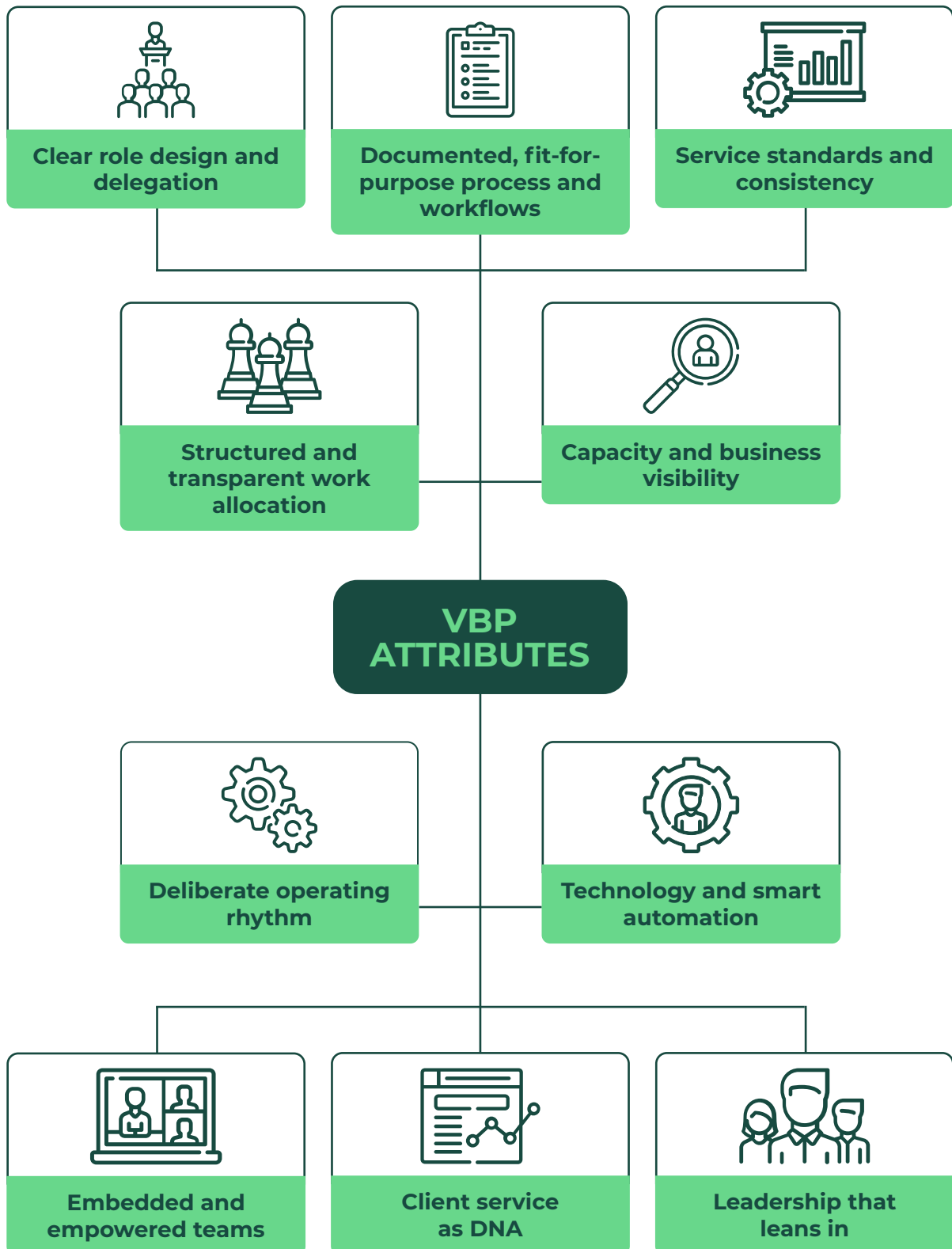
The task of scaling up and corporatising can seem daunting, which is why breaking it up into digestible and achievable tasks, and leaning on external experts for support, is essential.

Earlier this year, VBP put out a guide on the optimum operating model for advice firms, based on our decades of experience working with advice businesses of all shapes and sizes.

The guide concluded that top-performing firms that are consistently delivering quality advice and superior client outcomes at scale, share ten characteristics in common.

These characteristics culminate to signal an operationally mature professional services business that is highly productive, profitable and sustainable.

The ten attributes are:



Attributes Explained

Clear role design and delegation

Every team member understands their core responsibilities, even when roles overlap. Client service roles are built around the client, not the adviser. Principals step back from day-to-day operations as the business matures.

Documented, fit-for-purpose process and workflows

Key processes are mapped and, importantly, followed. Handover points are traceable, preventing duplication and delays.

Service standards and consistency

Benchmarks for turnaround times, client response and file quality are clear and applied. Clients experience the same standard regardless of who completes the task.

Structured and transparent work allocation

Task allocation is intentional and visible, whether support is pooled, dedicated or hybrid. Everyone can see who's doing what and when, maintaining clarity and balance.

Capacity and business visibility

Workload and lead times are tracked and visible, giving leaders the insight to plan and improve. Decisions are data-informed, not assumption driven.

Deliberate operating rhythm

Meetings, reporting and reviews run on a consistent cadence, including daily huddles, work in progress (WIP) planning cycles and post-implementation reviews.

Technology and smart automation

Technology serves the process, not the other way around. The CRM is the workflow hub and compliance record, and automation reduces rework, errors and delays.

Embedded and empowered teams

Offshore and outsourced staff are trained, embraced and integrated. The backoffice has a voice, issues are raised early and support staff feel valued and connected.

Client service as DNA

Every employee shares responsibility for delivering an exceptional client experience. Service is cultural, not positional.

Leadership that leans in

Principals and managers set standards, lead rhythm, and drive accountability, without micromanaging or abdicating responsibility.

While the task of scaling up and corporatising can be daunting, businesses don't need to go on this journey alone. They can lean on external experts and service providers for support in a range of areas including business coaching, outsourcing, and technology adoption and integration.

VBP exists to support advice businesses to grow and scale by laying strong foundations including effective organisational design, team architecture and the right operating model.

We recognise that every advice firm is unique in terms of structure and systems, however, the foundations of operational excellence are universal. These non-negotiable elements provide a guide for all businesses, irrespective of size. Getting them right ensures that businesses can scale with confidence.

How ready is your business to scale?

If you're serious about reducing principal dependency, strengthening risk frameworks and building a scalable operating model, start with clarity.

Book a **Scale Readiness Conversation with VBP** to assess your current operating maturity and identify the practical next steps toward sustainable growth.

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