IMPACT OF THE HAYNE ROYAL COMMISSION ON THE OPERATING MODEL OF AUSTRALIAN FINANCIAL ADVICE FIRMS

A Thesis Submitted By

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ABSTRACT

The financial services Royal Commission's final report has resulted in significant reforms in the financial advice industry. The Hayne's recommendations represent a challenge to advisory firms to review their current business operating models in order to enhance customer outcomes and profitability. This thesis aims to explore the impact of the Royal Commission's recommendations on the operating model of advice businesses in terms of advice products, processes, delivery models and customer segments. Furthermore, this thesis seeks to investigate whether the Royal Commission's outcome has accelerated the use of enhanced technology solutions within the operating model of advice entities. To identify the key challenges confronting advisory firms whilst implementing the Commissioner's recommendations across their operational models, a qualitative research design has been adopted. Semi-structured in-depth interviews were conducted with 24 advisers and managers engaged in the operation of financial planning services. At the same time, a thematic analysis approach has been used to interpret the qualitative data collected from the interviews. The findings of this thesis reveal that customer-centric operating models will become more prominent across the Australian financial planning industry in response to the Commissioner's final report. The Royal Commission's outcome has accelerated the use of advice technology solutions within the operating model of advice entities. It is found that financial advisers have started using more automated web-based advice services, which enable them to provide simple advice on a greater scale, and to accelerate the use of robo-advice models and digital delivery to mass customers in the longer term. The study identifies process and technology changes with technical and interpersonal skills development, as the critical challenges encountered by advice practices whilst implementing the Commissioner's recommendations across their operating models.

Keywords: Hayne Royal Commission, financial planning advice, operating model, advice products, advice processes, delivery models, customer segments, digital advice solutions

CERTIFICATION OF THESIS

I Mohammad Abu-Taleb declare that the DBA Thesis entitled *Impact of The Hayne Royal Commission on the Operating Model of Australian Financial Advice Firms* is not more than 100,000 words in length including quotes and exclusive of tables, figures, appendices, bibliography, references, and footnotes. The thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work.

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ABBREVIATIONS

AFSL	Australian Financial Services Licence
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investment Commission
BEAR	Banking Executive Accountability Regime
CEO	Chief Executive Officer
COVID-19	Corona Virus Disease 2019
CPD	Continuing Professional Development
CTH	Commonwealth
FASEA	Financial Advice Standards and Ethics Authority
FOFA	Future of Financial Advice (legislation reforms)
FPA	Financial Planning Association of Australia
FSRA	Financial Services Reform Act
FSRC	Financial Services Royal Commission
KPMG	Klynveld Peat Marwick Goerdeler (Accounting Firm)
NVIVO	Navigating Viewpoints, Images and Value Observed (Computer Software)
RG	Regulatory Guide
RQ	Research Question
SME	Small and Medium Enterprises
SMSF	Self-managed Superannuation Fund
UK	United Kingdom
ZOOM	Z Object Oriented Model (Computer Software)

CHAPTER ONE: INTRODUCTION

1.1. Introduction

The recommendations of the Royal Commission into misconduct in the banking, superannuation and financial services, released in February 2019, outlined a new approach to disclosure, review and remuneration practices of the financial planning industry (Hayne, 2019). The recommended reform of organisational culture and governance in the planning advice services is likely to significantly impact financial advice firms' business and operating models. The reasons include product reform, changes in revenue flows and remuneration systems, changes in the vertical integration model and increasing the operating cost of advice. An analysis report published by Deloitte Australia (2019) indicates that everything in the financial advice sector would change as a result of the financial services royal commission (FSRC), including advice quality, compliance and regulation, products and services, business models, the role and obligations of the adviser and the size of the industry. Figure 1 shows the potential implications of the FSRC recommendations for the financial advice services.

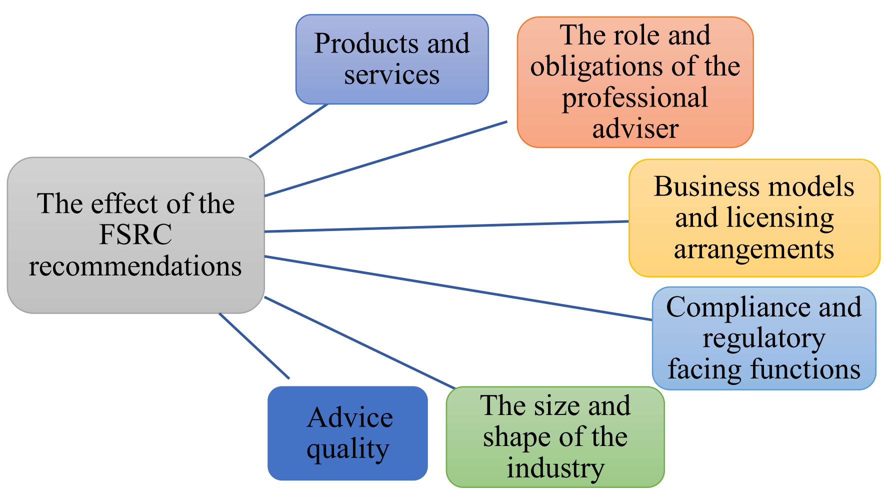

Figure 1: Implications of the FSRC's recommendations for the financial advice services. (Source: Deloitte Australia, 2019)

Similarly, industry analysts (Citigroup Australia, 2019; Deloitte Australia, 2019; KPMG Australia, 2019) have raised concerns that the recommended cessation of grandfathered and conflicted commissions has triggered a fundamental reconsideration of the value chain of financial advice operations. They argue that the change from a predominantly sales-based revenue model to a fee-based revenue model means that the business operating models of many financial advice firms could be quite different. For example, the operating model of big financial advice institutions such as the four major banks, AMP and IOOF Holdings, cannot survive after the enactment of the FSRC's recommendations without a substantial change in either pricing to the customer or cost efficiencies in the business. Consequently, there is an overwhelming need for advice practices to deliver services through efficient and transparent advice platforms using improved technology solutions (KPMG Australia, 2019).

The current business environment, therefore, represents both a challenge and an opportunity for financial advice firms to absorb regulatory impact, navigate challenges and opportunities brought about by the FSRC and make the most of process updates and technology advancements within the operating model of financial advice firms. Against this backdrop, we know little, academically and in practice, about how decision-makers of financial service firms embrace such recommendations, impacts of changes on their operating model, and the practical pitfalls of implementing prescriptions prescribed by the Royal Commission.

Therefore, this thesis aims to explore the impact of the FSRC on the operating model of advice entities in terms of advice products, processes, delivery models and customer segments. It also aims to explore whether the FSRC's outcome has accelerated the use of enhanced technology solutions within the operating model of advice practices. This thesis also attempts to provide insights into the challenges confronting the operating model of planning firms whilst implementing the recommendations of the FSRC. Using a qualitative research design, data has been collected through semi-structured in-depth interviews with 24 managers and financial advisers of Australian Financial Services (AFS) licencees. A thematic analysis approach has been applied to identify patterns of meaning from a set of qualitative data through a sequential and recursive process using NVivo software.

The thesis contributes to the literature in numerous ways. Firstly, the findings contribute to improving the understanding of financial advice operating models' responses to the new requirements arising from the FSRC. In so doing, the thesis provides insight into types of creative activities implemented by financial advice firms along the operations of advice for better customer outcomes and improved profitability. This thesis also provides insights into the challenges confronting the operating model of advice businesses whilst implementing the recommendations of the FSRC. This would help financial planners to review their current operating models and identify opportunities to improve and optimise ways of working.

The rest of the sections of this chapter are organised as follows. Section two gives the background regarding the establishment of the FSRC; a brief overview of the process followed by the FSRC to identify the systemic causes of problems in the financial planning sector and presents a summary of the FSRC outcomes and major themes. Sections three, four and five address the research's problem statement, objectives and questions. Section six outlines the scope and significance of the thesis. Sections seven and eight briefly discuss the data collection method and the results of the thesis. Section nine outlines the main contributions of this thesis. Finally, section 10 outlines the thesis structure.

1.2. Background

Australia has one of the strongest and most stable financial services industries in the world. The financial services industries perform a critical role in developing the Australian economy (Australian Government Treasury, 2016). The financial advice sector has been one of the fastest-growing industries in the past two decades (Murphy, 2018). The financial advice industry is regulated under the Corporations Act 2001 (Cth) as 'financial product advice'. According to ASIC, a financial adviser is a person or authorised representative of an organisation licensed by ASIC to provide advice on one of the main topics covered by the Australian financial advice industry, including superannuation and retirement planning, loan and investment, self-managed superannuation fund (SMSF), risk management and insurance, tax advice and estate planning. Financial Planning advice is the process that considers the customer's objectives, goals, and financial situation and leads to adopting strategies that are expected to aid in achieving the customer's financial goals (Warschauer, 2002).

Following the collapse of large financial institutions such as HIH Insurance in 2001, the Australian financial planning industry has experienced significant legislative and technological changes (Cull, 2009; Murphy, 2018). Since 2001, the attempts to reform the industry have been designed to improve the quality of advice, strengthen consumer protection, promote trust and transparency in the financial planning profession and enhance the minimum education standards in the sector (Australian Government Treasury, 2018). However, the progress of reforming the financial advisory sector has been slow, and the scandals surrounding the provision of financial advice, such as those involving Storm Financial Pty Ltd in 2009 and the major banks, have left customers and businesses questioning the integrity of the financial advisory sector. As a result, increased community pressure and media attention to protect the public from unethical financial planners, have been seen in recent years (Murphy, 2018). Following increased demands and criticisms from the public and media, in late 2017, the Australian government called for a Royal Commission to address the uncertainty surrounding this sector and give consumers more assurance about the financial institutions that should protect their assets (Hayne, 2019).

Table 1: Summary of the significant reforms in the Australian financial advice industry since 2001

The Financial Services Reform Act 2001 (FSRA)	*The main objectives of the FSRA are:* • Confident and informed decision-making by consumers of financial products and services. • Fairness, honesty and professionalism of financial service providers. • Fair, orderly and transparent markets for financial products. • The reduction of systemic risk and the provision of fair and effective services by clearing and settlement facilities. *Source: Corporations Act 2001 (Cth), s 760A*
The Future of Financial Advice (FOFA) legislation 2012	*The main objectives of FOFA legislation include:* • A duty for financial advisers to act in the best interests of their clients when providing personal advice (ASIC regulatory guide RG 175). • A ban on conflicted remuneration (including commissions, volume payments and soft-dollar benefits) that could influence the product recommended when financial advice is provided to retail clients (ASIC regulatory guide RG 246). • A requirement for providers of financial advice to obtain client engagement to ongoing advice fees and enhance fee disclosure to increase transparency and ensure clients

	know what they are paying and what the payment is for (ASIC regulatory guides RG 245 and RG 183).
Financial Adviser Standards and Ethics Authority (FASEA) 2017	*FASEA is authorised to set, develop and monitor:* • Code of Ethics • Education pathways for new and existing financial advisers • Professional year requirement for new advisers • Examination requirement for new and existing advisers • CPD requirements for advisers
Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – Final Report 2019	*Summary of the key recommendations for the financial advice industry:* • Recommendation 2.1 - Annual renewal and payment • Recommendation 2.2 - Disclosure of lack of independence • Recommendation 2.3 - Review of measures to improve the quality of advice • Recommendation 2.4 - Grandfathered commissions • Recommendation 2.5 - Life risk insurance commissions • Recommendation 2.6 - General insurance and consumer credit insurance commissions • Recommendation 2.7 - Reference checking and information sharing • Recommendation 2.8 - Reporting compliance concerns • Recommendation 2.9 - Misconduct by financial advisers • Recommendation 2.10 - A new disciplinary system • Recommendation 3.2 - No deducting advice fees from MySuper accounts • Recommendation 3.3 - Limitations on deducting advice fees from choice accounts • Recommendation 5.4 - Remuneration of front-line staff • Recommendation 7.1 - Compensation scheme of last resort

The Royal Commission adopted a case-study approach to present specific cases of misconduct from amongst the over 10,000 submissions. The FSRC held seven separate rounds of public hearings from March to November 2018, examining consumer lending practices, financial advice, loans to small and medium enterprises, issues affecting Australians who live in remote and regional communities, superannuation, Australia's insurance industry and policy questions in order to highlight structural and systemic issues relating to misconduct within the financial services sector. An interim report was published on 28 September 2018.

On 4 February 2019, the Government publicly released the Royal Commission's final report into misconduct in the banking, superannuation and financial services industry (Hayne, 2019). Commissioner Hayne outlined 76 recommendations to avoid recurring misconduct in the financial services sector. The themes of the FSRC's final report are concentrated around culture, governance, management accountability, conduct, remuneration and performance of regulators. Figure 2 shows the key themes of the FSRC.

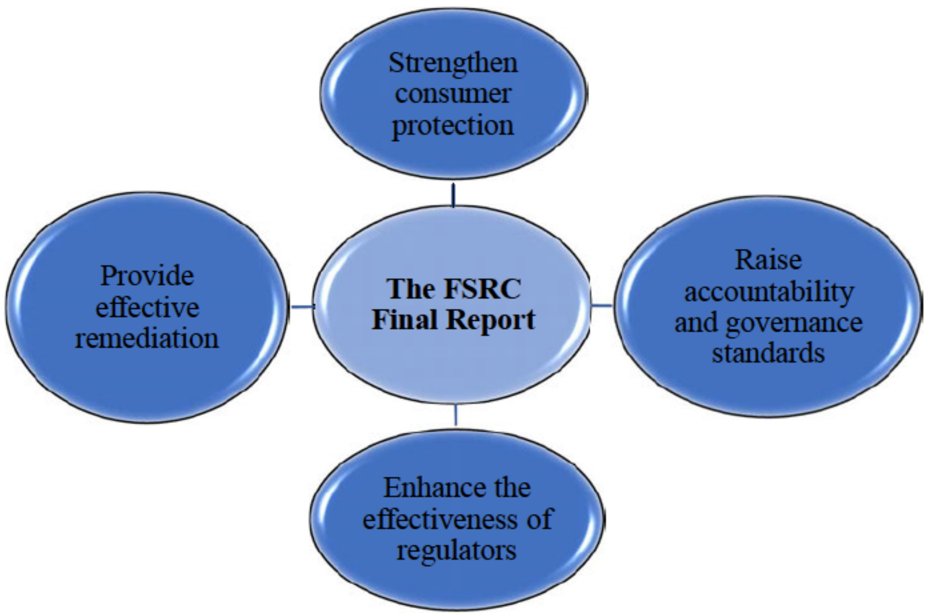

Figure 2: The key themes of the FSRC.

(Source: Australian Government Treasury, 2019)

The final report of the FSRC includes more than ten recommendations for the financial advice industry to improve the quality of advice by 2022. Those recommendations are based on three key pillars: First, a customer-centric environment based on the best interest duty. Second, improving the professional standards of financial advisers. Third, removing the impact of conflicted remuneration. Commissioner Hayne suggests new ways to deliver financial advice, including changes to ongoing fees, disclosure of lack of independence, quality of advice, conflicted remuneration and discipline for misconduct.

1.3. Problem Statement

Regulatory reform is a continuous process to keep the public's trust and protect consumers. However, regulatory reforms are often viewed as new restrictions on conducting a business since compliance requirements might slow down ambitions for business growth (Penrose, 1959). The recommendations of the FSRC will change how financial advice firms design, develop and deliver products and services for their customers. In addition, the FSRC has introduced increased responsibility for financial advisers to prove that proper advice services have been given to their customers. This could reduce some firms' ability to offer advice services, resulting in only a limited set of customers getting high-quality services. On the other hand, this could open business opportunities for additional financial advisory firms.

The advice entities have been experiencing challenges post the FSRC, in particular, in finding an alternative operating model that quickly adopts the recommendations with more efficient and compliant service delivery models and better customer experience (KPMG Australia, 2019; Deloitte Australia, 2019). Despite the significant implications of the FSRC for the financial planning services, there are no academic studies to date, that have empirically explored how the recommendations of the FSRC influence the operating model of financial advice entities. Therefore, this thesis attempts to provide insights into how advice practices have optimised their operational models after the enactment of the FSRC through understanding the effect of the FSRC on advice products, processes, delivery models and customer segments. Furthermore, to assess whether the FSRC's outcome has accelerated the use of enhanced technology solutions within the operating model of advisory firms, this thesis attempts to explore the challenges experienced by advice businesses whilst implementing the recommendations of the FSRC across their operating models, as this line of understanding is still underexplored.

1.4. Objectives of the thesis

The general objective of this thesis is to explore the impact of the FSRC on the operating model of advisory firms in terms of advice products, processes, delivery models and customer segments.

1.5. Research Questions

This thesis was guided by three main research questions (RQs) as below:

RQ1: How do the recommendations of the FSRC affect products, processes, delivery models and customer segments of financial advice firms?

RQ2: To what extent the recommendations of the FSRC have accelerated the use of advice technology solutions and encouraged financial advice firms to adopt an alternative operating model?

RQ3: What are the key challenges confronting financial advice firms whilst implementing the recommendations of the FSRC across their operating models?

1.6. Scope and significance of the thesis

The recommendations of the FSRC are likely to have a significant impact on the operating model of financial advice firms. However, the existing literature reveals a dearth of research on the FSRC and its impact on advisory operating models. This thesis aims to fill this gap and to provide empirical insight for academic researchers and practitioners into how advice businesses have optimised their operating models after the enactment of the FSRC through understanding the effect of the FSRC on advice products, processes, delivery models and customer segments.

1.7. Data collection method

In this thesis, the data was collected through semi-structured interviews. 24 participants were interviewed, comprising managers and financial advisers who are working in AFS licensees or authorised representatives of AFS licensees that provide personal advice to retail clients.

For more details about data collection and analysis, see chapter three.

1.8. The thesis findings

The findings of the current thesis are summarised below:

- Financial advice firms will offer more transparent and simple advice products, along with efficient cost-to-service delivery models to reduce the cost of advice after the enactment of the FSRC.
- There will be a rise in scaled advice services and digital advice delivery models such as robo-advice, automated para-planning services or automated advice compliance assessment.
- The FSRC's outcome has enhanced the ability of financial advisers to segment their customer base more effectively and efficiently. This would enable advice practices to identify which customer segments they have to focus on, to determine their advice proposition to each segment and the channels they have to utilise for each customer segment.
- The FSRC's outcome has accelerated the use of advice technology solutions within the operating model of financial advice firms. The deployment of digital solutions along the advice operations would help advice businesses simplify processes, promote standardisation and drive efficiency, and enhance compliance and customer experience.
- The FSRC's outcome has encouraged advice firms to shift away from business and product-centric operating models to customer-centric ones.
- The critical challenges experienced by financial planning practices whilst implementing the recommendations of the FSRC across their operating models, are process and technology changes along with technical and interpersonal skills development. However, the challenges that the FSRC brings will differ between advice practices, depending on their size, economies of scale and level of preparedness.

For a detailed discussion of the findings and conclusion, see chapters four and five.

1.9. Contribution of the thesis

This thesis makes several contributions to the existing literature and the practice of financial planning advice, as below:

- To the best of my knowledge, this thesis is one of the first to address the impact of the FSRC on the operating model of financial advice firms.
- This thesis is one of the earliest efforts to draw on Schumpeter's theory of innovation as a theoretical framework for clarifying that the primary driver of advisory entities is to identify creative activities to implement the recommendations of the FSRC into their existing business and operating models, for better customer outcomes and improved profitability.
- This thesis contributes to the literature and the practice by providing insights on how financial advice firms have optimised their operating models, including products, processes, delivery models and customer segmentation in response to the FSRC's recommendations.
- This thesis contributes to the financial advice practice by providing insights into the advantages of transitioning towards a customer-centric operating model.
- This thesis contributes to the practice by providing insights into the challenges experienced by financial advice firms whilst implementing the recommendations of the FSRC across their operating models.

For more details about the contributions of this thesis, see chapter five.

1.10. Structure of the thesis

Following the introduction chapter, the rest of the chapters of this thesis are organised as follows:

Figure 3: Structure of the thesis

Chapter two comprises a literature review. The literature review chapter is organised into the theoretical perspectives and prior studies review. In this chapter, the researcher defines the applicable theory that explains the potential effects of the FSRC on the operating model of financial advice firms. The prior studies review highlights of the relevant studies that have been conducted in relation to FSRC and the financial advice industry, particularly the operating models of financial advice firms. Chapter three of this thesis describes the research method adopted to explore the impact of the FSRC on the operating model of financial advice firms in Australia. That chapter highlights the philosophical foundations that determined the choice of the adopted methodologies as well as the research design, procedures, and data analysis approaches. Chapter four presents in detail the findings of the semi-structured interviews. That chapter discusses the major themes and concepts that emerged from interviews with financial advisers and managers of AFS licensees. Finally, chapter five presents the conclusion and recommendations of the thesis. It provides an explanation and evaluation of the findings, and suggests recommendations, based on the findings, for improvement of financial advice operating models and better relationships between customers and financial advice firms after the enactment of the FSRC.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This thesis aims to explore the influence of the FSRC's recommendations on the operating models of financial advice firms and whether the FSRC's outcome has accelerated the use of enhanced technology solutions within the operating model of financial advice firms. It also aims to identify the key challenges experienced by financial advice firms whilst implementing the recommendations of the FSRC across their operating models. Chapter one gives a background of the FSRC's establishment, outcomes and significant themes regarding the financial advice industry. It further addresses the problem statement, objectives and questions of the thesis, significance of the thesis, data collection method, and briefly outlines the main findings and contributions of the thesis.

This chapter provides a review of literature that is relevant to the thesis. The chapter is structured into two major sections. The first section is the theoretical perspective, where relevant theories to the thesis are evaluated and reviewed. The theoretical perspective provides a grounding base for the literature review, methods and analysis. The second section of this chapter is a review of prior studies. This section focuses on previous studies about the FSRC and financial advice products, processes, delivery models and customer segments of financial advice firms. In this section, the researcher reviews the relevant studies that discuss the use of advice technology solutions within the operating model of financial advice firms and the challenges confronting the operating model of financial advice firms whilst implementing the recommendations of the FSRC.

2.2. Theoretical Perspective

Theories are crucial for any research work to give direction and enable the researcher to delineate the variables to be measured, the relationships to be evaluated, and the interpretation of findings (Padgett, 2016). Therefore, the theoretical perspective was critical in this research to develop the framework for data analysis and interpretation of findings.

A starting point for gaining a greater understanding of the changes in financial advice operating models arising from the FSRC's recommendations, is to consider regulatory change as an external factor to the firm (Ferraro & Gurses, 2009). Financial advice firms can be proactive or reactive, taking either supportive or opposing positions toward the FSRC's recommendations. Regardless of the positions of the firm's involvement in the process of introducing the change, the enactment of a change enforces implementation actions by creating new requirements related to products, processes and technology (Pisano & Teece, 2007). According to Penrose (1959), regulations change is often viewed primarily as new restrictions on conducting business. They can limit how firms design and develop their customers' products, services or solutions. Regulatory reforms force firms to make investments in projects that they must do, such as technological and product innovation or operating model development (Dyerson & Pilkington, 2000). Therefore, the researcher has applied Schumpeter's theory of innovation to understand how the FSRC influences the operating model of financial advice firms.

2.2.1 Schumpeter's Theory of Innovation

Firms can take a range of actions in response to changes in regulations depending on their management, product offerings and position in the market (Smith & Grimm, 1987). A better understanding of the impact of regulatory reform could reveal differences in firms' responses and thereby uncover fundamental dynamics related to firm strategy, innovation and operations (Lounsbury, 2001). The actions firms take in reaction to regulatory changes will affect their business operating models. Such effects will depend on how each firm seeks to acquire or develop the assets to deal with the change. This thesis draws on Schumpeter's theory of innovation as a theoretical resource for appreciating the process and rationale for adopting the FSRC's recommendations into the operating model of financial advice firms. In addition, it seeks to clarify the primary driver of financial advice firms to promote alternative advice operating models after the enactment of the FSRC.

Theory from innovation studies is relevant for addressing what firms do to manage new requirements arising from regulatory reform. It is appropriate to answer a question that requires looking at how tasks are performed in different parts of a firm's operations (Drejer, Blackmon & Voss, 2000; Voss, 2009). Studies of innovation and operations are intimately related (Alegre-Vidal, Lapiedra-Alcamí & Chiva-Gómez, 2004). Operations comprise innovation actions (Giesen, Berman, Bell & Blitz, 2007), and innovations need to be implemented in practice to function (Schumpeter, 1934). Schumpeter's theory of innovation (Schumpeter, 1939) describes the innovation process from the firms' perspective by explaining why innovations happen in the first place. Whilst other innovation theories, such as the technology acceptance model (Davis, 1989), task technology fit theory (Goodhue and Thompson, 1995), and innovation diffusion theory (Rogers, 1962), describe innovation from the user's perspective. However, Joseph Schumpeter's thoughts on innovation are still relevant in today's market conditions (Dekkers et al., 2014).

According to Schumpeter's theory (Schumpeter, 1939), innovation occurs when an innovator introduces a change to the economic system, including products, processes and markets, and breaks up the circular flow. Schumpeter distinguishes innovation from invention in that an innovation could occur without anything being invented. Whilst invention is associated with scientific or intellectual input, innovation has no such scientific concerns. Schumpeter argues that the key driver of innovations is the pursuit of profits. Business survival rates are likely to be highest among firms which develop innovation by seeking out opportunities and engaging in value-generating activities. Similarly, other studies (Ghemawar, 1993; Gilbert, 1990; Trott, 1998) have also concluded that the focus upon creating new products and services in the face of regulatory reforms or a major change in market conditions, will assist firms to emerge from an economic downturn in a much stronger position than their competitors who choose to cut costs or improve internal efficiencies.

According to Schumpeter, innovation can be measured by economic gain achieved through new or improved products, changes in production processes or expanding distribution channels. He identified five types of innovation: First, introducing a new product in the market or developing a product with enhanced quality. Second, the introduction of a new production process. Third, the establishment of a new market could entail innovation. Fourth, securing a new source of supplies for raw materials or other inputs. Finally, the creation and application of a new organisational structure, such as a monopoly creation. Figure 4 shows the innovation process of Schumpeter's innovation theory.

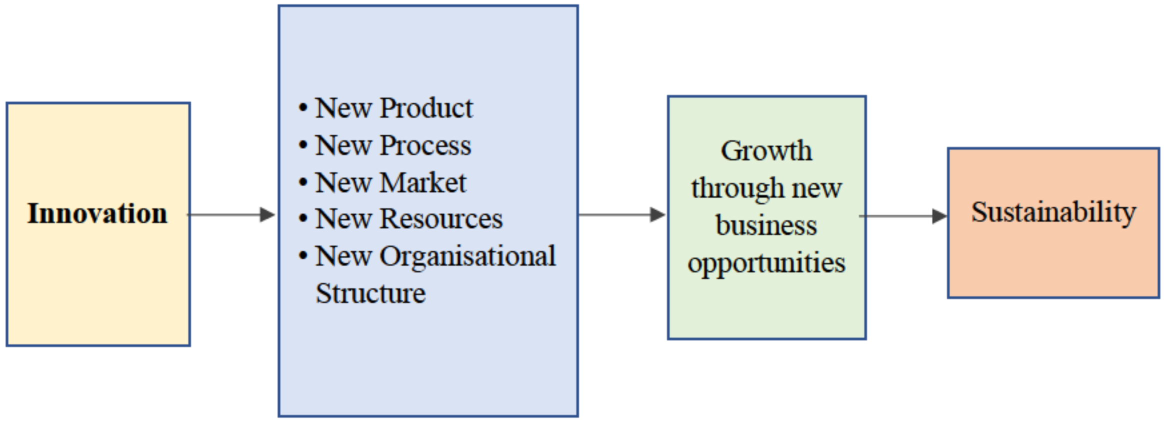

Figure 4: Joseph Schumpeter's innovation theory (1934).

Schumpeter's theory of innovation has been shown to be applicable in the financial advice sector. For instance, Maume (2018) examined regulating digital advice within the framework of disruptive innovation and Schumpeter's theory of innovation. Maume concluded that robo-advice has the potential to open financial advice services to the broad public. Using new technologies opens the market for new applications and market participants. However, digital advice does not generate new business models but improves the efficiency of existing services such as financial advice or asset management. Financial markets regulators are required to look for ways to accommodate the special needs of robo-advice. Chaston (2013) examined the behaviour of small independent financial advisors in terms of their involvement in networks and open innovation. The result is supportive of Schumpeter's (1934) view that innovation is critically important in order to surviving in highly volatile market environments such as a major economic downturn.

Table 2: The reasons behind selecting Schumpeter's theory over other innovation theories

Schumpeter's theory of innovation	Other innovation theories
In response to the FSRC, the recommended reform in planning advice services is anticipated to have a considerable influence on the business and operational models of financial advice businesses. Product reform, changes in revenue flows and remuneration systems, changes in the vertical integration model, and an increase in the operating cost of advice are among the factors. Schumpeter's theory of innovation explains why innovations happen in the first place and describes the innovation process from the firms' perspective. Hence, the researcher has applied Schumpeter's theory of innovation to understand how the FSRC influences the operating model of financial advice firms. See the notes below: - Innovation is intimately linked to the Schumpeterian concept of development. He characterised development as a spontaneous change in the flow channels and current operating system with the objective of improving profits by	Other innovation theories describe innovation from the user's perspective rather than from the firms' perspective. And this is does not align with the thesis objective to understand how the FSRC influences the operating model of financial advice firms. See the notes below: - The Innovation Diffusion Theory (IDT) of Everett Rogers (1962) provides a realistic and reasoned explanation for the acceptance of technological innovations in the financial services sector. However, the theory does not identify the boundaries of social systems that accept innovations or how these constraints impact the diffusion process of innovations. Furthermore, the theory does not specify if it is appropriate in all organisational contexts (Lundblad, 2003). - Although the Technology Acceptance Model (TAM) of Davis (1989) is a powerful and robust model of

Schumpeter's theory of innovation	Other innovation theories
decreasing overall production costs or increasing product demand. - According to Schumpeter, an invention brings with it economic development, which is a series of changes in economic processes. Businesses, driven by the goal to increase profits, produce innovation by searching out possibilities and engaging in value-creating activities, according to this notion. - Innovation is the power that drives economic development by assisting firms in designing a favourable operational structure that encourages sales and so increases profitability. - Introducing new products and processes is critical to reforming corporate rivalry and boosting profitability. - The utilisation of new technology allows for the introduction of new applications and market participants. Even though it may be difficult at first, it would enhance the effectiveness of existing services.	predicting users' acceptance of technology, it has numerous significant drawbacks. For example, the TAM theory focuses solely on the determinants of user intentions while failing to describe what drives these intentions or how they might be changed to promote user acceptability. Furthermore, the theory may overlook other factors that impact technology adoption, such as risk perception, particularly for new technologies Wang et al. (2003). - Like the TAM model, the Task Technology Fit (TTF) theory of Goodhue and Thompson (1995) has been criticised for focusing on the functions of the technology or innovations with little concern for the environment in which the technology is used (Perry et al., 2001). - The Theory of Planned Behaviour (Ajzen, 1991) is useful in predicting customer behaviour, specifically attitudes towards new technology or advances.

2.2.2 Justification of using Schumpeter's theory of innovation in the thesis

Schumpeter's theory of innovation guides this thesis for a number of reasons discussed below:

First, Schumpeter's theory of innovation is relevant to answering the research questions presented in the previous chapter by investigating the changes in the operating model of financial advice firms in the context of the FSRC's outcome. Studies of innovation and operations are intimately related (Alegre-Vidal, LapiedraAlcami & Chiva-Gómez, 2004), and operations constitute a fundamental source of innovation actions (Giesen, Berman, Bell & Blitz, 2007). Thus, Schumpeter's theory of innovation is a relevant framework for addressing what firms do to manage new requirements arising from regulatory change, a question that requires looking at how tasks are performed in different parts of a firm's operations (Drejer, Blackmon & Voss, 2000; Voss, 2009).

Second, the theoretical concepts of Schumpeter's innovation theory are in line with the thesis's objectives in terms of exploring the innovative activities along the operating model of financial advice firms after the enactment of the FSRC. This includes exploring the activities which reduce the overall cost of advice and the actions which increase the demand for advice products and services.

Third, regulatory changes are often viewed as new restrictions on conducting business. Regulations can limit how business firms design products, services, processes or solutions for their customers. Therefore, regulations and compliance requirements might be seen as a hurdle to business growth (Penrose, 1959). However, according to Schumpeter's theory of innovation (1939), regulatory change as an external factor to business firms can create new business opportunities since they add further pressures on business firms and can foster competition by introducing new products, services, processes and distribution technologies. In line with this perspective, this thesis sought to identify the challenges confronting the operating model of financial advice firms whilst implementing the recommendations of the FSRC. It also aims to explore if the FSRC can accelerate the use of advice technology solutions and encourage financial advice firms to adopt alternative operating models.

2.3. Prior studies

According to Nakano and Muniz (2018), the aim of the literature review is not only to unveil the theories that underpin the study's arguments but also to show the related extant knowledge. The literature review helps to place the study in context and facilitate identifying research gaps. As noted in chapter one of this thesis, the existing literature reveals a dearth of research on the FSRC and its impact on financial advice operating models. Despite some scholarly interest on the effects of the FSRC on the financial advice industry and its regulators, no empirical academic studies have explored how the recommendations of the FSRC influence the operating model of firms across the financial advice industry. Since the establishment of the FSRC in 2017, most academic studies in the financial services literature have focused on investigating the effects of the Royal Commission on the financial services sector from the following perspectives:

First, the impact of the FSRC on Australia's regulatory engagement model. Gilligan (2018) suggests placing a mandatory obligation on ASIC, APRA and all regulatory agencies with responsibility in the financial sector, to produce standalone annual publicly available reports on issues such as consumer protection and competition in the Australian financial industry. Hanrahan (2019) suggests an alternative 'three peaks' model to strengthen the regulation by establishing a specialist consumer protection regulatory agency responsible for licensing and consumer protection in the retail market for financial products and services. Similarly, Millhouse (2019) suggests a framework consisting of three primary regulators, including ASIC, act for market conduct, APRA act for prudential supervision, and Fair Work, which is the link between Australia's industrial and superannuation systems.

Second, the impact of the FSRC on culture, governance, management accountability, conduct and remuneration. Davis (2019) concludes that the FSRC has done nothing to remove the naked greed and the pursuit of profit at the expense of reputation, which can generate incentives for misconduct. Therefore, it will likely be a temporary fix for preventing financial sector misconduct. Similarly, Hargovan (2019) suggests that the reliance on soft law to develop good corporate culture could be short-lived. Coburn (2019) argues that Commissioner Hayne has not left any clear guidelines for financial advice firms to change their culture and corporate governance strategies. In contrast, Marsh and Phillips (2019) agree that cultural concerns are better tackled through the judicial system rather than the legislature. Turnbull (2019) suggests a new governance model which introduces stakeholders as co-regulators to provide continuous comprehensive identification of misconduct, leading to an amplification of regulation and a reduction in the role, size, cost, and interventions of regulatory agencies. Lumsden (2019) concludes that the boards should include an updated assessment of the company's culture of compliance, the design and content of the material presented to the board by management, and compensation practices to ensure that the remuneration framework delivers the right outcome, especially when there are poor customer outcomes. Wishart and Wardrop (2018) outline six strategies for regulating culture in the financial advice industry based on the results of the FSRC. The strategies include increasing educational requirements for financial advisers, enhance law enforcement by increasing penalties, enhance protection for whistle-blowers, surveillance through peer review by establishing a financial services panel with appropriate powers, regulators to increase surveillance and standard setting for financial firms, and finally, financial firms to map responsibility and accountability frameworks in their organisations.

Third is the impact of the FSRC on trust in the planning advice industry. For example, Gilligan (2018) concludes that the FSRC's recommendations alone are unlikely to be enough to restore public confidence in Australia's financial firms. It will take strong leadership and a cultural shift to make a difference. Beyond regulatory compliance, financial firms will also need to identify better and manage reputational risks. There is a need to focus on monitoring customer satisfaction through new mechanisms to rebuild trust in the Australian financial sector.

A literature review reveals that research on the effect of the FSRC on financial advice operating models is still scarce, and the knowledge and understanding of the expected changes in financial advice operations, including products, processes, delivery models is limited. Therefore, this thesis aims to fill a significant gap in the financial planning advice literature by exploring how the FSRC would influence the operating model of financial advice firms concerning financial advice products, processes, delivery models and customer segments of financial advice firms. Consistent with the objectives of this thesis, the following sub-sections review the relevant studies that have discussed partially or indirectly the influence of the FSRC's outcome on the following areas:

First, the impact of the FSRC on advice products, processes, delivery models and customer segments of financial advice firms. Second, the effect of the FSRC on the use of enhanced technology solutions in the operating model of financial advice firms. Finally, the main challenges confronting the operating model of financial advice firms whilst implementing the recommendations of the FSRC.

2.3.1 Impact of the FSRC on advice products, processes, delivery models and customer segments of financial advice firms

In general, regulatory change can alter the focus of attention on a firm's operating model by creating significant modifications to products, processes and technology (Teece, 1986; Dosi, 1982). Penrose (1959) states that regulatory change can prevent firms from implementing products and services as intended. Ferraro and Gurses (2009) conclude that regulatory change can influence the ability of firms to defend their position relative to customers and regulators. This may cause firms to identify opportunities for business efficiency and competitive advantage (Jacobides et al., 2006).

Within the context of this thesis, a number of studies discuss slightly and indirectly the implications of the Royal Commission's outcome on products, processes and customer segments of financial services generally. Davis (2019) argues that financial product manufacturers and their distribution agents across the financial services industry will need to consider redesigning distribution arrangements and developing new distribution models to meet the high levels of governance and customer outcomes expected from implementing the FSRC's recommendations. The author demonstrates how the FSRC's outcome aimed to encourage the development of financial products designed to meet the needs of customers and strengthen the product governance framework. The author also suggests that the FSRC will reshape the distribution and delivery models of banking and financial advice services. For example, financial advice operating costs will be increased by the FSRC's recommendations due to higher training requirements, new reporting obligations and controls and a significant uplift in internal compliance. These changes will likely accelerate the evolution of robo-advice platforms and digital delivery to mass customers. And this might change the landscape of the financial sector via its implications for the delivery of banking and financial advice services. The current thesis is different from the study of Davis mentioned above. Whilst Davis (2019) presented a comprehensive paper about the Royal Commission and financial services misbehaviour, the main object of his study was to discuss whether the FSRC has the ability to make a positive change in organisational culture and governance in the financial services, and to reduce future misconduct.

Mogaji (2019) argues that the competition in the banking industry after the enactment of the FSRC is expected to challenge banks and financial services to develop more customer-focused products. The author further suggests that the product development process should also include adopting technological advancements to make banking easier and to meet customer expectations as outlined by the FSRC. In line with this perspective, Quddus (2020) concludes that digital advice platforms provide several advantages over traditional financial advice delivery models, including the accessibility of financial services at low costs, transparency, reduced management fees and ongoing portfolio management. However, the current thesis is different from both studies mentioned above, as the main object of Mogaji's (2019) study was about the implications of the Royal Commission's findings on the Australian banks concerning their marketing and brand crisis management. Furthermore, Quddus (2020), seeks to provide an overview of the emerging developments and highlight the significance of technology implementations in banking and financial services firms.

Brownlow (2020) demonstrates how different customer segments can be developed to understand and manage customers based on variance within superannuation engagement, especially after the FSRC, so that the retirement outcomes of Australian workers can be improved. The author suggests that to achieve true value creation for the customer and the business, it is clear that customers will need to be able to play a more active role in determining the products, services, and experiences being produced by Australian superannuation funds. In addition, Australian superannuation funds need to move toward a more dynamic, needs-based customer service approach, which applies advanced segmentation and analysis to the traditional business operating model. The author believes that a customer-centric service model based on customer segmentation will provide better customer engagement in superannuation and thereby improve retirement outcomes. However, the scope of Brownlow's study is limited to the Australian superannuation sector, and the main objective is to introduce data-driven techniques to implement for improved retirement outcomes. The author further acknowledged that the methodology had been limited to a small sample.

A literature review provides evidence that the FSRC would impact the operations of financial services, including products, processes and technology. However, there has not been any attempt to empirically investigate the impact of the FSRC on advice products, processes, delivery models and customer segments of financial advice firms. This calls for further research to improve the understanding of how the FSRC will influence financial advice product design and distribution channels, and to learn more about the redesign of financial advice delivery models after the enactment of the FSRC and whether financial advice firms segment their client base differently after the FSRC's outcome. This thesis, therefore, addresses the following research question:

RQ1: How do the recommendations of the FSRC affect products, processes, delivery models and customer segments of financial advice firms?

2.3.2 The role of the FSRC in accelerating the use of advice technology solutions and encouraging financial advice firms to adopt an alternative operating model

Drawing from academic articles and industry analysts, Abu-Taleb, Rashid and Shams (2021) find that the change of financial advice revenue model to an advice-based revenue model and the structural change in the vertical integration model along with the increase in advice costs, are growing the advice gap in Australia. This will lead to increased cost-to-service models and lower the level of advice being delivered to customers. Their study concludes that the mismatch between supply and demand in the advice industry is likely to accelerate the use of digital operating models including robo-advice and digital delivery to mass customers, to more easily meet compliance and regulatory obligations, to reach new and broader customers living in different geographical locations faster, and to significantly reduce the operating cost of advice.

Abu-Taleb, Rashid and Shams (2021) made an initial effort to chart the course for the scholarly understanding of the consequences of the Royal Commission on the operating model of financial advice firms. However, the authors call for future research that empirically investigates the impact of the FSRC's recommendations on the operating model of financial advice firms, by collecting the data from a sample of AFS licensees that are authorised to provide personal advice to retail clients, to fill the knowledge gap and provide empirical insight for academic researchers and practitioners. This thesis is an attempt to empirically investigate the impact of the FSRC on the operating model of financial advice firms.

Richards and Morton (2019) examine Australia's financial advice business models and their influence on encouraging best interest practices. The results of the study were triangulated with the key findings of the FSRC. Richards and Morton revealed that the current business models are conceptually positioned to prevent financial advisers from acting in the best interests of their customers. The reasons include that existing business models are less customer-centred and less independent from product providers. Therefore, financial advice is less effective and beneficial to customers. The authors call for initiatives to promote a customer's best practice by targeting customer-centric business models independent of product providers. Their results encourage future research regarding whether financial advice firms need to adopt more customer-centred business operating models in response to the Royal Commission's final report.

Quddus (2020) investigated how the technology-driven financial services transaction can enhance the services and product offerings of banking and financial advice firms. The study demonstrates how digitisation is making significant changes in the financial advice sector in light of the FSRC's findings. From online chat bots to robo-advice platforms, these technologies are offering essential services and enhancing customer experience. The author believes the findings by the FSRC shed light on the prevalent issues in the banking and financial advisory operations. The changing regulatory environment and the introduction of fintech solutions, such as robo-advice, are reshaping how financial services are provisioned and consumed. The author suggests that banks and financial advice firms must shift from conservative technology adoption to developing a culture of exploring and undertaking technology solutions to make informed and strategic business decisions. A well-planned strategy to adapt fintech products will differentiate banks and advisory firms from their competitors and new entrants. Quddus calls for further research about the influence and impact of technology on operations and business strategy decisions in the financial services sector.

Clarke (2020) explores the impact of robo-advice platforms on the wealth management industry. He examines their capability of providing the same fiduciary duty of care as a traditional human, financial adviser. The study results show that robo-advice is an innovative, new approach to providing financial advice services that are transforming the financial advice industry. However, there is still a lot of potential yet to be unlocked since robo-advice is still in its innovation stages. Clarke opens up avenues for further research, such as whether the Royal Commission's outcome accelerates the use of a hybrid robo-advice business operating model, which offers a mix of human and robo-advice services.

Based on the above discussion, there is a need for further research to improve the current understanding of how the Royal Commission's findings affect the digital advice solutions across the financial advice industry, as the exact influence is unknown. After the Royal Commission's recommendations, there is also a need to investigate whether financial advice firms need to adopt alternative operating models to drive efficiency and reduce the cost to serve model. This thesis, therefore, addresses the following research question:

RQ2: To what extent have the recommendations of the FSRC accelerated the use of advice technology solutions and encouraged financial advice firms to adopt an alternative operating model?

2.3.3 The challenges confronted by financial advice firms in implementing the recommendations of the FSRC across their operating models

Marsh and Phillips (2019) discuss the recommendations of the Royal Commission into financial services and identify elements of the banking and financial planning advice market that cause challenges in implementing the positive changes called for in the commission's report and potential solutions. They argue that implementing the FSRC's recommendations should not be underestimated. It represents both a challenge and an opportunity for financial advice firms to review their current business and operating models and identify opportunities to improve and digitise ways of working. They also conclude that professionalism and the incorporation of technology into advice businesses would play a key role in bringing about tangible change in how banking and advisory services operate, resulting in better customer outcomes and improved profitability. However, this requires banks and advice firms to make significant operational capability investments to strengthen their weak controls and enhance their efficiency. Furthermore, they suggest three solutions to help banking and advisory services overcome anticipated resistance to implementing the FSRC's recommendations. First, using technological resources to identify systemic shortcomings, which can then be improved or corrected. The second solution is creating a meaningful enforcement program and specifying enforcement goals. The last solution is to build a regulatory measurement system that enables customers to assess better and compare providers' performance.

While Marsh and Phillips foresee the possible challenges hindering the Commission's objectives and suggest solutions to help banking and advisory services overcome anticipated resistance to implementing the FSRC's recommendations, the challenges confronted by financial advice firms in implementing the recommendations of the FSRC across their operating models were not tested empirically. There is a shortage of knowledge around this subject. The present thesis, therefore, addresses the following research question:

RQ3: What are the key challenges confronting financial advice firms whilst implementing the recommendations of the FSRC across their operating models?

2.4. Summary

This thesis has applied Schumpeter's theory of innovation to understand how the FSRC influences the operating model of financial advice firms. Schumpeter's theory of innovation is a relevant framework for addressing what business firms do to manage new requirements arising from a regulatory change such as the FSRC's report, and to answer research questions concerning innovation and operations. In addition, the theoretical concepts of Schumpeter's innovation theory align with the thesis's objectives in exploring the innovative activities along the operating model of financial advice firms after the enactment of the FSRC. A literature review reveals that research on the impact of the FSRC on financial advice operating models is still scarce, and the knowledge and understanding of the expected changes and challenges in financial advice operations is limited. Therefore, the thesis attempts to fill the knowledge gap and provide empirical insight for academic researchers and practitioners. The next chapter will focus on the research method of the thesis.

CHAPTER THREE: RESEARCH METHOD

3.1. Introduction

This thesis explores whether Australian financial advice firms have introduced significant changes to their operating models, including products, processes, delivery models and customer segmentation, in response to the FSRC's recommendations. The current thesis is significant because it provides empirical evidence, through 24 interviews, on the need for advisory firms to invest in digital advice solutions to increase efficiency, promote standardisation and enhance compliance and customer experience after the enactment of the FSRC.

The previous chapter provides a review of literature. It also discusses the theoretical framework used for data analysis and interpretation of findings. This chapter highlights the research methodology adopted to investigate the impact of the FSRC on the operating models of advice practices. A research methodology explains why a particular approach is used for the research, how research methods were applied and the data collection methods and the data analysis used to get the results of the research (Williams, 2007).

According to Jankowicz (2005), a research methodology is acceptable if the researcher can give rationale and justification for the particular method used. Therefore, this chapter attempts to justify the research approach and methods used to address the research questions. This chapter commences by addressing the research philosophy and paradigm. This includes research design, sample size, methods of data collection and analysis, and rationale for their use. The chapter concludes with an overview of the considerations made for matters such as validity, reliability, trustworthiness, and the ethical considerations made for the thesis.

3.2. Research Philosophy

Saunders, Lewis and Thornhill (2019) define research philosophy as a system of beliefs and assumptions about the development of knowledge. Therefore, it is the way of interpreting the world that influences the research project. A research philosophy consists of four major components: epistemology, ontology, axiology, and methodology. In this thesis, considerations of epistemology and ontology were made in determining the research approach, design, and methods. Figure 5 below shows the process of developing a research design.

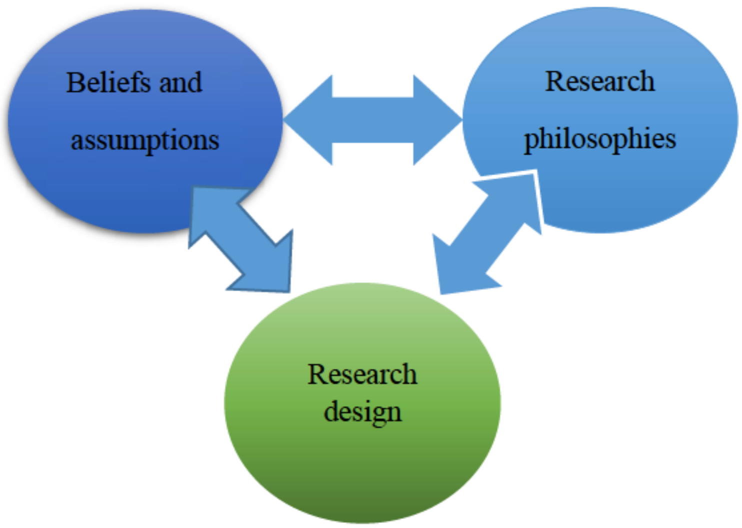

Figure 5: The process of developing a research design (Saunders et al., 2019)

3.2.1 Epistemology

Epistemology refers to assumptions about knowledge, what constitutes acceptable, valid and legitimate knowledge and how knowledge is created, acquired, and communicated to others (Burrell & Morgan, 1979). Two opposing epistemological stances have been adopted by researchers for many years, namely positivism and interpretivism. Positivism, from an objectivist research perspective, is a methodological philosophy of knowledge that only accepts observable or measurable experiences of the world as data for analysis, the findings from which are considered positive or absolute truths about reality (Pascale, 2011). In this respect, understanding of phenomena, in reality, must be measured and supported by evidence (Hammersley, 2013, p22-23). On the other hand, interpretivism is that humans construct knowledge as they interpret their experiences of and in the world. Interpretivists reject the positivist notion that knowledge is simply there to be identified and collected (Constantino, 2008; Pascale, 2011). All knowledge is grounded in our particular experiences and depends on particular circumstances and individuals. Therefore, researchers tend to gain a deeper understanding of the phenomenon and its complexity in its unique context instead of generalising the base of understanding for the whole population (Creswell, 2007).

In this thesis, the researcher accepts that knowledge is subjective. The social world of business and management, particularly in financial planning advice, is too complex and unique for the traditional natural sciences approaches. The researcher seeks to understand the subjective reality of the questions addressed in this thesis. Therefore, subjective data was obtained through interviews with a small group of respondents comprising financial advice firm managers and financial advisers.

3.2.2 Ontology

While epistemological assumptions are concerned with the nature of knowledge, ontology refers to assumptions about the nature of reality. Ontological assumptions shape the types of questions about how the world works or how people act or interact (Madill, 2008). The primary concern of ontological assumption is whether reality exists independently of human experience and consciousness or whether it exists within the context of human experience and consciousness (Ormston et al., 2014). Ontology is concerned with whether reality is interpreted within our mind, or it exists independently. The two major contrasting ontologies are the critical realist and the relativist ontologies. Critical realism refers to that a reality exists independently outside of human consciousness irrespective of whether the reality can be comprehended or experienced (O'Reilly & Kiyimba, 2015). Critical realists believe that discovering the truth about reality is best achieved through an accumulation of planned observations (Madill, 2008). Therefore, the aim of research, according to critical realists, is to identify and describe phenomena (Bergen et al., 2010). On the other hand, the relativist ontology states that reality is a finite subjective experience, and nothing exists outside human thoughts (Denzin & Lincoln, 2005). The relativist ontology accepts that reality is construed through human experience, and it cannot be distinguished from the subjective experiences of that reality (Guba & Lincoln, 2005). Therefore, the relativist ontology accepts that there is no single universal version of reality, but instead, there are multiple versions of realities that come from multiple interpretations of experience. Under the relativist ontology, the purpose of conducting research is to understand the subjective experience of reality and the multiple truths associated with it (O'Reilly & Kiyimba, 2015).

This thesis aims to investigate how the recommendations of the FSRC have affected the operating model of financial advice firms in Australia. In conducting this thesis, qualitative research methods have been used. Therefore, the researcher has been guided by the relativist ontology that assumes that reality is subjectively construed. The findings of the interviews reflect the subjective realities of the respondents, and therefore, the aim of the research is to develop an understanding of these subjective experiences. The researcher assumes that reality cannot be defined from a single perspective, but instead, it is construed from multiple perspectives.

3.3. Research Paradigm

A research paradigm refers to the system of ideas or worldviews that reflect researchers' assumptions about reality and methodology (Guba & Lincoln, 1994). Bryman and Bell (2011) explain a paradigm as the beliefs that dictate the subjects to be studied, the way research is to be done, and the way results are to be interpreted. The researcher's assumptions and beliefs on the nature of truth and reality may significantly influence how research is undertaken in a research project. Therefore, it is essential to discuss the philosophical assumptions and paradigms in a research study in order to understand the research choices (Roulston & Shelton, 2015). Research paradigms have both epistemological and ontological considerations, which provide a guide to the research methodology (Guba & Lincoln, 1994; Bryman & Bell, 2011). Different research paradigms inspire researchers to adopt different ways of investigating a research phenomenon. The commonly referenced research paradigms include positivism, post-positivism, interpretivism, constructivism and critical theory.

Positivism is a paradigm of a quantitative nature that uses a deductive approach through analysing data, often against a pre-formulated hypothesis (Bryman & Bell, 2011; Wahyuni, 2012). Positivist researchers start with a hypothesis derived from theory and then use observation and quantitative research methods to prove or disprove the hypothesis. They assume that laws and principles derived from a research process may be generalised to other similar situations (Sarma, 2015). Positivism assumes that the quantitative data obtained from a highly structured and systematic research process is not influenced by social or other human factors (Neuman, 2006). The post-positivist paradigm is similar to positivism because it emphasises objectivity, logical reasoning, and empirical evidence (Wahyuni, 2012). However, it differs from the positivist paradigm in that it is not restricted or limited to what may be physically observed. Post-positivists acknowledge that the world cannot be observed in a totally objective way. Whilst this is the case, it still uses quantitative methods but rather than assume that the results are certain they instead look at the reliability of their findings (Brand, 2009; Wahyuni, 2012). The research methodology in post-positivism is primarily quantitative, where the researcher seeks to discover knowledge and then describe and analyse the structures of that knowledge (Levers, 2013).

In contrast to the positivist and post-positivist paradigms, the interpretivist paradigm is based on a relativist ontology and subjective epistemology. Therefore, interpretivists employ methods that mainly generate qualitative data (Grix, 2004). The research methods consistent with the interpretivist paradigm include open-ended interviews, semi-structured interviews, informal conversational interviews, focus groups, case studies, personal notes, documents and participant observations. Data is primarily verbal instead of statistical, and it is usually audio or video recorded (Gall et al., 2003). Interpretivists use the inductive approach because they aim to derive a theory from data collection (Grix, 2004, p. 108). This is the polar opposite of the deductive approach, in which researchers aim at testing an existing theory. The constructionist paradigm combines the aspects of both post-positivist and interpretivist paradigms. The constructionist approach assumes that knowledge is constructed and co-created through the interaction between the researcher and the research participant (Kirkwood, 2007; Levers, 2013). The constructionist paradigm is qualitative and is centred on obtaining an understanding from an insider's perspective (Guba, 1990). Methods that are used to gather data under the constructionist approach are through interviews, observation, and ethnography with the aim to understand the experience that is lived (Kirkwood, 2007).

Another paradigm used in academic research is the critical theory which combines the realist ontology assumptions with the assumptions of subjective epistemology (Brand, 2009). Critical theory is applied in long-term historical studies of structures and processes. The aim of critical theory research is not to explain or understand society but to change it (Patton, 2002). Instead of generating knowledge of the social world as it exists, critical researchers attempt to expose the beliefs and actions that limit human freedom with the ultimate aim of transforming the situation (Kincheloe, 2008). Table 3 constructs a simple comparison between the most frequently used research paradigms in academia, according to Guba and Lincoln (1994).

Table 3: Comparison between the most frequently used research paradigms

Positivism		
Ontology	Epistemology	Method
Naive realism – reality but apprehendable	Dualist/objectivist; findings true	Experimental/manipulative; verification of hypotheses; chiefly quantitative
Post-positivism		
Ontology	Epistemology	Method
Critical realism – reality but only imperfectly and probabilistically apprehendable	Modified dualist/objectivist; critical tradition/community; findings probably true	Modified experimental/ manipulative; critical multiplism; falsification of hypotheses; may include qualitative approaches
Critical theory		
Ontology	Epistemology	Method
Historical realism – virtual reality shaped by social, political, cultural, economic, ethnic and gender values; crystallised over time	Transactional/subjectivist; value-mediated findings	Dialogic/dialectical
Constructivism / Interpretivism		
Ontology	Epistemology	Method
Relativism – local and specific constructed realities	Transactional/subjectivist; created findings	Hermeneutical/dialectical

Source: Guba and Lincoln (1994, p. 109)

3.3.1 Paradigm of the thesis

The critical theory paradigm was not deemed relevant to the current thesis, as the research was not a long-term study and neither the objective of the thesis was the transformation of financial advice operating model systems or individuals' consciousness in that area. Moreover, the researcher was not part of any of the institutions being investigated and was not part of the sample population.

Furthermore, the positivist and post-positivist paradigms were deemed unsuitable for directing the process of the thesis for several reasons. First, the requirement of objectivity stipulated by positivist and post-positivist research paradigms was inconsistent with the data collected in this thesis. The researcher sought to explore how the recommendations of the FSRC have affected the operating models of financial advice firms in Australia. To explore this research problem quantitatively, data of financial advice firms in relation to products, cost-to-service delivery models and customer segmentation was required for several years and subjected to statistical analysis in order to detect patterns. Instead, the researcher collected subjective information from interview data. Second, the positivist and post-positivist paradigms were deemed unsuitable for the current thesis due to their epistemological limitations. Epistemological assumptions under positivist and post-positivist paradigms require the use of closed questions in questionnaire design. Therefore, they do not allow the discovery of new knowledge that could emerge from open-ended interview questions. This thesis involved interviews in which further information was allowed to emerge freely during interviews. The researcher assumed that knowledge could not only be developed through objective data collection methods but also subjectively construed through qualitative methods.

The current thesis adopted the interpretivist-constructionist paradigm as the most suitable for guiding the research process. The paradigm chosen for this research accepts both the interpretivist and constructionist philosophies. Under the interpretivist-constructionist paradigm, knowledge is constructed and co-created through the interaction between the researcher and the research participant. Furthermore, the subjective information obtained through methods such as interviews are acceptable forms of knowledge. In this thesis, the subjective experiences of financial advisers and managers of Australian financial services (AFS) licensees were obtained through interviews and using non-statistical methods to analyse the interview data. Since the current thesis sought to explore the impacts of the FSRC on financial advice operating models using a small population of financial advice firms, the qualitative methodological approach consistent with the interpretivist and constructionist perspectives was adopted. Therefore, the interpretivist-constructionist paradigm was most suitable for this thesis.

3.4. Research Methodology

Research methodologies are broadly classified into quantitative, qualitative and mixed methods. The research method chosen depends on the focus of the study and the researcher's position and beliefs. Whilst some researchers have argued that the methods of qualitative and quantitative research should remain separate (Kuhn, 2012), other researchers suggest that mixed methods research has its place and appropriateness (Bryman & Bell, 2011; Weber, 2017). Table 4 conducts a comparison of quantitative and qualitative studies.

3.4.1 Quantitative research methods

Quantitative research methods are focussed on statistics obtained through the collection of data with precise measurements such as structured questionnaires, and must be completely objective (Bryman & Bell, 2011). In addition, quantitative research involves the analysis of numerical data to describe or explain a phenomenon. This allows the researcher to accept or reject the research hypothesis based on the findings of statistical tests (Sarosa, 2007). According to Neuman (2006) and Levers (2013), quantitative research methods are based on the positivist and post-positivist paradigms, where the focus is to measure variables and test hypotheses to explain a phenomenon. In social sciences, quantitative methods are appropriate when a study aims to establish a quantifiable understanding of human experiences. Quantitative methods involve the use of experiments, surveys, standardised observation studies, and correlation studies. In these studies, researchers seek to measure and analyse causal relationships between variables (Neuman, 2006). Furthermore, quantitative studies assume that the research results are replicable and generalisable across similar research settings (Creswell & Creswell, 2017).

3.4.2 Qualitative research methods

Whilst quantitative research methods involve the collection and analysis of numerical data, qualitative research methods are focussed on understanding and interpreting the interactions of a social nature through the collection of data comprising of descriptive words and texts. Qualitative research methods typically involve the use of interviews, ethnographies, participant observation and field work, focus groups discussions, case studies, and phenomenological studies (Bryman & Bell, 2011). According to Grix (2004), the qualitative research methods are based on the interpretivist, constructionist and critical paradigms. In qualitative research, the researchers focus on exploring and understanding the meanings people attach to a specific social or human problem under investigation. The researchers are actively involved in making meaning of the data obtained from the study's results (Creswell & Creswell, 2017). Therefore, qualitative researchers accept that knowledge may be subjective and socially construed (Neuman, 2006).

3.4.3 Mixed methods research

Mixed methods research combines the elements of both qualitative and quantitative research in the same study (Uprichard & Dawney, 2019). This thesis approach involves collecting, analysing, and interpreting quantitative and qualitative data in a single study (Leech & Onwuegbuzie, 2008). The mixed methods research maximises the benefits of both qualitative and quantitative methods. It can help researchers to gain a more complete picture than a standalone quantitative or qualitative study, as it integrates the benefits of both approaches. In mixed methods research, the findings of one method are evaluated alongside the findings of another method. Alternatively, data synthesis occurs across different research methodologies (Uprichard & Dawney, 2019).

The mixed methods research is based on pragmatism, which provides a set of assumptions about knowledge that underpins the mixed methods approach and distinguishes it from purely quantitative approaches that are based on positivism and purely qualitative approaches that are based on interpretivism or constructivism (Maxcy, 2003). The primary assumption of mixed methods research is that combining qualitative and quantitative research methods would enhance the understanding of the research problem compared to the case where only one approach is adopted (Creswell and Creswell, 2017). Therefore, mixed methods research facilitates a deeper analytic approach and the adoption of a more comprehensive approach to the research process

(Uprichard & Dawney, 2019). However, Bryman (2008) explores mixed methods research and finds that this form of research is not used to a desirable extent. The author reveals that when researchers use a mixed methods approach, they do not often achieve what they set out to, thus, they need to give more consideration to their reasons for conducting mixed methods research.

Table 4: Comparison of quantitative and qualitative studies

	Quantitative Studies	Qualitative Studies
Focus	Quantity, frequency, magnitude	Quality or meaning of experience
Philosophical roots	Positivism, post-positivism	Interpretivism, constructivism
Objective	Predict, control, confirm, test	Understand, describe, discover
Research question	Often stated in hypotheses that are accepted or rejected using statistical tests and analyses	Discovering answers that emerge from information that is available as a result of the study
Representative methods	Surveys, experiments, standardised observation studies, correlation studies	Interviews, ethnographic studies, participant observation studies, focus groups discussions, case studies, phenomenological studies
Information collection	Generally, short-term duration using constructed measures	May last a few months or as long as it takes for an adequate answer to emerge
Outcome report	Generally expository, consisting of a series of statistical answers	Generally narrative

Source: Yin (2006, p. 41f) and Creswell (2007)

3.4.4 Justification of using qualitative research method in this thesis

This thesis seeks to understand the impact of the FSRC on the operating models of financial advice firms. This thesis takes a qualitative approach in seeking to identify and understand experiences, meanings and beliefs (Wisker, 2008) that thereby address the study's research questions. A qualitative research approach is often considered appropriate when striving to understand why a phenomenon occurs (Denzin &

Lincoln, 2005) and explore the ongoing development and effects of a phenomenon (Eisenhardt & Graebner, 2007). In line with this perspective, Bryman and Bell (2011) suggest that the qualitative approach is most appropriate for obtaining an in-depth understanding of complex phenomenon as well as being useful in exploratory research where quantitative research methods cannot be applied.

From epistemological standpoints (Guba & Lincoln, 1994), this thesis adopts an interpretive approach to epistemology. The knowledge in this thesis is based on the subjective experience of its participants (Hudson & Ozanne, 1988), namely financial advisers and managers of Australian financial advice firms. Consistent with the interpretative epistemology, the researcher followed an interpretive research approach throughout the research journey. An interpretive research approach is appropriate in a context when the researcher attempts to address a relatively less explored branch of an empirical setting and research questions keep evolving and emerging in line with the data (Hudson & Ozanne, 1988). Data analysis and interpretation of the data have been through an inductive process (Strauss & Corbin, 1998).

The current thesis is deemed to be most suitably researched through qualitative research methods. The research involved interviews with financial advisers and managers of Australian financial advice firms whose experiences and observations formed the basis of understanding the impact of the FSRC on the operating models of financial advice firms. Due to the limited number of respondents available, the researcher focused on in-depth interviewing to identify common themes and patterns from the interview data. The interview's semi-structured nature helped discover new themes and concepts as they emerged through the research process. The nature of data collected from the interviews was deemed appropriate for the application of qualitative research methodology. In addition, document analysis has been used in combination with the semi-structured interview method as a means of triangulation to gain multiple perspectives. The researcher is expected to draw upon a couple of sources of evidence to seek convergence and corroboration through the use of different data sources and methods.

3.5. Research Design

The research design refers to the overall plan that a researcher chooses to integrate the different components of the study logically, to ensure that the evidence obtained enables the researcher to address the research problem effectively and as clearly as possible. This constitutes the blueprint for the collection, measurement, and analysis of data (De Vaus, 2001). According to Kombo and Tromp (2009), a research design is considered as the overview of the research approach and the chosen research methods. A research design describes the overall structure of the research process, from the formulation of research questions to the final stage of reporting the findings of a study. Choosing a research design in a study is influenced by factors such as the nature of research questions, the research settings, the data collection methods and the data analysis methods (Creswell & Creswell, 2017).

According to Neuman (2006), there are three broad categories of research designs adopted in social sciences research, namely exploratory, descriptive, and explanatory research. Exploratory research attempts to explore and investigate a problem that is not clearly defined. In this type of research, the focus is on gaining more insights into a particular phenomenon. On the other hand, explanatory research attempts to understand the nature of cause-and-effect relationships to explain why a specific phenomenon occurs. In explanatory research, the focus is on explaining the causes of an observable phenomenon. Descriptive research involves observing and describing the behaviour of a phenomenon in a completely natural environment without influencing it (Shuttleworth, 2008). Table 5 compares the main categories of research designs adopted in social sciences studies.

The current thesis adopted a qualitative research method to answer the research questions. The impact of the FSRC on the operating models of financial advice firms has not been explored before. Therefore, this thesis takes an exploratory approach to guide future investigations in the field. Exploratory research designs are suitable for investigating phenomena that have not been studied previously. According to Zikmund et al. (2013), exploratory research serves the purposes of diagnosing a situation, screening for alternatives, and discovering new ideas. The current thesis seeks to enhance the understanding of how the FSRC's recommendations influence the operating models of financial advice firms and therefore fits the purpose of diagnosing the situation, screening for alternative financial advice operating models, and discovering new products and delivery models after the enactment of the FSRC's recommendations.

Table 5: Types of research designs in social sciences studies.

		Exploratory research	Explanatory research	Descriptive research
Definition		Explores and investigates a problem that is not clearly defined.	Explains the patterns of relationships between variables.	Describes or defines a particular phenomenon.
Nature		Explores the research problem but does not offer final solutions to existing problems.	Links different ideas to understand the nature of cause-and-effect relationships to explain why a specific phenomenon occurs.	Involves observing and describing the behaviour of a particular phenomenon.
Stage		Conducted at the preliminary stage.	Conducted after exploratory research and descriptive research.	Conducted after exploratory research and before explanatory research.
Method		Generally, produces qualitative data.	Quantitative in nature.	Quantitative in nature.

Source: DeCarlo (2018) and Shuttleworth (2008).

3.6. Data Collection Method

In this thesis, the data was collected through semi-structured interviews. Due to limitations in numerical data within the financial advice industry, the interview method was deemed most suitable because it facilitated the collection of rich data through in-depth interviews with knowledgeable persons in the financial planning industry. Interviews were taken with why and how types of questions, which would not be possible in other research methods. Interviews are the most common forms of data collection in qualitative research (Legard, Keegan & Ward, 2003). The purpose of the research interview is to explore the views, experiences and beliefs of individuals on specific phenomena (Silverman, 2000). The interview method enabled the researcher to obtain the perspectives of financial advice firm managers and advisers on their assessments of the impacts of the FSRC on financial advice operating models in detail, which would otherwise not be possible in other methods of data collection. There are three types of research interviews: structured, semi-structured and unstructured. Semi-structured interviews were deemed ideal for the current thesis as they helped to enhance the flexibility of the interview process. Semi-structured interviews consist of multiple key questions that help to define the areas to be explored, but also allows the interviewer or interviewee to diverge in order to pursue an idea in more detail (Britten, 1999). One of the advantages of the semi-structured interview is that it gives the interviewees the freedom to express personal views according to their understanding and not that of the researcher. The semi-structured interview process further allows two-way communication between the researcher and the respondent (Adams, 2015).

The interview process starts with initial contacting of potential respondents from the financial advice industry through publicly available contact addresses. Contacts were made through emails or phone calls with likely respondents to arrange for the interviews. The researcher sent out the participant information sheet to the interviewees explaining the nature and purpose of the research. The participants were also asked to sign an informed consent form and to dedicate time for the interviews. The interviews were conducted at a convenient time provided by the respondents. Each interview lasted between 30 and 45 minutes. Interview questions were based on research questions of the thesis. The researcher used a similar style of language for all the interviews in order to enhance consistency and uniformity. The interviews were not recorded electronically as permission had not been granted. Instead, the interviewer took notes during and immediately after the interviews. After each interview, the data was transcribed and entered into a personal computer, where each of the interviewees was stored under a unique identifier code.

In this thesis, the researcher prepared interview questions using the interview guide (see appendix 2). However, the researcher was flexible enough to allow the interviewing process to deviate slightly from the interview guide to enable the respondents to raise important issues that may not have been captured in the interview guide. Furthermore, the respondents were encouraged to engage in the free expression of their views and explore issues that they deemed relevant to their experiences. The interview questions used in this thesis were open-ended questions, often accompanied by follow-up why or how questions. This allowed the interviewees to express their personal opinions in their own words as opposed to those of the researcher.

The interview guide used in this thesis comprised open-ended questions that sought to explore how managers and advisers perceived the FSRC's recommendations and their impact on the operating model of their entities. The first section of the interview guide sought to collect data on the demographic information of firms interviewed. In this segment, data was collected on the location of entity, the number of advisers under their licence and within the practice, the number of years they have been operating, and their extent of awareness regarding the impact of the FSRC on their advice operating model. The second part of the interview guide sought to explore how the interviewees perceived the influence of the FSRC on advice products, processes, delivery models and customer segments. The third part of the interview guide focused on obtaining the opinions of the interviewees on whether the FSRC's outcome has accelerated the use of enhanced technology solutions within the operating model of financial advice firms. The final part of the interview guide sought to explore the interviewees' opinions about the key challenges that advisory practices experienced whilst implementing the recommendations of the FSRC across their operating models.

The researcher conducted the interviews through virtual and phone conversations due to the coronavirus disease 2019 (COVID-19) pandemic. Virtual interviews using Zoom™ or Microsoft Teams video meetings were considered appropriate because they allowed the researcher to observe the interviewees' body language in order to construe certain expressions and attitudes, as observed by King et al. (2018). The virtual interactions also helped to build rapport with the interviewees and therefore enhanced the feeling of flexibility and openness that improved the quality of the responses.

Table 6: Interview respondent profiles

Participant	Advice firm location	Years of operating	Number of advisers	Participant designation
1	VIC	Over 50 years	Over 250 advisers	Client adviser
2	VIC	Over 50 years	Over 250 advisers	Senior financial adviser
3	QLD	Over 50 years	100 to 250 advisers	Financial planner and wealth consultant
4	WA	21 to 50 years	100 to 250 advisers	Financial adviser
5	NSW	Over 50 years	Over 250 advisers	Senior manager – Financial advice
6	NSW	Over 50 years	Over 250 advisers	Senior technical and regulatory change manager
7	TAS	6 to 20 years	10 to 99 advisers	Financial planner
8	NSW	6 to 20 years	10 to 99 advisers	Director – Financial planning and wealth management
9	VIC	6 to 20 years	Over 250 advisers	Financial adviser
10	VIC	21 to 50 years	10 to 99 advisers	Financial adviser
11	NSW	Over 50 years	Over 250 advisers	National advice and operations manager
12	NSW	21 to 50 years	10 to 99 advisers	Financial adviser
13	NSW	Over 50 years	Over 250 advisers	Analyst – Group strategy and ratings
14	NSW	21 to 50 years	10 to 99 advisers	Manager – Compliance and regulatory affairs
15	QLD	21 to 50 years	10 to 99 advisers	Manager – Risk and compliance operations
16	NSW	Over 50 years	100 to 250 advisers	Manager – Financial advice services
17	NSW	21 to 50 years	10 to 99 advisers	Compliance manager
18	VIC	6 to 20 years	100 to 250 advisers	Practice development manager

Participant	Advice firm location	Years of operating	Number of advisers	Participant designation
19	NSW	Less than 5 years	10 to 99 advisers	Senior adviser
20	NSW	Less than 5 years	10 to 99 advisers	Director – Head of advice
21	NSW	6 to 20 years	10 to 99 advisers	Financial planner
22	NSW	21 to 50 years	Over 250 advisers	Financial adviser
23	NSW	Over 50 years	10 to 99 advisers	General manager - Private wealth advisory
24	NSW	6 to 20 years	Over 250 advisers	Branch principal and wealth manager

No personal details were collected about the participants, such as their names or addresses. Instead, only general demographic information about their employer was collected.

Figures 6, 7 and 8 below, provide general demographic information about the participants interviewed in this thesis.

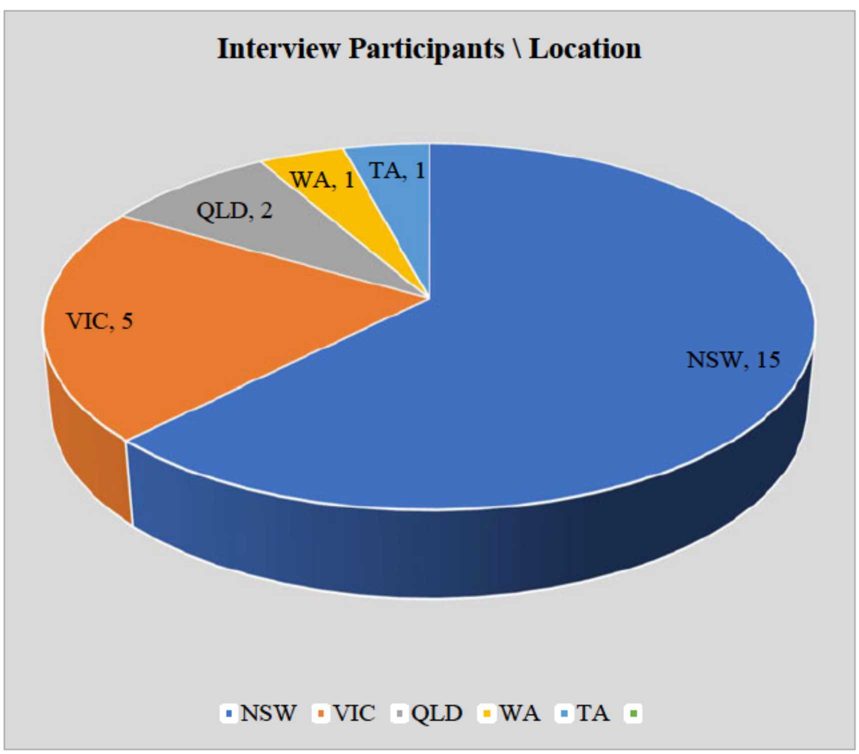

Figure 6: Location of interview participants.

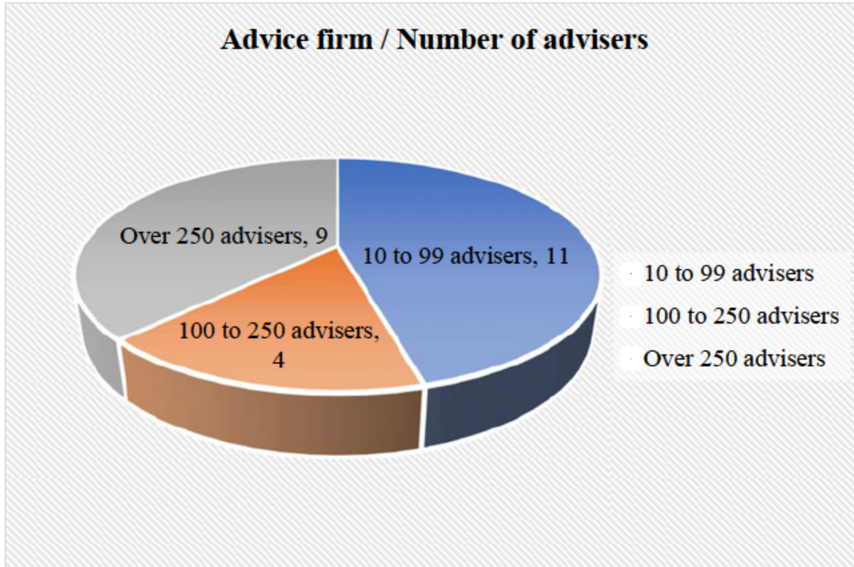

Figure 7: Participants by number of financial advisers.

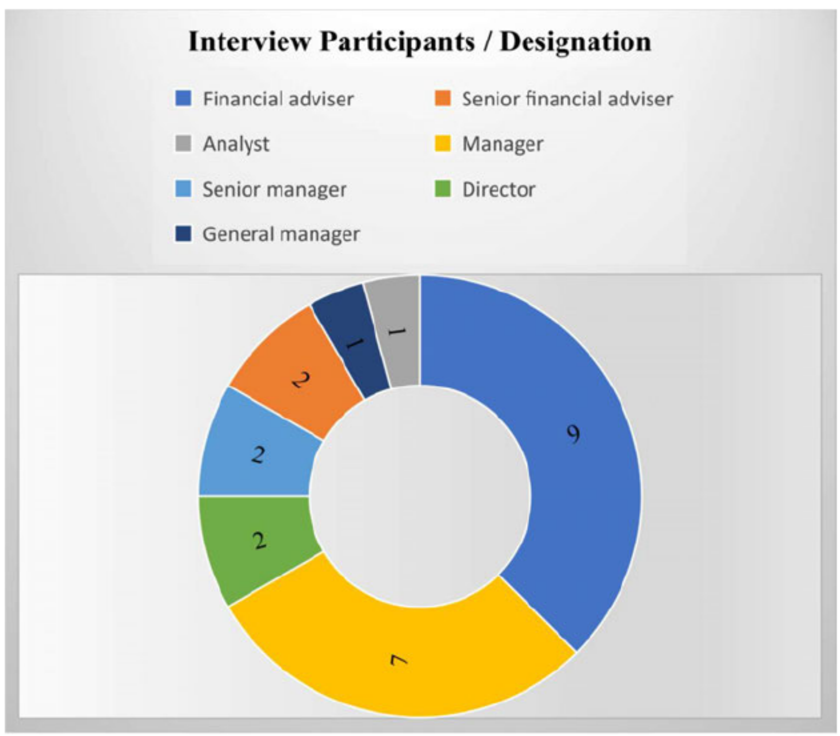

Figure 8: Interview participants' designations.

3.7. Interview sample selection

There are several sampling techniques that qualitative researchers can use when recruiting participants. The two most popular sampling techniques are purposive and convenience sampling (Cleary et al., 2014). Purposive sampling is used by qualitative researchers to recruit proficient and well-informed participants who can provide in-depth and detailed information about the phenomenon under investigation (Bernard, 2002). Convenience sampling is a technique that qualitative researchers use to recruit participants who meet specific practical criteria such as easy accessibility, geographical proximity and availability at a given time (Dörnyei, 2007). Sampling techniques can be used alone or jointly with one another, very easily within qualitative research. Cleary et al. (2014) specify five principles that guide sample selection in qualitative studies. First, sample sizes are generally small but are intensively studied. In addition, participants are selected purposefully. Furthermore, sample selection is driven by the theoretical framework of the thesis. Fourth, the sample selection is often sequential rather than pre-determined. Finally, a rationale for sample selection is necessary.

In the present thesis, a total of 24 participants were interviewed, comprising managers and financial advisers who are working in AFS licensees or authorised representatives of AFS licensees that provide personal advice to retail clients. Purposive and convenience sampling techniques were used to obtain a sample of participants who were interviewed. Purposive sampling was used to select participants with expert knowledge and experience in the financial planning industry that were relevant to this thesis. The researcher targeted AFS licensees with a minimum of ten financial advisers operating under their licence. Convenience sampling was used to contact respondents who were easy to access. Due to the confidential nature of business, the limited information available and COVID-19 restrictions, it was not easy to gain access to managers and financial advisers working for the top AFS licensees. However, the selected sample provided an ideal pool of participants who were knowledgeable about the FSRC and its impact on the operating model of financial advice firms.

The sample selection strategy of this thesis was flexible and pragmatic. In qualitative research, there are no hard and fast rules to fix a specific number of a sample before the study commences (Sandelowski, 1995). The sample was deemed adequate to achieve data saturation. Having a large sample in qualitative research studies may result in redundancy of information without generation of any new themes or concepts (Cleary et al., 2014). In a qualitative study, a large sample size is not necessarily essential to achieve theoretical saturation (Fusch & Ness, 2015; O'Reilly & Parker, 2013). The more critical issue in claiming theoretical saturation is to access rich data that ensures a wide range of opinions and diverse representation of the issue being explored (Guest et al., 2006; O'Reilly & Parker, 2013). According to Bowen (2008) and Mason (2010), any qualitative research which is intended to inductively explore the in-depth experiences of a specific group of participants can most likely achieve data saturation with a small sample size. In some cases, saturation is possible within a small sample size, such as six interviews. Whilst in other cases, based on the nature of qualitative research, 15 to 30 and up to 60 interviews are recommended to achieve data saturation (Guest et al., 2006; Morse, 1995). Table 7 below outlines how the sample size of the interview data collection method has been determined in this thesis.

Table 7: Summary of the interview sample selection process.

Step	Details	Total number
1.	Total number of approved AFS licensees[1]	6,137
2.	AFS licensees providing general advice only (excluded from the sample)	(1,760)
3.	AFS licensees with less than 10 advisers operating under their licence (excluded from the sample)	(3,953)
4.	The sample was drawn from AFS licensees with over nine advisers operating under their licence	**424**

The database of AFS licensees was built based on publicly available information on the FPA Australia's official website, the financial advisers' register[2] and other internet sources.

[1] As at 30 June 2019, Australian Securities and Investments Commission (ASIC) <https://download.asic.gov.au/media/5314396/asic-annual-report-2018-19-full.pdf>.

[2] <https://moneysmart.gov.au/financial-advice/financial-advisers-register>.

3.8. Interview data analysis

Several techniques can be used to analyse qualitative data, such as content analysis (Altheide & Schneider, 2013; Mayring, 2000); grounded theory (Glaser & Strauss, 2017); thematic analysis (Braun & Clarke, 2006); and framework analysis (Pope et al., 2000). The researcher used the thematic analysis method defined by Braun and Clarke (2006) to interpret the qualitative data collected from the interviews. Thematic analysis is a commonly used approach across all qualitative designs, allowing researchers to identify, analyse and report patterns within data (Merriam, 2009). Thematic analysis is one of the most common techniques to analyse semi-structured interview findings (Braun & Clarke, 2006). According to Joffe and Yardley (2004), the purpose of using thematic analysis is to identify patterns of meaning from a set of qualitative data that provide an answer to the research questions being addressed. Patterns are identified through a sequential and recursive process that starts with data familiarisation, data coding, theme development and revision, and ends with writing the final report (Braun & Clarke, 2006). Thematic analysis is suitable for this thesis considering a relatively low level of interpretation, in contrast to other qualitative data analysis techniques such as grounded theory which requires a higher level of interpretive complexity (Sandelowski & Barroso, 2003). In addition, thematic analysis provides a highly flexible approach, thus demonstrating its ability to be used within different frameworks to answer different types of research questions (Clarke & Braun, 2013). Figure 9 outlines the phases of thematic analysis according to Braun and Clarke (2006).

Figure 9: The steps in thematic analysis process (Braun & Clarke, 2006).

In the present thesis, interview data was noted down immediately during and after the interviews. Once prepared and organised, the contents of the notes were validated by asking the participants to confirm their accuracy. The interview data was subjected to a coding process before thematic analysis. The coding process involved reading the interview transcripts and identifying the major expressions, which were identified as codes. The process was repeated several times to reduce the number of codes by eliminating duplications and unnecessary codes. The NVivo software was used in the coding process to ensure easy, effective and efficient coding, making retrieval easier. Among other reasons, NVivo software saves time and boosts the accuracy and speed of the analysis process (Zamawe, 2015).

The interview data was analysed in order to identify themes that emerged in the interviews relating to the impacts of the FSRC on the operating model of financial advice firms, including products, delivery models, and customer segmentation. Whilst reading the interview transcripts, the researcher identified the key phrases used by each of the respondents and utilised these phrases to identify the key patterns and common themes. The next step involved verifying the themes. Themes that had no clear expressions within the interview data were removed. Subsequently, the researcher reviewed and refined themes through the interview transcripts many times, to define and name the final themes.

3.9. Validity and Reliability

For a research study to contribute to knowledge development in a particular field of study, it must have sufficient validity and reliability. Therefore, the two key research issues of validity and reliability are addressed in the following sections.

3.9.1 Validity

Validity in a research study is broadly defined as the appropriateness of the tools, processes, and data (Finfgeld-Connett, 2010). Valid research should demonstrate what actually exists, and a valid instrument should actually measure what it is supposed to measure (Brink, 1993). Validity is concerned with whether the research instruments that have been devised to measure the concept are effective in measuring the concept.

Failure to have validity in a research process could result in meaningless results that do not reflect the true position of the research objects (Bryman & Bell, 2011).

There are different types of validity considered in this research, including content and construct validity. Content validity refers to the extent to which the measure used in the research is relevant and reasonably representative of the subject matter it is designed to measure (Bryman & Bell, 2011). A measurement instrument is considered to have content validity if it asks the right questions and is framed in a non-ambiguous way (Cooper & Schilder, 2011). In the present thesis, content validity was achieved by ensuring that the interview questions were formulated in a clear and non-ambiguous manner. The interview questions were relatively short and specific. In addition, the researcher avoided using slangs, prejudicial phrases, and derogatory terms when formulating the interview questions. Content validity in this thesis was further enhanced by allowing a number of financial advisers to review the interview questions. The inputs from the financial advisers, who are experts in the field, helped to ensure that the questions were highly focused and specific.

Construct validity is about whether the method of measurement matches the construction or concept of a study (Bryman & Bell, 2011). A measurement instrument is considered to have construct validity if the test measures are consistent with the theoretical models guiding the study (Brink, 1993). Construct validity measures the internal and external validity of the findings of a study. Internal validity refers to the extent to which the results obtained are credible and trustworthy or whether they have been affected by other contradicting factors. On the other hand, external validity is the extent to which the findings of a study can be generalised to other settings (Cooper & Schilder, 2011). In the current thesis, the researcher did not notice any event that could have affected the participants' responses; therefore, no significant threat to internal validity existed. On the other hand, the qualitative results obtained from interview data were not subject to external validity since there was no requirement for the study's findings to be generalisable to a broader context. The interviews aimed to gain an in-depth understanding of how the FSRC influenced the operating models of financial advice firms. In this thesis, all efforts were taken to ensure that threats to validity were eliminated.

3.9.2 Reliability

Reliability in a research study is concerned with the accuracy, dependability, and stability of data (Cooper & Schilder, 2011). A research instrument is considered reliable if it offers consistent measurement results. Merriam (2009) stated that the more times the findings of a study can be replicated, the more reliable the results or observation is thought to be. There are a number of threats to reliability which include research bias, differences in research context, inconsistent research process, and measurement error (Weber, 2017). Thus, researchers should ensure to remove whatever potential reliability issues that exist (Bryman & Bell, 2011).

According to Cooper and Schilder (2011), a pilot testing is one of the ways of achieving reliability in a research study. Pilot testing is commonly associated with quantitative studies to test a particular research instrument (Abdul Majid et al., 2017). However, it has been expanded to qualitative studies where it is carried out as a preparation for the major study (Morse, 2003). In the present thesis, a pilot test was conducted to test the reliability of the interview questions. The participants in the pilot test comprised two financial advisers and managers working in financial advice firms. The pilot interview testing gave the researcher some knowledge on managing the data and identifying the codes. There were two modifications made as a result of the pilot interview testing. First, the researcher determined that participants' selection criteria needed to be improved. Second, some questions were rephrased and sequentially aligned, and this helped the researcher to improve the interview guide to allow quality of data and deeper responses from the participants. Figure 10 describes the process of the pilot interview testing undertaken in this thesis.

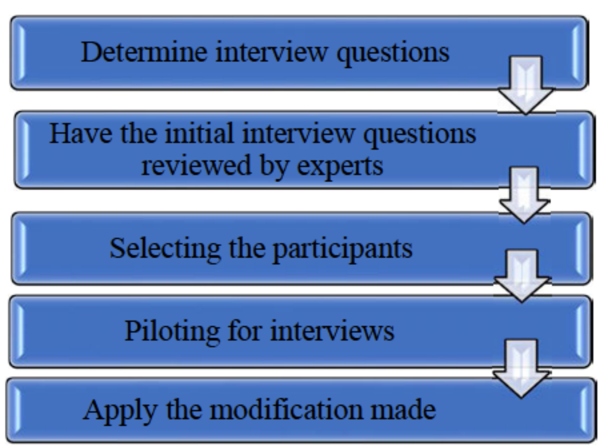

Figure 10: The steps in conducting the pilot interview test.

To pass the reliability test, qualitative researchers seek to achieve an acceptable level of consistency in the findings (Lincoln & Guba, 1985; Merriam, 2009). The consistency of qualitative research is attained when researchers ensure that findings conform with the data collected (Lincoln & Guba, 1985). Strategies such as triangulation, checking data with participants and immersing in the data, are recommended to increase the likelihood of consistency of qualitative research (Merriam, 2009). In the present thesis, the researcher used the strategy of triangulation for consistency of the findings. During the data collection stage, the researcher double-checked all comments made by participants, which seemed to be unclear. Furthermore, the researcher requested the interviewees to confirm the truthfulness of the transcripts at the end of each interview. During the data analysis stage, the researcher used both manual and text analysis software, NVivo 11, as part of the triangulation process. Moreover, this thesis has used the interpretivist-constructionist paradigm for guiding the research process; therefore, the researcher was immersed in the data and revisited the data back and forth to develop the correct interpretation.

3.10. Ethical Considerations

Ethics in all research projects legitimise the researchers' actions and ensure they are not doing anything harmful to any of the research's stakeholders, including participants, peers and sponsors (Miles & Huberman, 1994). Researchers are expected to follow a certain code of behaviour that is deemed appropriate in research practice (Saunders et al., 2019). According to Bryman and Bell (2011), there are key ethical considerations regarding whether harm may come to participants as a result of the research if privacy could be compromised, if informed consent is lacking and if deception is undertaken.

In this thesis, the researcher has followed ethical research practices before collecting data. Several other ethical considerations were also made. These are as follows: First, the researcher obtained an ethical approval from the University of Southern Queensland (USQ) Australia, Human Participants Ethics Committee. Appendix 3 shows the ethics approval letter of this thesis. The approval was based on the submitted research proposal, which was reviewed by three academic supervisors and cleared for the actual research process. Second, the privacy and confidentiality of the research participants were guaranteed. In order to achieve that, several strategies were undertaken.

The first strategy involved observing the anonymity of the respondents and ensuring they were not identifiable in the thesis. Instead, only general demographic information about their employer was collected. This data was limited to a level that does not enable the personal identification of participants. In addition, the respondents in the interviews were given alphanumeric codes that were used as unique identifiers.

The second strategy involved obtaining informed consent from each of the participants in the interviews. Before commencing interviews, a research information sheet (see appendix 4) and a participant consent form (see appendix 5) were sent to each of the participants for their agreement and signature. The research information sheet ensured that the participants were informed about the purpose of the research, that they had an idea of the information they would need to share, the approximate time of the interview session, and the data being collected. Providing this information ensured that the participants were fully informed about the nature of the research before signing the consent form. The consent form stated that participation in the research project was voluntary, and the participants were free to withdraw from the research process at any time. Moreover, participants were informed of their right to refuse to answer any questions that they felt were inappropriate.

Another strategy ensured that all data collected and processed in this thesis, was treated with maximum confidentiality and security. The raw data and interview transcripts were stored safely in secure password-protected facilities only accessible to the researcher. Finally, the researcher adhered to ethical principles relating to academic honesty and good research practices by ensuring that all research project reports were plagiarism-free. No conflict of interests existed on the researcher's part, and the findings are used for academic purposes only.

3.11. Summary

This chapter has provided an outline of the research design taken for this thesis, including the justification of the research paradigm and methodology used. The researcher adopted an interpretivist-constructionist paradigm in guiding the research process. This paradigm is considered the most suitable, as the knowledge is constructed and co-created through the interaction between the researcher and the research participants. Subjective experiences of participants were obtained through interviews and the use of non-statistical methods to analyse the interview data. A qualitative research approach was used in the current thesis. Qualitative data was collected from in-depth interviews conducted with financial advisers and managers of AFS licensees that provide personal advice to retail clients.

This thesis used the thematic analysis method to interpret the qualitative data collected from the interviews. The research methodology adopted in this thesis ensures high validity and reliability of the findings, since careful considerations were made whilst designing the data collection instruments. Lastly discussed are the ethical considerations and the strategies undertaken by the researcher to ensure that no harm may come to the participants as a result of the research. Furthermore, to ensure that privacy and confidentiality of the participants were guaranteed throughout the research. In the next chapter, the researcher presents the thesis findings with a discussion focusing on interpretation of the results in the context of the literature and Schumpeter's innovation theory framework.

CHAPTER FOUR: FINDINGS

4.1. Introduction

This thesis attempts to provide insights into how financial advice firms have optimised their operating models after the enactment of the FSRC through understanding the effect of the FSRC on advice products, processes, delivery models and customer segments. Furthermore, to assess whether the FSRC's outcome has accelerated the use of enhanced technology solutions within the operating model of financial advice firms. This thesis also attempts to identify the challenges experienced by financial advice firms in implementing the recommendations of the FSRC across their operating models. In order to achieve the objectives of the thesis, 24 interviews were conducted with financial advisers and managers engaged in the operation of financial advice services. The researcher relied on the thematic analysis method, using both manual and text analysis software, NVivo 11, to interpret the data collected from the interviews.

The previous chapter outlines the research design taken for this thesis, including the rationale for the interpretivist-constructionist paradigm and the qualitative research approach used. Furthermore, the previous chapter discusses the data collection method, data analysis and the ethical considerations applied to this thesis. In this chapter, the researcher presents the analysis and the findings of the semi-structured interviews. Section two highlights the major themes with supporting quotes that emerged from interviews and are in line with the research questions of this thesis. Section three presents a summary of the thesis findings. Section four provides a discussion of the findings, which focuses on the interpretation of the results in the context of the theoretical framework relevant to the thesis. Finally, section five presents a summary of the chapter.

4.2. Interview Findings

4.2.1 Impact of the FSRC on products, processes, delivery models and customer segments of financial advice firms (RQ-1)

The respondents interviewed were asked about the effects of the FSRC on financial advice products, advice processes and the delivery of customer advice at their advisory firms, and whether the FSRC's outcome has changed the customer segments and the value proposition of their financial advice firms. Four dominant themes emerged from the interview discussions: simple advice products and platforms, optimising operations and processes, efficient delivery of customer advice and optimising customer segmentation.

4.2.1.1 Simple advice products and platforms (RQ-1)

The respondents interviewed agreed that product manufacturers and platform providers have started rationalising and simplifying their product portfolios and looking to consolidate their platforms following Commissioner Hayne's report. As a result of the FSRC, the Government passed new regulatory tools consisting of the product design and distribution obligations (ASIC RG 274, 2020), together with ASIC's product intervention power (ASIC RG 272, 2020) aimed at propagating product simplification and further improve consumer outcomes. One of the interviewees noted:

> "*The FSRC implied that financial products are generally too complex for most customers, and the current financial advice disclosure obligations offer insufficient protection for customers. The Commissioner observed that complexity and choice appeared to deliver more benefit for the industry than the client. Therefore, product simplification is a consequence of both the design and distribution obligations, together with the Royal Commission.*" (Participant 14).

According to the participants, the decline of the vertical integration advice model after the FSRC, has increased product differentiation, competitiveness and innovation based on offering rather than fee. Product manufacturers and platform providers have changed their product and platform fees toward lower-fee products. This gives rise to transparent and simplified advice platforms and enables financial advice firms to provide simple advice on a greater scale.

> "*The moving away from vertical integration is allowing more innovation in the technology of the platform providers, e.g., HUB24, Netwealth, BT Panorama, etc. This causing admin fees to come down across the board. Simple products would be tailored to individual consumer needs.*" (Participant 23).

Participant (16) provided the reasoning behind the current trend of simplifying advice products and platforms:

> "*The Hayne mentioned that financial advisers play a dual role of providing advice services to customers and acting as sales agent for financial product manufacturers. The FSRC's recommendations intended to improve the outcomes for customers accessing financial advice and products.*
>
> *Also recommended to end payments from product manufacturers to financial advisers. The FSRC gave ASIC the power to intervene to protect clients by introducing design and distribution obligations to ensure that financial products are appropriately targeted to customers. Definitely, the Royal Commission's recommendations will change the nature and channels for financial advice. Moving to a fee-for-service model will change the future relationship between advisers and financial product manufacturers, and this will simplify advice products and the delivery of financial advice as well.*"

The participants believe that the expansion of simplified products with enhanced technology solutions such as robo-advice and phone advice will mean this channel will be available to financial advisers acting on behalf of customers, as well as the increasing in self-directed customers who may no longer choose to use an adviser, or at least not for the simpler financial product needs. One of the interviewees commented:

> *"Using simplified advice products and platforms such as robo-advice, will provide a low-cost option for customers. The customer will be able to choose an advice channel based on their brand preference for branded*

product, and this would increase product differentiation, competition coupled with more transparency and better comparison tools, leading to improved consumer power." (Participant 10).

On the other hand, some participants indicated that financial advice firms are not yet prepared to deliver more simple advice. For example, one of the participants mentioned:

"*Although industry and regulators support simplifying financial advice products and reducing the costs of providing it, there does not appear to be a lot of appetite from financial advice firms to make wholesale changes to their businesses to provide simple advice in greater scale. As for now, financial advice firms and their licensees are not prepared to take the risks to deliver more simple advice. At least not until ASIC will not retroactively hold them to account.*" (Participant 8).

The findings of this thesis corroborate previous findings of Abu-Taleb, Rashid and Shams (2021), which suggest there is an overwhelming need for financial advice practices to deliver services through efficient, transparent and simple advice platforms using improved technology solutions.

4.2.1.2 Optimising operations and processes (RQ-1)

The participants believe that it is necessary for their financial advice firms to optimise their operations and business processes after the enactment of the FSRC. The reasons include that more scaled advice will be provided, and also that there will be an increasing demand for online advisory services. The financial advice process will be more automated, given that it will be provided by telephone or digital platforms rather than face-to-face.

"*By optimising our advice processes and supporting technologies to reflect the requirements of the FSRC, we increase our competitiveness and ensure we meet our strategic objectives.*" (Participant 9).

According to the participants, financial advice firms have already begun transforming their operating models in response to the FSRC's report by optimising operations, slashing costs and introducing more cost-efficient processes and technologies.

> "*I totally agree that the FSRC helped financial advice firms generally, including ours, in optimising their operations and simplifying processes. Financial advice services must be easy for customers to understand and must be delivered in a cost-efficient manner. There is no doubt that using enhanced technology solutions enabled our firm to automate administrative processes, promote standardisation and process improvements, and this would increase efficiency and lead to reduce the cost of advice in the long term".* (Participant 18).

The FSRC encouraged financial advice firms to identify a number of opportunities to reduce costs and simplify processes. This includes a redesign of processes, a restructure of roles and responsibilities, managing approved product lists, utilising enhanced technology solutions to automate administrative processes and compliance monitoring. The interviewees observed that their financial advice firms have been focusing on optimising their operations and processes to help drive long-term profitability in response to the FSRC.

> "We *regularly review advice processes for ongoing improvement, using technology to reduce time spent on the back office and spending more time on the front office, outsourcing functions such as paraplanning, client services and marketing where it supports the business in a cost-effective manner.*" (Participant 22).

Another interviewee added:

> "*To restructure our advice operations, we have to effectively cost each customer segment, drive standardisation and scale efficiency across all of our advice business processes.*" (Participant 13).

The participants also observed an increase in adopting more customer-centric advice processes in response to the FSRC. For example, participant 24 said:

> "*The delivery of advice was not structured around the risks borne by customers, so simple or limited advice has the same complex processes as comprehensive advice. Recently and due to the FSRC, there was a review of all traditional tasks completed by financial advisers, and a*

process that would optimise operations and deliver efficiencies has been designed. There is an increasing focus on building efficiencies into the advice business process from the 'customer down', not the 'business up'. In my opinion, the businesses that will grow and dominate the financial advice industry within the next [few] years must raise customer centricity to new levels.".

Similarly, participant (3) mentioned that:

> "*We aim to amend the traditional advice process to create a customer experience centred around a customer's goals. To date, our advice firm has focused on improving processes for determining customers' objectives. New and innovative technologies have been utilised to offer virtual customer meetings, automated compliance and digital record keeping with a web-based customer profile and storage of key information and advice documents*".

On the other hand, two participants indicated that their financial advice firms remain challenged by rising costs, complexity and process inefficiencies. Participant (15) said:

> "*Although technology solutions continue to offer great opportunities for process improvement, however, we feel overwhelmed by the choices. This is not only due to regulatory uncertainty and pressure, but also due to higher costs in all parts of the advice business. The FSRC has led to an increase in workload, particularly in compliance monitoring, and the process becomes too lengthy.*"

Similarly, participant (10) added:

> "*Commercially, the FSRC has been a costly process in the short term. Financial advice firms generally are increasingly experiencing roadblocks in their initial and ongoing advice processes. Using technology solutions to optimise advice processes in a short-term is a big challenge for us and many advice firms*."

The current findings are consistent with the suggestions of Davis (2019) that the FSRC's outcome will reshape the processes and distribution channels of banking and financial advice services. According to Davis (2019), financial product manufacturers and their distribution agents will need to consider redesigning distribution arrangements and developing new distribution models in order to meet the high levels of governance and customer outcomes expected from implementing the FSRC's recommendations. Davis (2019) indicates that enhanced technology solutions will change the shape of the financial services industry in ways not yet entirely noticeable.

4.2.1.3 Efficient delivery of customer advice (RQ-1)

The interview participants were nearly unanimous on the importance of implementing efficient advice delivery models to reduce the cost of advice, after the Royal Commission's recommendations. Their opinions revolved around identifying the suitable delivery channels for advice and the key reasons for redesigning advice delivery models, following the Royal Commission. The interviewees indicated the need to deliver a simple advice experience for customers in line with profit objectives. This will only be sustainable if it is delivered through a combination of business strategy and process, technology, and with the customer experience in mind.

> "*We should implement more cost-efficient delivery models to reduce the cost of advice due to higher regulatory, compliance, and technology costs resulting from the FSRC. To attract a broader range of customers, we need to better match the advice delivery models to our customer needs and their capacity to pay. For example, comprehensive advice through fee-for-service arrangements is simply beyond the means of many customers. Hence, more online delivery models, customer-focused such as scaled advice, would be more transactional and better aligned to capacity to pay, especially for lower-income customers. Financial advice firms generally need to better understand their customer's needs through data analytic tools and segmentation to help redesign their advice delivery models.*" (Participant 4).

According to the participants, the key reasons behind the redesign of financial advice delivery models following the FSRC are two-fold: First, increasing the operating cost of advice and pricing out lower income customers from accessing advice services. Second, decreasing the number of financial advisers in the industry and lowering the level of advice being delivered to customers.

"*Higher advice operating costs and lower supply of advisers are pushing to create new advice delivery models which are simple, transparent, and cost-effective delivery models.*" (Participant 20).

Therefore, the participants consistently considered both scaled advice delivery models and digital advice delivery models such as robo-advice, as strong delivery channels for transactional product offerings and would make up the majority of simple financial product decisions.

"*Scaled advice and digital delivery models are useful where the financial advice firm has a large customer base. These models offer the delivery of lower cost advice for mass customers whose needs are unmet under the current comprehensive advice system. I believe that using more efficient advice delivery models for scaled advice with technology improvements will maintain both scaled and comprehensive advice being provided, where there is demand for each.*" (Participant 5).

On the other hand, some of the participants interviewed argued that there is a challenge for financial advisers to deliver a simple advice experience for customers in line with profit objectives. Participant (23) indicated that:

"*Scaled advice and robo-advice will only be sustainable if they are delivered through a business strategy based on efficient processes and delivery channels, more investing in technology solutions and with keeping the customer experience in mind, however, redesigning advice delivery models and channel usage requires new skills and training for our financial advisers.*"

In line with this perspective, participant (19) mentioned:

"*I am not sure if digital advice services are likely to be a strong delivery channel for transactional product offerings and will drive improved processes which will provide a more cost-effective option for customers. Also, it is now considered harder to provide scaled advice services such as solely life insurance. Due to the increasing cost of advice services, I would think that the market for all advice services will decrease, at least in the short term. Longer term, this may change in Australia.*"

The interview analysis indicates that the viability of the traditional financial advice delivery model, 'face-to-face advice', is under threat from the FSRC due to cost constraints resulting from the change from a conflicted revenue model to an advice-based revenue model such as fee-for-service. Although all forms of advice are needed, the preferences for the various delivery methods for advice have been changed after the enactment of the FSRC. According to the interviewees, many financial advice firms have already moved towards adopting multiple delivery channels including face-to-face advice, online or web-based advice via video conference or email, and over the phone advice.

> "*Face-to-face advice is still the preferred advice delivery method across all customers. However, younger customers are more comfortable with digital or phone-based advice than older customers, especially when it is offered at a lower cost.*" (Participant 17).

Consistent with the findings of the present thesis, Quddus (2020) finds that digital advice platforms provide several advantages over traditional financial advice delivery models, including the accessibility of financial services at low cost, transparency, reduced management fees and ongoing portfolio management. Clarke (2020) shows that robo-advice is an innovative, new approach to providing financial advice services that is transforming the financial advice industry. However, Clarke (2020) notes that there is still a lot of potential yet to be unlocked, since robo-advice is still in its innovation stages.

4.2.1.4 Optimising customer segmentation (RQ-1)

Another significant theme that emerged from the interview discussions was the effect of the FSRC in optimising customer segmentation across the financial advice industry. The participants interviewed in this thesis believe that the FSRC positively impacts the ability of financial advice firms to segment their customer base more effectively and efficiently. According to the participants, customer segmentation helps financial advice firms to identify which customer segments they have to focus on, to determine their advice proposition to each segment and the channels they have to utilise for each customer segment. Furthermore, customer segmentation helps financial advisers to effectively cost the service of each customer segment to achieve profitability.

> "*Following the FSRC, the financial advice industry generally is becoming more competitive and therefore, it is important to pinpoint which customer segment and service mix we should support and how we can maximise our competitive advantages against other competitors. Better segmentation starts on how well we can identify the most profitable customers and provide them with high quality services. Then, we should have the flexibility to offer our target customers the right products through the right channels at the right time. By optimising our customer segments, we are able to personalise the advice experience and satisfy customers more, in turn, helps boost our revenue.*" (Participant 12).

Similarly, participant (7) commented:

> "*We already do client segmentation prior to the FSRC. We used to divide a customer base into groups of individuals that are similar in service delivery, such as age, gender, lifestyle, risk profile, assets, etc. However, after the FSRC, we are applying more advanced methods of segmentation to determine which segments to focus on. Done well, segmentation can help us to meet the different needs and expectations of our customers and maximise our profits.*"

The participants interviewed believe that optimal customer segmentation requires the use of digital technology solutions to access external and internal data sources to develop a customer engagement model that recognises the customer's financial needs and creates a customer experience centred around a customer's goals. Furthermore, to identify which segments will generate greater returns in the short, medium and longer terms to guide acquisition strategies that will ensure consistent and long-term returns. One of the participants suggested that optimising customer segmentation would help financial advice firms to increase their productivity and enhance the efficient allocation of product and service mix:

> "*Definitely it is important to optimise the amount of time and level of service assigned to serving each customer using tools such as customer surveys. Segmenting customers into better groups allows enhancing the*

efficient allocation of resources, helping improve productivity and driving profitability." (Participant 21).

Another participant suggested that optimising customer segmentation would help financial advice firms to develop new business opportunities and would result in a much better return on marketing efforts:

> "*Capturing more information about your customers, you will be much better [able] to determine which segments to target and how to serve them. This would enhance customer satisfaction and attract more customers.*" (Participant 11).

According to the participants, many financial advice firms have started to evaluate what each customer is worth to service in a heightened compliance environment following the FSRC. 'High net worth' customers are still the traditional customer segment that has been targeted for financial advice after the FSRC, however, there has been a substantial change in servicing the mass market customer segment in the financial advice market after the enactment of the FSRC.

> "*More than ever, there is an increasing focus of providing advice to the lower income customer segment through robo-advice models. Especially that servicing lower income customers was never viable without the structure of commissions and cross-selling to subsidise it. Our customers want a greater level of personalised services to keep them satisfied. Hence, segmenting customers properly to provide the detailed analysis and the right level of service, makes that possible.*" (Participant 22).

The above-mentioned findings are consistent with the findings of Brownlow (2020), who concludes that different customer segments can be developed to understand and manage customers, especially after the FSRC, to achieve true value creation for the customer and the business.

4.2.2 The role of the FSRC in accelerating the use of advice technology solutions and encouraging financial advice firms to adopt an alternative operating model (RQ-2)

The participants interviewed in this thesis were asked whether the FSRC has accelerated the use of advice technology solutions within the operating model at their advisory firms, and whether financial advice firms should adopt alternative operating models in response to the FSRC. Two dominant themes emerged from the interview discussions: Digital advice solutions and customer-centric operating models.

4.2.2.1 Digital advice solutions (RQ-2)

The theme of digital advice solutions featured prominently in the interview discussions. The participants believed that deploying digital solutions along the operations of advice would help their financial advice firms increase efficiency, promote standardisation and process improvements, and enhance compliance and customer experience.

> "*The Royal Commission helped in accelerating the redesign of advice models and hence the take-up of suitable digital solutions. As I always said: digital solutions are a key enabler that bring technical accuracy and consistency to the operations of advice. Whilst the challenges keep coming, I believe that digital solutions have played a significant role in driving all required improvements effectively and efficiently. For example, digital solutions have reduced the time spent for all components of the advice process, and have improved access to advice especially for customers living in regional areas with limited access to financial advisers.*" (Participant 20).

In line with this perspective, participant (1) stated that,

> "*We have utilised digital advice solutions to offer automated text generation for advice documents, virtual customer meetings, automated para-planning services and automated advice compliance assessment. Using enhanced technology solutions within the operating model has enabled our advisers to provide advice to customers faster and more*

efficiently. Also, digital solutions have enabled our advisers to provide more scaled advice and to meet compliance and regulatory obligations."

The findings of this thesis reveal that digital advice solutions are likely to accelerate the use of robo-advice models and digital delivery to mass customers in the long term.

> "*Many customers do not receive any advice because it is either too expensive or they do not trust advice services anymore, especially after the findings of the Royal Commission. I believe that digital advice would be a strong solution to these problems. Digital financial advice can give many customers low-cost access to services that will scale with their needs, but they are underutilised.*" (Participant 6).

The interview findings show a bright future for hybrid advice models in response to the FSRC. One of the interviewees stated that

> "W*ith digital advice solutions, we were able to develop an operating model with multiple delivery channels including face-to-face, email, telephone, video conference and web-based. Our services split between traditional comprehensive advice and limited personal advice through digital channels.*" (Participant 2).

Consistent with these findings, Davis (2019) suggests that enhanced technology solutions will change the shape of the financial services industry after the FSRC's final report, by accelerating the evolution of digital delivery models across all parts of the financial sector.

4.2.2.2 Customer-centric operating model (RQ-2)

One of the major themes that emerged from the interviews was the customer-centric operating model. The participants interviewed in this thesis generally agreed that the Royal Commission's recommendations encouraged financial advice firms to shift away from business and product-centric operating models to the customer-centric operating model.

> "*It was obvious for us that the advice operating model we used to have before the FSRC requires substantial transformation in order to survive*

in the future. We believe that putting the customer at the centre of the operating model will be essential for attracting and growing relationships with customers. Over the last [few] months, our team had been working through significant operating model development with a customer targeted approach. We expect the new operating model will help our advice firm to overcome loss of scale, cost issues and provide a competitive advantage in the short term." (Participant 23).

According to the participants, customer-centric operating models will become more prominent in response to the FSRC. The customers have become aware of the power and influence they have over the services that will be offered by financial advice firms. One participant stated:

> "*Advice firms that have built their operating model around the nature of the product or the type of the business are no longer competitive, even they believe that their customers' interests are being best served*" (Participant 6).

The findings of this thesis reveal that the increase in customer-centric operating models will help financial advice firms to make strategic choices on which customer segments to focus on, and this will help advice firms to enhance their customer value proposition. Furthermore, customer-centric operating models will lead to differentiation across the financial advice industry from both a service and fee perspective.

Based on these findings, several steps are required to build a customer-centric advice operating model. The first step is identifying the target customers the advice firm will serve. Then the advice firm needs to determine the customer engagement process based on the desired experience of the targeted customers. The following steps are to design the operating processes around the valuable experience for the targeted customers and build the capabilities to deliver that experience. The interview findings show that building a customer-centric operating model requires financial advisers with technical and interpersonal skills to deal with new technology infrastructures that might be implemented within the advice process. Also, financial advisers must have a deep understanding of target customers through more strategic use and management of customer data.

The participants highlighted the importance of utilising enhanced technology solutions within the customer-centric advice operating model to simplify processes, drive efficiency and reduce the cost to serve model. One participant stated:

> "*Financial advice firms must come up with innovative operating models to overcome loss of scale and to reduce the cost of advice after the FSRC. I believe that technology solutions will be the leaders of the change. They will be able to transform the advice services into more customer-centric business processes.*" (Participant 10).

According to the participants, there are a number of advantages of transitioning to a digital customer-centric advice operating model. First, allowing financial advisers or front-office employees to concentrate on customer-focused activities by providing the tools required to serve the customers efficiently. Second, providing an efficient multichannel customer experience.

> "*For comprehensive advice services, we provide a face-to-face advice or through other channels such as email, video conference and telephone. And for limited advice services, we use web-based channels, email or telephone.*" (Participant 18).

Third, optimising customer segmentation which helps financial advisers identify which segments will generate greater returns and determine the advice proposition to each segment. Other advantages include high automation levels of processes, compliance monitoring and reducing costs through standardisation and scale efficiency.

These findings are consistent with those of Richards and Morton (2019) who examine Australia's financial advice business models and their influence on encouraging best interest practices. Richards and Morton (2019) call for initiatives to promote a customer's best practice by targeting customer-centric business models independent of product providers. Similarly, Brownlow (2020) suggests that a customer-centric service model based on customer segmentation will provide better customer engagement in the Australian superannuation sector.

4.2.3 The key challenges experienced by financial advice firms whilst implementing the recommendations of the FSRC across their operating models (RQ-3)

In this section, the participants interviewed in this thesis were asked about the main challenges confronting their financial advice firms in implementing the recommendations of the FSRC within advice operating models. Also, whether these challenges differ between financial advice firms depending on their size, level of preparedness or any other criteria. Two dominant themes emerged from the interview discussions: Process and technology changes and developing technical and interpersonal skills of financial advisers.

4.2.3.1 Process and technology changes (RQ-3)

The participants interviewed agreed that the FSRC reforms created the requirement for updates to internal operating policies, systems and processes within the operating model of their financial advice firms. A range of recommendations related to the financial advice industry required changes to disclosure around adviser independence, changes to the annual renewal process, changes towards non-conflicted revenue models such as fee-for-service, and increased reporting and compliance obligations on both advisers and licensees.

The participants identified two main challenges encountered in the operating model of financial advice firms whilst implementing the recommendations of the FSRC: The first challenge was redesigning advice processes and supporting technologies to drive standardisation, scale efficiency and cost effectively for each customer segment. The second challenge was utilising technology to improve processes, drive efficiency, improve customer engagement and deliver better advice. One of the participants stated:

> "*Over the last months, our team has been working through complex operating model and advice process changes in response to the FSRC's report. I can say that the main challenges were the changes of operational processes and technology within the advice operating model.*" (Participant 23).

Similarly, participant (10) added:

> "*The challenge in implementing these recommendations within the advice operating model should not be underestimated. Changes to advice processes and supporting technologies need to be aligned with our firm's strategy and culture.*".

Overall, the participants interviewed in this thesis confirmed the importance of adopting and utilising technology within the operating model of financial advice firms to support processes, improve customer engagement and deliver better advice. However, the participants highlighted that financial advice firms are still under pressure to consider how technology tools can best be deployed in their advice operating models to reflect the requirements of the FSRC.

> "*We have experienced challenges to optimise systems and processes to support advice operations. For example, we are facing a challenge in implementing a multiple delivery approach that captures a wider segment of customers with a personalised advice service focused on delivering value to the customer.*" (Participant 15).

Similarly, participant (3) stated:

> "*I believe that technology integration is one of the biggest challenges that our advice firm has experienced in response to the FSRC. In particular, integrating technology into the new operating model and enhancing advice flow through more automation of advice process.*"

According to the participants, the changes of processes and technology within financial advice operating models due to the FSRC reforms will differ between financial advice firms depending on their size, economies of scale and level of preparedness. One of the participants stated:

> "L*arger advice firms are able to leverage economies of scale in meeting the process and technology changes to reflect the administrative and compliance requirements post the FSRC. Whilst smaller advice firms are able to make some changes to their advice processes and technology solutions for targeting higher income customers only. Also, all process and technology changes within the operating model of advice are very dependent on each firm's preparedness for the transition. I believe that the time frame for making changes to advice processes will be crucial for*

all practices, as all advice firms including product manufacturers to platform providers are facing challenges with the FSRC preparedness and implementation." (Participant 6).

4.2.3.2 Technical and interpersonal skills development (RQ-3)

Another theme that emerged from the interview discussions was the challenge of developing the technical and interpersonal skills of employees and financial advisers. These skills are required to absorb regulatory impact, navigate challenges and opportunities brought about by the FSRC, and to make the most of process updates and technology advancements within the operating model of financial advice firms. The participants interviewed in this thesis believe that customer-centric operating models require financial advisers and employees with new technical and interpersonal skills. Therefore, financial advice firms must carefully determine the changes in both individual and departmental roles and the level of training needed to support the capabilities required by the new advice operating model. The participants suggested that financial advice firms need to identify the technical and interpersonal skill sets necessary to support the new operating model during the implementation process, and later on, to maintain operating efficiency. In addition, financial advice firms should develop a plan that aims to up-skill employees and financial advisers on concepts of innovation such as design-thinking and delivering services with reasonable care and skill, through efficient, transparent and simple advice platforms. The following responses from the interviewees generally reflect the theme of technical and interpersonal skills challenges:

"*Our staff must have new skills, training and behaviours as rethinking delivery models requires the technological knowledge and skills to generally understand the adopted technology solutions.*" (Participant 23).

"*More scaled advice has been provided following Hayne's final report. The skills required for providing scaled advice services are different from traditional full advice services, as the advice process for scaled advice is more automated and provided through digital channels.*" (Participant 1).

> "*Customer-centric operating models require advisers with technical and interpersonal skills.*" (Participant 10).

> "*I believe that one of the challenges is to earn the skills to develop a flexible and innovative operating system in response to changing customer needs and expectations. Our advisers should be able to identify customer needs, and use new technologies to deliver more simple and efficient advice.*" (Participant 4).

> "*In my opinion, financial planners should have the skills to operate an efficient and effective operating model, including customer and compliance management.*" (Participant 6).

Consistent with the findings of this thesis, Marsh and Phillips (2019) suggest that implementing the FSRC recommendations should not be underestimated and represents both a challenge and an opportunity for financial advice firms to review their current operating models and identify opportunities to improve and digitise ways of working. Marsh and Phillips (2019) conclude that professionalism and the incorporation of technology into advice businesses would play a key role in bringing about tangible change in how banking and advisory services operate, resulting in better customer outcomes and improved profitability. According to Marsh and Phillips (2019), the FSRC requires banks and advice firms to make significant investments in operational capability to improve their weak controls and enhance efficiency.

4.3. Summary of findings

A summary of the thesis findings is presented in table 8 below.

RQ	Findings	Contributions
RQ1: How do the recommendations of the FSRC affect products, processes, delivery models and customer segments of financial advice firms?	• The expansion of simplified advice products and platforms. • Optimising systems and processes to support financial advice operations. • The introduction of more efficient advice delivery models for both scaled and comprehensive advice with better alignment to customer needs and capacity to pay. • Applying more advanced methods of customer segmentation to better understand potential advice needs and to reach the target adviser customers.	• The contribution that this thesis makes is presenting empirical evidence, from the financial advice industry, that supports claims that the FSRC's recommendations will change how businesses design, develop and deliver products and services for their customers (Davis, 2019; Clarke, 2020; Quddus, 2020; Abu-Taleb, Rashid and Shams, 2021), however it also provides evidence to support the claim that the FSRC will prompt advice firms to develop their customer segments to understand and manage customers to achieve true value creation for the customer and the business (Brownlow, 2020).
RQ2: To what extent the recommendations of the FSRC have accelerated the use of advice technology solutions and encouraged financial advice firms to adopt an alternative operating model?	• The FSRC prompted advice firms to use more digital advice solutions to increase operation efficiency in order to enhance compliance and improve customer experience. • The FSRC prompted advice firms to use more customer-centric operating model which is designed to enhance customer experiences.	• The contribution that this thesis makes is presenting evidence that supports claims that financial advice firms would adopt alternative operating models using enhanced technology solutions in response to the FSRC (Richards and Morton, 2019; Abu-Taleb, Rashid and Shams, 2021). However, it also provides evidence that that customer-centric operating models will become more prominent across the financial advice industry in response to the Commissioner's final report.

RQ	Findings	Contributions
RQ3: What are the key challenges confronting financial advice firms whilst implementing the recommendations of the FSRC across their operating models?	• Post-FSRC, the key challenges that financial advice firms encountered in relation to their operating models are: - redesigning advice processes and utilising technology solutions across the operations of advice. - developing new technical and interpersonal skills for financial advisers to deal with more customer-centric operating models.	• The contribution that this thesis makes is identifying the key challenges experienced by financial advice firms whilst implementing the recommendations of the FSRC across their operating models. There are no previous studies outline these challenges, however the findings of this thesis are consistent with Marsh and Phillips (2019) who argue that professionalism and the incorporation of technology into advice businesses would play a key role in bringing about tangible change in how banking and advisory services operate in a post-FSRC reform environment.

4.4. The findings in the context of Schumpeter's innovation theory framework

According to the innovation theory of Schumpeter (1939), innovation occurs when an innovator or a business firm introduces change to the economic system, including products, processes and markets, and breaks up the circular flow. The primary driver of innovation is the pursuit of profits. Innovators and business firms are driven by pursuits of economic opportunities and exploration of value-generating activities (Schumpeter, 1939). The theory posits that the main function of business firms is to introduce innovations to reduce the overall cost of production or to increase the demand for products. Subsequently, innovative firms gain market share at the expense of their non-innovating competitors, resulting in a gradual increase in competitive position and profitability. Thus, creative activities can be classified into two categories: The first category includes all those activities which reduce the overall cost of production or operations, such as the introduction of a new efficient process or technique of operations, the introduction of new delivery models, innovative methods of monitoring the operations, etc. The second category includes all activities which increase the demand for products or services, such as the introduction of a new product or service, the creation of a new design of the product, the emergence of a new market, etc.

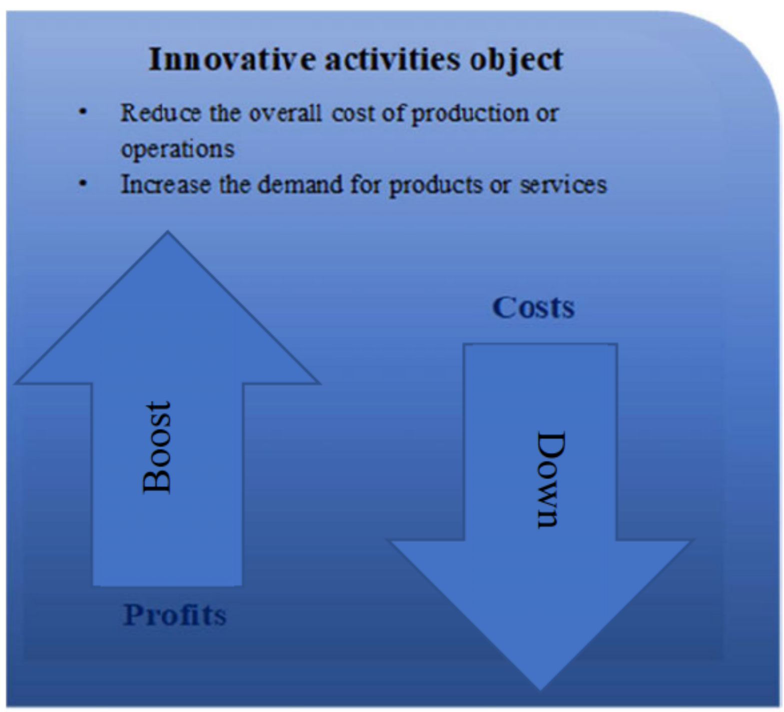

Figure 11: The object of innovators (Schumpeter, 1939).

Joseph Schumpeter (1934) identified five types of innovation: First, the introduction of a new product in the market or the development of a product with enhanced quality. Second, the introduction of a new production process. Third, the establishment of a new market could entail an innovation. Fourth, the securing of a new source of supplies for raw materials or other inputs. And finally, the creation and application of a new organisational structure such as a monopoly creation. Schumpeter's theory of innovation (1939) describes the innovation process from the firms' perspective by trying to explain why innovations happen in the first place. Other innovation theories, such as technology acceptance model (Davis, 1989), task technology fit theory (Goodhue and Thompson, 1995), and innovation diffusion theory (Rogers, 2003), describe innovation from the user's perspective. However, Joseph Schumpeter's thoughts on innovation are still relevant in today's market conditions (Dekkers et al., 2014).

The findings of this thesis are consistent with the theoretical concepts of Schumpeter's innovation theory (1934; 1939), which explains how firms manage new requirements arising from regulatory reform.

Table 9: The thesis findings in the context of Schumpeter's innovation theory framework

Description	Schumpeter's innovation theory (1934; 1939)	Findings and conclusions
Innovation	• Innovation occurs when an innovator or a business firm introduces change to the economic system including products, processes and markets in the face of regulatory reforms or a major change in market conditions.	• Financial advice firms introduced significant changes to their operating models including products, processes, delivery models and customer segmentation in response to the FSRC's recommendations.
The primary driver of innovation	• The primary driver of innovation is the pursuit of profits. Innovators and	• Within the context of this thesis, the primary driver of financial advice firms is to identify opportunities or

Description	Schumpeter's innovation theory (1934; 1939)	Findings and conclusions
	business firms are driven by pursuits of economic opportunities and exploration of value generating activities.	creative activities to implement the recommendations of the FSRC into their existing business and operating models for better customer outcomes and improved profitability. According to the interviewees, the shift from a sales-based revenue model (i.e. grandfathered commission) to an advice-based revenue model (i.e. fee-for-service) and the increase of advice operating costs have a negative impact on the value of financial advice firms in terms of return, profit, and cash flow. Therefore, it is essential for advice providers to replace the lost revenue, cover costs and ensure that the provision of advice remains profitable in a post-FSRC reform environment.
Innovative activities	• The theory posits that the main function of business firms is to introduce innovations to reduce the overall cost of production or to increase the demand for products. Subsequently, innovative firms gain market share at the expense of their non-innovating competitors resulting in a gradual increase	• Consistent with Schumpeter's innovation theory, the interviews reveal that financial advice firms have introduced innovative activities along the operations of advice, which can be classified into two categories: i. The first category includes all those activities which reduce the overall cost of advice such as optimising advice operations and introducing more cost-efficient advice processes

Description	Schumpeter's innovation theory (1934; 1939)	Findings and conclusions
	in competitive position and profitability.	and technologies. This includes a redesign of advice delivery models, use of multiple delivery channels, a restructure of roles and responsibilities and the utilisation of enhanced technology solutions. ii. The second category includes all activities which increase the demand for advice products and services. This includes optimising customer segmentation which helps financial advice firms identify which customer segments they have to focus on to determine their advice proposition to each segment and the channels they have to utilise for each customer segment. This would help financial advisers increase their productivity and enhance the efficient allocation of product and service mix of each customer segment to achieve profitability. Furthermore, more simplified and automated web-based advice services enable financial advice firms to provide simple advice on a greater scale, and additionally, accelerate the use of robo-advice models and digital delivery to mass customers in the long-term.

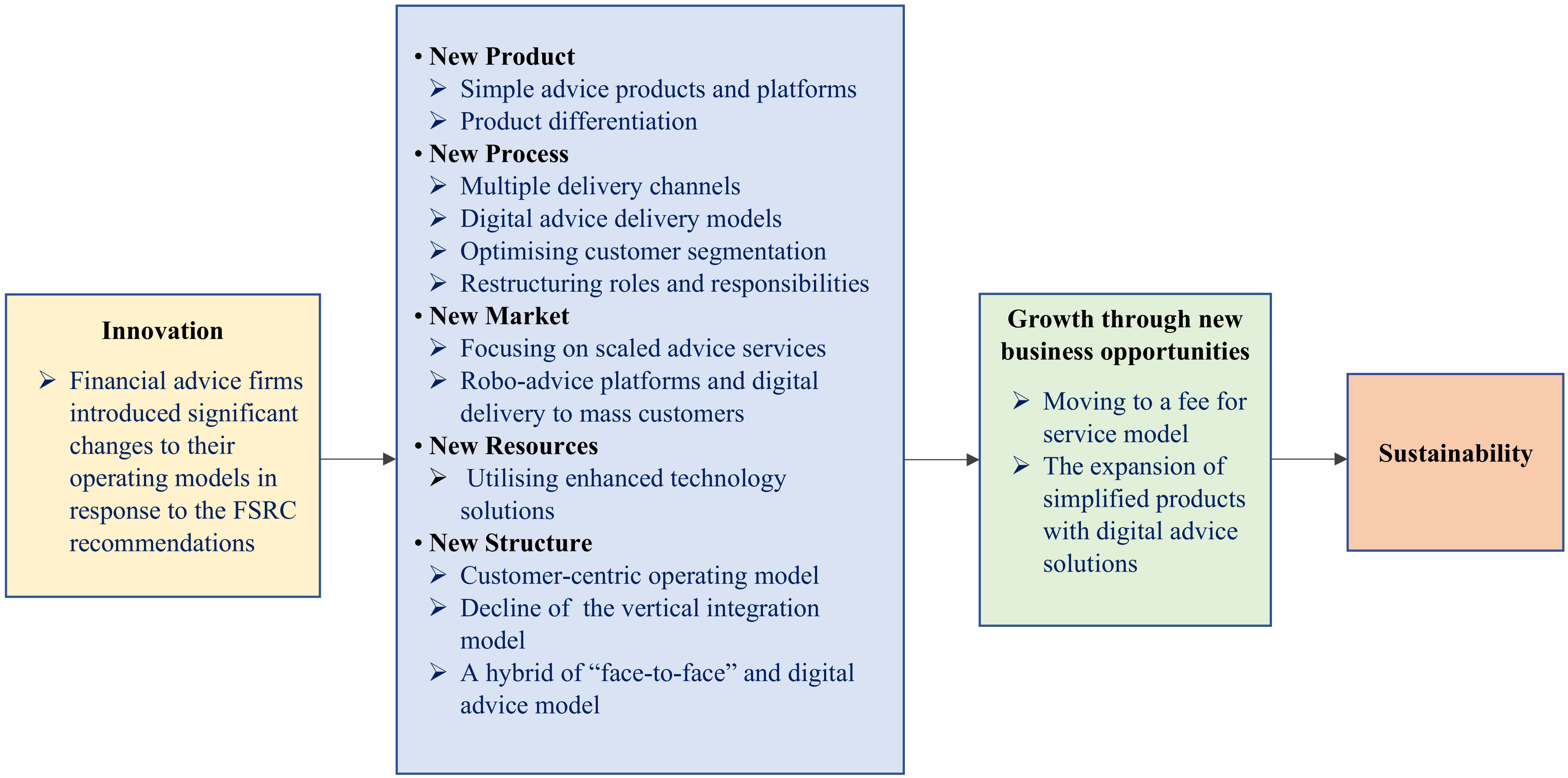

Figure 12: The thesis results in the context of Schumpeter's innovation theory (1934)

4.5. Summary

In summary, this chapter presents the findings of the interviews conducted with 24 financial advisers and managers who are engaged in the operation of financial advice services. The interviews sought to determine the impact of the FSRC's recommendations on the operating model of financial advice firms. The results of these interviews reveal that financial advice firms have introduced significant changes to their operating models, including products, processes, delivery models and customer segmentation, in response to the FSRC's outcome. The Royal Commission's recommendations have encouraged financial advice firms to shift away from business and product-centric operating models to customer-centric ones. Furthermore, the FSRC's outcome has accelerated the use of advice technology solutions within the operating model of financial advice firms to simplify processes, promote standardisation and drive efficiency, and enhance compliance and customer experience.

The findings of the interviews identified two main challenges encountered by financial advice firms in implementing the recommendations of the FSRC across their operating models. The first challenge was process and technology changes. The second challenge was developing the technical and interpersonal skills of employees and financial advisers to absorb regulatory impact, navigate challenges and opportunities brought about by the FSRC and make the most of process updates and technology advancements within the operating model of financial advice firms. The next chapter provides an overview of the thesis findings and conclusions drawn from the thesis.

CHAPTER FIVE: CONCLUSION

5.1. Introduction

The main objective of this thesis is to determine the impact of the FSRC on the operating model of financial advice firms in terms of advice products, processes, delivery models and customer segments. Using a qualitative approach through interviews with 24 managers and financial advisers, this thesis demonstrates the significant role of the FSRC's outcome in encouraging financial advice firms to shift away from business and product-centric operating models toward more customer-centric ones.

In summary, chapter one addresses the research's problem statement, objectives and questions. Chapter two provides a review of prior studies and the theoretical perspective that is relevant to the thesis. Chapter three outlines the research design, sample size and reasoning, the methods of data collection and analysis and the rationale for their use. Chapter four presents the findings of the interviews. It also discusses the thesis findings in the context of the theoretical framework relevant to the thesis. Finally, this chapter provides an overview of the findings and conclusions drawn from the thesis.

Section 5.2 provides a summary of the findings that are detailed in the previous chapter. Section 5.3 presents the recommendations that have been reached through the analysis of the interviews. Section 5.4 outlines the contribution of this thesis. Then section 5.5 determines the limitations of this thesis. Finally, the researcher makes a series of suggestions for further research in section 5.6.

5.2. Summary of findings and conclusions

There were three research questions raised at the start of this thesis. The following sections present a summary of the interview findings undertaken in detail in the previous chapter.

5.2.1 The findings of research question (1)

The first research question addressed was:

RQ1: How do the recommendations of the FSRC affect products, processes, delivery models and customer segments of financial advice firms?

Four dominant themes emerged from the interview discussions: simple advice on products and platforms, optimising operations and processes, efficient delivery of customer advice and optimising customer segmentation.

First, the interview findings show that product manufacturers and platform providers have started simplifying their advice product portfolios and consolidating their advice platforms, following the FSRC's report. This gives rise to transparent and simplified advice platforms and enables financial advice firms to provide simple advice on a greater scale.

Second, the interview findings reveal that the FSRC has encouraged financial advice firms to optimise their operations and to introduce more cost-efficient advice processes using enhanced technologies.

Third, the interview participants agree on the importance of implementing efficient advice delivery models to reduce the operating cost of advice after the FSRC's outcome. The interview findings show that financial advice firms have moved towards multiple delivery channels, including face-to-face advice, online or web-based advice via video conference or email, and over-the-phone advice. Furthermore, the thesis finds that scaled advice and digital advice such as robo-advice would be strong delivery channels for transactional product offerings and make up the majority of simple financial product decisions in a post-FSRC reform environment.

Finally, the interview findings reveal that the FSRC's outcome has enhanced the ability of financial advice firms to segment their customer base more effectively and efficiently by using digital technology solutions. According to the participants interviewed in this thesis, optimising customer segmentation after the FSRC's outcome helps financial advice firms to identify which customer segments will generate greater returns in the short, medium and longer terms to ensure consistent and long-term returns.

5.2.2 The findings of research question (2)

The second question of this thesis addressed was:

RQ2: To what extent the recommendations of the FSRC have accelerated the use of advice technology solutions and encouraged financial advice firms to adopt an alternative operating model?

Two dominant themes emerged from the interview discussions: Digital advice solutions and a customer-centric operating model.

First, the interview findings reveal that the FSRC's outcome has accelerated the use of advice technology solutions within the operating model of financial advice firms. The participants interviewed in this thesis believe that deploying digital solutions along the operations of advice would help financial advice firms simplify processes, promote standardisation and drive efficiency, and enhance compliance and customer experience.

Second, the interview findings show that the FSRC's recommendations have encouraged financial advice firms to shift away from business and product-centric operating models to customer-centric operating models. According to the participants interviewed in this thesis, customer-centric operating models will become more prominent across the financial advice industry in response to the FSRC. There are a number of advantages for financial advice firms to transit to a customer-centric advice operating model: First, allowing financial advisers or front-office employees to concentrate on customer-focused activities by providing the tools required to serve the customers efficiently. Second, providing an efficient multichannel customer experience. Third, optimising customer segmentation helps financial advisers identify which segments will generate greater returns, and to identify the advice proposition to each segment. Other advantages include high automation levels of processes, compliance monitoring and reducing costs through standardisation and scale efficiency.

5.2.3 The findings of research question (3)

The third question of this thesis addressed was:

RQ3: What are the key challenges confronting financial advice firms whilst implementing the recommendations of the FSRC across their operating models?

Two dominant themes emerged from the interview discussions: Process and technology changes, and developing the technical and interpersonal skills of financial advisers.

First, the interview findings show that following the FSRC, financial advice firms encountered challenges related to redesigning advice processes to drive standardisation and scale efficiency for each customer segment. Another challenge financial advice firms faced following the FSRC was utilising technology along the operations of advice to improve processes, drive efficiency, enhance customer engagement and deliver better advice.

Second, the interview participants believe that customer-centric advice operating models require financial advisers and employees with new technical and interpersonal skills. And this is to absorb regulatory impact, navigate challenges and opportunities brought about by the FSRC and make the most of process updates and technology advancements within the operating model of financial advice firms.

5.3. Recommendations

Based on the findings of this thesis, several recommendations are proposed for enhancing the operating model of financial advice firms after the enactment of the FSRC.

First, there is a need for financial advice firms to put the customer at the centre of their operating model in order to remain competitive in the financial advice sector. The findings of this thesis demonstrate that customer-centric operating models will help financial advice firms identify which customer segments they have to focus on, to determine their advice proposition to each segment and the channels they have to utilise for each customer segment. This will increase the productivity of financial advisers and enhance the efficient allocation of product and service mix of each customer segment to achieve profitability. Figure 13 shows a proposed customer-centric operating model for financial advice firms based on the findings of this thesis.

Second, there is a need for financial advice firms to invest in digital advice solutions along the operations of advice to increase efficiency, promote standardisation and process improvements, and enhance compliance and customer experience. Although the findings of this thesis reveal that deploying technological advice solutions within the operating model of financial advice firms represents both a challenge and an opportunity for financial advice businesses. On the one hand, digital advice solutions create intelligent operations which enable financial advisers to better engage with their customers and provide an efficient multichannel customer experience. In addition, digital advice solutions are crucial in driving high automation levels of processes, compliance monitoring and reducing costs through standardisation and scale efficiency. On the other hand, the thesis finds that financial advice firms have encountered difficulties regarding how technology tools can best be deployed in their advice operating models to reflect the requirements of the FSRC.

Third, financial advice firms must deliver customer advice services through efficient, transparent and simplified advice platforms with lower cost options beyond traditional comprehensive 'face-to-face advice' services. The findings reveal that implementing the recommendations of the FSRC creates the requirement for optimising advice operations, slashing costs and introducing more cost-efficient processes and technologies. This means there is a need for simpler advice processes, shorter and with multiple delivery channels including face-to-face advice, web-based advice and over-the-phone advice. The viability of the traditional comprehensive 'face-to-face advice' delivery model is threatened due to cost constraints and the increasing demand for online advisory services. Furthermore, the thesis finds that both scaled advice services and digital advice services are strong channels to deliver a simple advice experience for customers, in line with profit objectives.

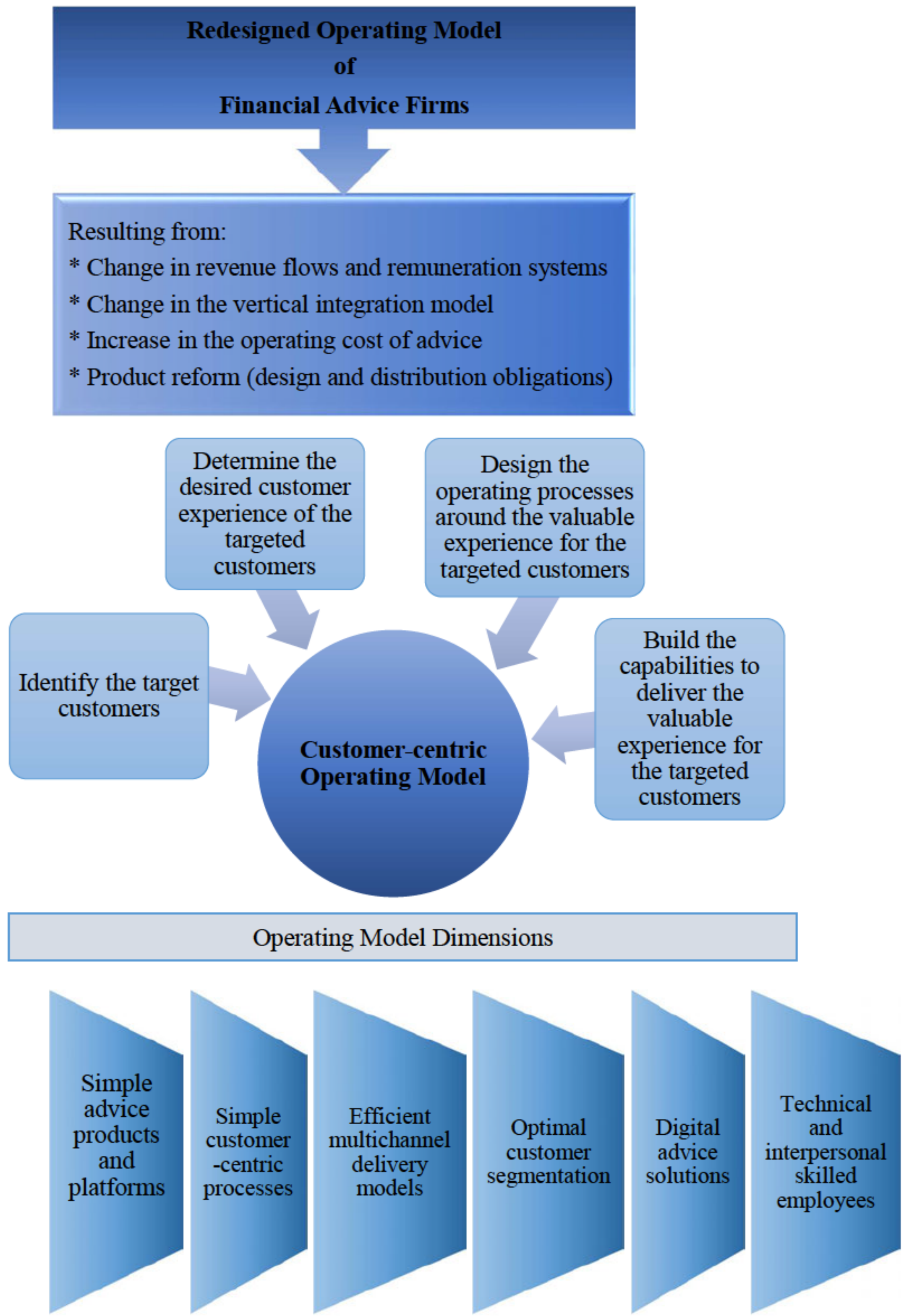

Figure 13: A proposed customer-centric operating model for financial advice firms

5.4. Contribution of this thesis

This thesis provides a significant contribution to the existing literature and the practice of financial planning advice, by examining the answers to research questions that assist in addressing the thesis problem. The existing literature reveals a dearth of research on the FSRC and the delivery of financial services across all parts of the financial sector, including financial planning advice (Davis, 2019). Moreover, the current climate represents both a challenge and an opportunity for financial advice firms to review their current operating models and identify opportunities to improve and optimise working methods. This will provide significant long-term benefits regarding efficiency, reputation and profitability (Marsh & Phillips, 2019). Therefore, the main contributions of this thesis can be summarised as the following:

First, to the best of my knowledge, this thesis is one of the first to contribute to the literature on financial advisory operating models through the lens of Schumpeter's theory of innovation. It concentrates on how financial advice firms introduced significant changes to their operating models, including products, processes, delivery models and customer segmentation, in response to the FSRC's recommendations. In this way, it contributes to understanding advice firms' responses to new regulatory reform requirements. In so doing, the thesis provides insight into the types of creative activities to implement alongside the operations of advice, for better customer outcomes and improved profitability.

Second, the current thesis contributes to the knowledge and understanding of customer-centric operating models in the financial advice industry. It provides insights into the advantages of transitioning to a customer-centric operating model. In addition, the thesis identifies the steps required for building a customer-centric operating model and presents a proposed customer-centric operating model to help financial advice practices to drive better customer outcomes and improved profitability.

Third, the thesis aims to contribute to the literature and the financial advice practice by providing insights into the challenges experienced by financial advice firms whilst implementing the recommendations of the FSRC across their operating models. By highlighting these challenges, financial advice firms can review their current operating models and identify opportunities or creative activities to automate, improve and digitise ways of working.

5.5. Limitations of this thesis

Despite the contributions that are mentioned above to the existing literature on financial planning advice in Australia, this thesis has some limitations. These are discussed below:

First, this thesis only focuses on specific dimensions of the financial advice operating model, including products, processes, delivery models and customer segments of financial advice firms. According to Deloitte Australia (2011), the operating model of a financial advice firm has multiple dimensions, including customer segments, distribution channels, platforms and products, processes, customer data, technology, people and locations. Therefore, another avenue of further research involves exploring the effects of the FSRC on other dimensions of the operating model of financial advice firms such as customer data, technology, people and locations.

Second, the method used to record interview data was field notes. The interviews were not recorded electronically as the interviewees did not grant permission. Although the field notes method is mainly used because it is simple, quick and inexpensive (Kieren & Munro, 1985), this method has several disadvantages, including that interview notes cannot be replayed. This may lead to a loss of data and a loss of valuable details (Ashmore & Reed, 2005). In addition, the interpretations based on interview notes are often too simplistic (Hamo et al., 2004). However, to eliminate the shortcomings of the field notes method, the contents of the notes were validated by asking the participants to confirm their accuracy once the interview notes were prepared and organised by the researcher.

Third, the researcher was generally able to reach only one member of each financial advice firm who has been interviewed. Interviewing only one member of each financial advice firm might have restricted the detailed findings of the thesis. Fourth the lack of access to the records and internal reports of financial advice firms due to high privacy and confidentiality concerns surrounding the financial advice industry. Thus, the primary data collected in this thesis was limited to the interviews and related to the opinions of participants at a point in time.

Lastly, the FSRC's final report was addressed to multiple industries within the financial services sector, however the thesis is limited to one industry, which is financial planning advice in Australia. The primary reason for this focus was due to the purpose of the research being to explore the effects of the FSRC on the operating model of financial advice firms. In future, there is an avenue of further research which involves examining the impact of the FSRC on the operating model of other financial services in Australia, such as the banking, superannuation and insurance industries.

5.6. Directions for future studies

This thesis was focused only on the financial planning advice sector. Further research involves the simulation of the study in other financial service sectors such as the banking, superannuation and insurance sectors. It is also necessary that comparative studies be conducted to compare the results of this thesis with other studies' findings in different financial service sectors.

This thesis was done based on only a small sample of interview data. Therefore, the use of additional data sets and in-depth case studies of financial advisory firms that have successfully developed alternative operating models in response to the FSRC would be another avenue for further research.

Due to data limitations, this thesis has assessed the impact of the FSRC on the operating model of financial advice firms through a qualitative approach involving interviews with managers and financial advisers of selected AFS licensees. In future, when adequate quantitative data is available, there should be quantitative studies to analyse the correlations between the FSRC as a regulatory reform and various measures of financial advice firms' operational efficiency, including service quality, service delivery speed, operational cost savings, economies of scale, enhanced communication and employee productivity. Such quantitative investigations will help to validate the findings of the present thesis, which indicate that financial advice firms introduced significant changes to their operating models, including products, processes, delivery models and customer segmentation, in response to the FSRC's recommendations.

Finally, future studies can be done to explore the effects of the FSRC on other dimensions of the operating model of financial advice firms, such as customer data, technology, people and locations. This thesis only focused on specific dimensions of the financial advice operating model, including products, processes, delivery models and customer segments of financial advice firms.

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APPENDICES

APPENDIX ONE: DEFINITIONS OF KEY TERMS

Anti-hawking provisions: Provisions set out in sections 992A and 992AA of the Corporations Act 2001 (Cth) that prohibit offering financial products to a retail client in the course of, or because of unsolicited real-time contact.

Australian financial services licensee: An individual or business that has been granted an Australian financial services licence by ASIC (Hayne, 2019). The Corporations Act 2001 (Cth) requires a licence that authorises a person who carries on a financial services business to provide financial services.

Australian Prudential Regulatory Authority (APRA): An independent statutory authority that is responsible for prudential regulation of banks, superannuation funds, insurance companies and other financial institutions. It ensures consumers' interests are protected and that the financial system is stable, competitive and efficient.

Australian Securities and Investments Commission (ASIC): An independent commission of the Australian Government that is responsible for financial market integrity, consumer protection, financial services licensing, regulation of businesses and administration of the Corporations Act and other legislation. In relation to financial planning advice, ASIC has the power to undertake surveillance audits, issue enforceable undertakings, withhold Australian financial services licensees and ban certain financial advisers (Santacruz, 2020).

Authorised representative: An individual, company or partnership that is authorised in writing under the Corporations Act 2001 (Cth) to provide a financial service on behalf of the licensee (CPA Australia, 2017).

Conflicted remuneration: This refers to any benefit given to a financial services licensee or their representatives that could influence the product recommended when financial advice is provided to retail clients, according to ASIC regulatory guide (RG 246).

Customer-centric operating model: This refers to the operating model which is built on customer centricity and the best interest duty (KPMG Australia, 2019). Fox (2008) summarises the steps required to build the operating model for a client-centric advice business: First, identify the target market of the business. Second, determine the desired experience of those clients. Third, highlight the value experienced by the client from what the business does. Finally, provide the important link to the business vision, the strategy and future direction, the culture, and the needs of the organisational structure to support such an organisation.

Customer segmentation: In the context of this thesis, customer segmentation refers to analysing and classifying financial advice customers into different attributes such as the willingness or ability to pay fees, the complexity of the client's circumstances and the customer's needs. According to Fox (2008), one of the main steps toward developing a client-centric advice operating model is to clearly define the strategic vision and roadmap of the financial advice business. This plan should include target client segments and sources of potential advantage such as service delivery models, price positioning and advisory capability.

Digital advice: Is also known as robo-advice or automated advice. According to ASIC, robo-advice is a digital platform that employs mathematical algorithms and technology to provide financial advice with minimal human intervention.

Fee-for-service /Fee-based advisory model: According to ASIC, a fee-for-service structure is where a customer simply pays a flat fee for a type of advice or an asset-based fee on ungeared products or investments, or both. This model attracts the fewest conflicts of interest amongst other advice revenue models (FPA, 2019).

Financial product advice: Financial advice services are regulated under the Corporations Act 2001 (Cth) as 'financial product advice'. Financial product advice is a recommendation or a statement of opinion that is intended to influence a person in making a decision in relation to a particular financial product.

Financial adviser: According to ASIC, a financial adviser is a person or authorised representative of an organisation licensed by ASIC to provide advice on superannuation and retirement planning, loan and investment, self-managed superannuation fund (SMSF), risk management and insurance, tax advice and estate planning.

Grandfathered commission / Grandfathering arrangements: This source of revenue is ongoing commissions paid to intermediaries such as financial advisers, who sold financial products including super, investment and insurance before the FOFA reforms on 1 July 2013. However, the FSRC recommended ending grandfathered conflicted remuneration by 1 January 2021 (Hayne, 2019).

Hayne Royal Commission / Financial services Royal Commission (FSRC): The FSRC was established in late November 2017 and led by former High Court Judge Kenneth Hayne to investigate misconduct in Australia's banking, superannuation and financial services industry (Davis, 2019). On 4 February 2019, the Government publicly released the final report of the FSRC, which outlines 76 recommendations to avoid recurring misconduct in the financial services sector. The recommendations suggest new ways to deliver financial advice, including changes to ongoing fees, disclosure of lack of independence, quality of advice, conflicted remuneration and discipline for misconduct (Hayne, 2019).

Operating model: The operating model describes the capabilities that exist within an organisation to deliver real value to clients (Fox, 2008). It is critical to the cost-effective delivery of propositions and customer management. According to Deloitte (2011), the operating model of financial advice firms has multiple dimensions: customer segments, distribution channels, platforms and products, processes, customer data, technology, people and locations.

Retail client: A client that is not a wholesale client. Within the financial planning context, retail clients must be provided with fee disclosure statements, statements of advice, product disclosure statements and warnings, depending on the circumstances.

Sales-based revenue model: This refers to the advice revenue model where compensation comes from commissions for selling financial products to customers, such as investment products, mutual funds, annuities and insurance products. These commissions can be both front-end commissions and ongoing back-end commissions, according to ASIC.

Scaled advice / limited advice: ASIC regulatory guide (RG 246) defines the scaled advice as 'a personal advice that is limited in scope'.

Value proposition: A number of financial advice industry bodies are encouraging members to invest time in determining and documenting their customer value proposition. This is defined as the value or the outcomes a client experiences by dealing with a financial adviser (FPA, 2019). According to Financial Planning

Association CEO Dante De Gori (2019), financial advisers need to build meaningful relationships and partnerships that enhance their own value proposition. The proposition spans a number of areas over and above compliance, including technology, education and research. The purpose of value proposition is to help advisers better understand and engage with clients.

Vertical integration model: ASIC describes the vertical integration as 'the business model of combining activities at two or more different stages of production'. According to the final report of the FSRC (Hayne, 2019), the vertical integration is a relationship between entities where financial advice, platforms and funds management are controlled by a single entity.

APPENDIX TWO: SEMI-STRUCTURED INTERVIEW GUIDE FOR FINANCIAL ADVICE FIRMS

Project Title: *Impact of the Hayne Royal Commission on the Operating Model of Australian Financial Advice Firms*

Section One – Optional questions:

1. What is the location of your registered office?
   ( ) ACT ( ) New South Wales ( ) Northern Territory ( ) Queensland
   ( ) South Australia ( ) Tasmania ( ) Victoria ( ) Western Australia
2. How long has your organisation been operating?
   ( ) Less than 5 years ( ) 6 years to 20 years ( ) 21 years to 50 years ( ) Over 50 years
3. What is the total number of advisers under the licensee (if applicable)?
   ( ) 7 to 99 advisers ( ) 100 to 250 advisers ( ) Over 250 advisers
   Other, please specify: ____________________
4. What is the total number of advisers within the practice?
   ( ) 7 to 99 advisers ( ) 100 to 250 advisers ( ) Over 250 advisers
   Other, please specify: ____________________
5. To what extent are you aware of the impact of the Royal Commission on the advice operating model of your entity?
   ( ) Minimal ( ) Extensive

Section Two – Impact on advice products, processes, delivery models and customer segments (RQ-1)

Question 1: How have the recommendations of the FSRC affected products, processes and delivery models at your financial advice firm?

Question 2: To what extent do you think that the FSRC's outcome has affected customer segments and the value proposition of your financial advice firm? Please specify in detail.

Section Three – Advice technology solutions and alternative advice operating models (RQ-2)

Question 3: Do you believe that the FSRC has accelerated the use of enhanced technology solutions at the operating model of your financial advice firm? And how? Please specify in detail.

Question 4: To what extent do you think that the adoption of technological solutions would affect the delivery of customer advice at your financial advice firm? Please specify in detail.

Question 5: Do you believe that your financial advice firm should support an alternative operating model in response to the FSRC? Please specify in detail.

Section Four – The challenges confronting financial advice firms (RQ-3)

Question 6: In your opinion, what are the main challenges confronting your financial advice firm to implement the recommendations of the FSRC within its operating model?

Question 7: Do you believe that the challenges in implementing the FSRC's recommendations will differ between financial advice firms? Please specify in detail.

Thank you for your time.

APPENDIX THREE: ETHICS APPROVAL

15 April 2020

Dear Mohammad Abu-Taleb

The Human Research Ethics (HRE) application has now been reviewed by the University's Expedited Review process. As your research proposal has been deemed to meet the requirements of the National Statement on Ethical Conduct in Human Research (2007), ethical approval is granted as follows:

USQ HREC ID	**H20REA076**
Project title	Impact of the Hayne Royal Commission on the Operating Model of Australian Financial Advice Firms
Approval date	15 April 2020
USQ HREC status	Approved

Kind regards

Human Research Ethics

University of Southern Queensland
Toowoomba – Queensland – 4350 – Australia
Phone: (07) 4631 2690
Email: human.ethics@usq.edu.au

APPENDIX FOUR: PARTICIPANT INFORMATION SHEET

University of Southern Queensland

University of Southern Queensland

Participant Information Sheet - Research Project

Research Details	
Title of Research:	Impact of the Hayne Royal Commission on the Operating Model of Australian Financial Advice Firms
Human Research Ethics Approval Number:	H20REA076

Research Team Contact Details

Principal Investigator Details	**Principal Supervisor Details**
Mr. Mohammad Abu Taleb	Dr Afzalur Rashid
[redacted]	[redacted]

Description

This project is being undertaken as part of a Doctor of Business Administration (DBA) Research.

The purpose of this thesis is to investigate the impact of the Royal Commission's recommendations on the operating model of financial advice firms in terms of advice products, processes, delivery models and customer segments. This thesis also seeks to investigate whether the Royal Commission's outcome has accelerated the use of enhanced technology solutions within the operating model of financial advice firms. And to determine the key challenges confronting financial advice firms whilst implementing the recommendations of the FSRC across their operating models.

The research team requests your assistance because you are engaged with Australian financial advice industry and your valuable opinions will assist the project to be successful.

Participation

Your participation will involve contributing your thoughts and ideas in a semi-structured interview which will take approximately between 30 minutes and 45 minutes of your time.

The main questions will include:

How do the recommendations of the FSRC affect products, processes, delivery models and customer segments of financial advice firms?

To what extent the recommendations of the FSRC have accelerated the use of advice technology solutions and encouraged financial advice firms to adopt an alternative operating model?

What are the key challenges confronting financial advice firms whilst implementing the recommendations of the FSRC across their operating models?

Your participation in this thesis is entirely voluntary. There will not be any personal data collected or published about yourself or your organisation after you have participated in the interview.

Expected Benefits

It is expected that this thesis will directly benefit all participants by bringing together the thoughts and ideas of all financial advisers involved in the delivery of advice post the Royal Commission's final report. The outcomes of this thesis will be shared with the participants upon their request.

Risks

There are no anticipated risks associated with your participation in this project.

Privacy and Confidentiality

All comments and responses will be treated confidentially.

- The resulting DBA research and any journal publications will not identify the interview respondents.
- There will not be any personal data collected or published about yourself or your organisation after you have participated in the interview.
- Any data collected as a part of this project will be stored securely as per the University of Southern Queensland's Research Data Management policy.

Further Information about the Research

For further information about this research, please refer to the research team contact details at the top of the form.

Concerns or Complaints Regarding the Conduct of the Project

If you have any concerns or complaints about the ethical conduct of the research, you may contact the University of Southern Queensland Ethics Coordinator on phone number (07) 4631 2690 or email ethics@usq.edu.au. The Ethics Coordinator is not connected with the research project and can facilitate a resolution to your concern in an unbiased manner.

Thank you for taking the time to help with this research project.

Please keep this sheet for your information.

APPENDIX FIVE: PARTICIPANT CONSENT FORM

University of Southern Queensland

University of Southern Queensland

Participant Consent Form for Research Project

Project Details	
Title of Research:	Impact of the Hayne Royal Commission on the Operating Model of Australian Financial Advice Firms
Human Research Ethics Approval Number:	H20REA076

Research Team Contact Details

Principal Investigator Details	**Principal Supervisor Details**
Mr. Mohammad Abu Taleb	Dr Afzalur Rashid
[redacted]	[redacted]

Statement of Consent

- I understand that if I have any additional questions, I can contact the research team.
- I understand that I am free to withdraw at any time, without comment or penalty.
- I understand that I can contact the University of Southern Queensland Ethics Coordinator on phone number (07) 4631 2690 or email ethics@usq.edu.au if I do have any concerns or complaints about the ethical conduct of this project.
- I am over 18 years of age.

Note: Your consent will be obtained by accepting to participate in the interview.