



Innovation brings success

Mark Layzell, Managing Director at Herald Wealth believes that smaller finance companies need to innovate in order to enjoy greater success.

After half a century of excellence in the delivery of financial services, it is easy to see Jersey's finance industry as established and comfortably going about its business in the same way that it always has. The truth is that the island's finance sector has been built on innovation, not only when it started fifty years ago but since then, it has continued to innovate in order to stay ahead of the competition.

The more recent advent of tighter regulation has certainly helped change people's perceptions of the sector, particularly on the international front and Jersey is now seen as being at the top of its game in terms of being a well-run, serious player in the industry. Some may argue that regulation diverts energies away from growing business, finding new clients and ways of working. To some extent this is true but it is not a reason for companies to stop innovating and delivering new products and services to market. In fact, smaller trust companies must innovate or they will find it hard to compete in an industry increasingly dominated by larger firms.

Looking at the trust sector, which has been the backbone of Jersey's financial services industry for many decades, increasing regulation, external forces such as the EU and US, increased competition and the effects of the recession have all added to the immense pressure upon it. However, over reliance on this one area of expertise is a weakness, particularly now that trust-only business is declining.

Diversification from within

From Jersey's macro-economic perspective, there's a lot of talk about diversifying Jersey's economy to embrace industries outside finance but there is a lot that can be done within finance to diversify and reduce the risk to individual companies and the industry as a whole."

It is possible for small and medium-sized independent trust companies to offer new products and services that create a diversity of revenue streams without needing large infrastructure or investment to deliver them. By doing so, trust companies can build on their key selling point of excellent client service which larger firms can find harder to deliver.

In many respects, suggesting that trust firms should look towards innovation within their current resource limitations is asking them to play to their strengths. By virtue of being smaller, these companies are well placed to act on ideas and move quickly to study their feasibility, develop them and ultimately to bring them to market. The ability to act swiftly is one that many larger firms lack and smaller ones can capitalise on this to make a real difference within the marketplace.

It is true that within Jersey, the Island is often seen as lagging behind its rivals in terms of the speed with which it enacts new legislation to enable new products and services such as egaming and IP laws. However, this should not be used as an excuse to avoid innovation because there is plenty that companies can do to create new products and services within existing legal frameworks.

We have a range of laws that promote innovation, such as the permanently evolving cell companies and partnerships laws. These have been designed for flexibility and to provide the tools to create new fund and business structures. Jersey's foundations law provides another set of tools which can be used to create new products or, as financial professionals with a deep understanding of the financial world, trust companies could look to the possibility of offering investment advice to their existing and potential clients.

Encouraging ideas

The most important thing is to realise that innovation is an extremely competitive resource that has the power to level the playing field for even the smallest firm. For those companies that have been around for a while, the main element to get to grips with is learning to be flexible and to encourage new ideas to come to the fore.

One area that Herald Group has been involved in following the adoption of new egaming laws in Jersey, was a trip to Israel to meet with egaming firms and other technology businesses. The trip was arranged by Jersey Enterprise and involved people from a range of companies, both technology focused and finance based. What we were able to bring to the table, and that was greatly appreciated, was the ability for data centre firms to link with accountancy firms, law firms and trust companies to provide an all-encompassing solution that they would benefit from as egaming businesses.

Quite simply, because of its size, Jersey is an ideal place to form partnerships with companies outside of the trust sector and to find new markets outside of those traditionally courted by trust businesses.

Unfortunately, the good old days of Jersey automatically attracting new business have long gone. There are dozens of other jurisdictions competing with us and one of the best ways to ensure that the next fifty years are as successful as the last is to look beyond trust and corporate services and to find other products that fit neatly but can be wrapped around these core products.

It is through innovation that Jersey's finance industry will be well set for another half-century at the top of the game.