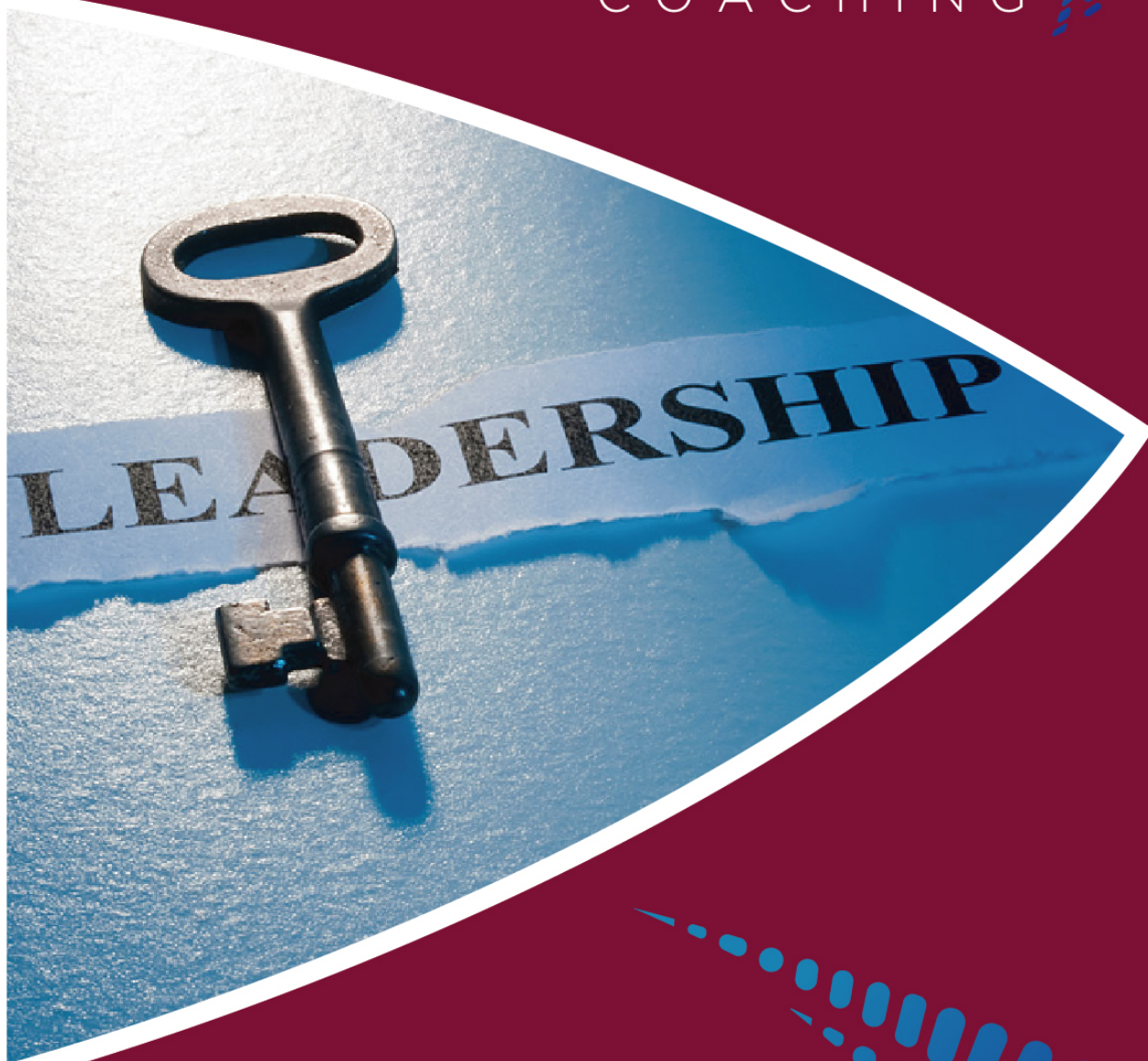


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COACHING



**12 expectations of your
Accounting firm of the
future**



12 expectations for your accounting firm of the future

By Scott Charlton FCA

Executive summary

For accounting firms, the road ahead is both exciting and challenging. In this paper there are 12 predictions for forward-thinking practices to incorporate into their future plans. The paper also provides guidelines and suggestions to implement these predictions using financial planning as an example.

Introduction

The day to day challenge of running an accounting firm can be all consuming. Without occasionally "raising the periscope" to look at what is happening and where the firm should be going, firms risk losing sight of important trends and failing to optimise their potential.

The purpose of this paper is to provoke thought and reflection amongst accountants in practice. By all means disagree with these expectations. Irrespective, taking time out to consider the important strategic issues that you need to address will improve your focus and help you take advantage of emerging opportunities. Ultimately this process will help to ensure that your firm thrives in the areas where you have chosen to be excellent.

1. More expectant clients

Alas, gone are the days where clients put their accountants on a pedestal, accepting everything on face value. Now, clients are well connected, Google-savvy and increasingly aware that the world is full of alternative providers. Presently, this is reflected in all manner of consumer items such as household goods, clothing and leisure equipment. Expect this trend to extend to professional services, with smart operators using slick web sites and dramatically reduced pricing to lure clients away from traditional providers. In the long term, it is unlikely that many of today's professional practices will have the size or the capital required to robustly compete in this space. In any event, as a professional who enjoys the interaction with your clients, this "battery hen" existence will likely be of little appeal.

So, unless you are intent on a low price+ super efficiency model, you are best to concentrate on a differentiation and/or relationship approach. Meaningful interaction with clients about their objectives, providing multiple services and acting as a gateway to complementary service providers are all areas where accountants can and should excel. Adopt the "share of wallet" approach adopted by the big banks i.e. the more services, referrals and interactions that clients experience through your firm, the less likely it is that they will leave you for a cheaper tax return service they have found down the road or (via the Internet) in India, Vietnam or the Philippines.

Whilst financial planning is by no means the only service to be offered, it is a logical place to start. An accountant can be seen as the instigator of powerful discussions by hosting a meeting with the client and a switched on financial planner. So much the better if prior to the meeting, the accountant and planner have brainstormed the possibilities and come up with a range of strategies to explore with the client.

2. Accountants to enhance their central role

With respect to this prediction, the author is unashamedly biased ☺. Study after study has strongly indicated that clients value the knowledge, experience and independent opinions that their accountant provides. It would be a tragedy if this positioning was allowed to deteriorate.

Accountants who take a proactive approach will be able to foster the enhanced relationships and value adding assignments that will follow as a result of the additional capability. Enthusiastically and wholeheartedly pursuing this path will convert a first mover edge into a long-standing competitive advantage.

Nowhere is this more relevant than with respect to the FOFA changes. Rather than leave this to the end of the three year phase in period¹, it is critical that accountants form a view with respect to how their clients will receive financial services advice. For many, this will entail becoming licensed, in which case careful planning needs to be undertaken with respect to what level of qualifications are required and when the pre-requisite study is to be completed. Failure to address these matters early runs the risk that there will be a break in client service post July 2016.

3. Returning to study

In this fast moving world, it is respectfully suggested that the business degree you completed 20+ years ago, along with the studies completed to attain your formal accounting qualifications may be looking somewhat dated. Granted, you will have been earnestly undertaking your annual PD requirements. However, from time to time it is highly likely that a more substantial learning undertaking will be appropriate i.e. committing to a course of formal study. There is much to be said for submitting to the rigour of such a learning program, complete with the expectation of assignments, assessment and attaining further qualifications.

As to the nature of the study to be undertaken, this of course depends upon your career path and objectives. By now, you will likely have some clear preferences with respect to what this should be. For some, it will be to further their particular specialty - a ready example is the tax specialist who goes on to complete a Masters of Tax qualification. For others who take an interest in management of their firm or business consulting it would be more appropriate to undertake an MBA.

¹ This period commenced on 1 July 2013 and ceases 30 June 2016.

For many accountants, the new Future of Financial Advice (FOFA) rules relating to practising accountants will be the catalyst to undertake financial planning studies en route to being licensed to provide financial services advice. In a similar vein, for accountants who regularly advise their clients regarding finance it is appropriate to get formally accredited in this area.

Whatever the course(s) selected, for most accountants this will entail going back to study part-time, juggling this with work, family and other commitments.²

4. Specialisation

These days, a “take on all comers” approach is vulnerable to a competitor who has a well thought out value proposition which caters for a particular client niche.

Not only does specialisation lend itself to generating superior profitability, it provides much greater scope to market the firm. If all you are doing is the same as everyone else, your marketing message will be mediocre at best – “*We have the same qualifications as everyone else and yes, we do tax returns too*”.

That's not to say however you will necessarily turn away clients which don't suit your preferred client profile. Your ideal client could potentially have ageing parents who need to be incorporated into estate planning and asset protection strategies. That same client may also have adult children looking for guidance. Equally, practitioners in rural communities are understandably apprehensive about diminishing their goodwill by turning away referrals from clients.

In such situations, it makes good business sense to have a means to handle these clients without "the tail wagging the dog". You have likely seen situations where important projects for your best clients are put on hold to attend to crises, concerns and issues relating to demanding transactional clients. Whether you tackle this through efficient systems, referral to other practitioners or judicious use of outsourcing is up to you. The overall imperative is to keep a firm focus on those clients where you can add the most value.

² If it has been some time since you undertook a formal study course, it is recommended that you read Chapter 14 of *Your Professional Headspace*, a book which provides useful suggestions regarding a wide range of matters relevant to professionals in practice. For more information about this book, refer to http://www.scottcharlton.com.au/professional_headspace.php

5. PD and support from non-traditional sources

Following on from the above, it makes sense to focus your professional development activities on your particular specialty. For many, this will entail seeking out programs that cater for their specific requirements. This goes way beyond simply the technical aspects, to include the opportunity to interact with like-minded professionals in a conducive environment together with access to relevant help lines and resources.

For accountants interested in the strategic aspects of financial services – estate planning, asset protection, business succession – a range of exciting topics opens up. Alignment with a supportive licensee (“Dealer Group”) will provide access to excellent speakers and helpful technical material.

6. A broader skills base

The foundation for optimal results in professional services firms is an organisation with well-considered structure and appropriately talented people in all positions. “Old school” accounting practices are weighted heavily to Operations, with a begrudging allocation to Administration. Usually, there are clear deficiencies in Marketing, Sales and Management. The firm of the future on the other hand will engage expertise in each of these areas.

Note that this doesn't necessarily mean that all these resources need to be packed in under your roof. With today's connectivity you can access these capabilities as you need them. Some ready examples -

- Referral relationships with like-minded professionals specialising in complementary areas - financial planners, finance brokers, general insurance brokers lawyers etc. Some of these relationships will be local whilst others will entail tapping into expertise which is only to be found in CBD office towers
- Use of contractors with specific expertise - paraplanners, consultants etc. - who can be engaged for standard pricing and fixed fee assignments
- Incorporating the use of bookkeepers into the business model. This strengthens the client relationship and also ensures that the accounting data imported into your system is of high quality
- Strategic alliances with organisations dedicated to providing resources and support in areas which are important to your value proposition such as a financial planning dealer group and/or business coaching organisations.

Rather than approaching such arrangements on an ad hoc basis, systematically building these aspects into your firm will help to provide a powerful value proposition and an outstanding marketing message.

7. Moving away from time billing, at least in part

Increasingly, as one develops experience and expertise, the realisation dawns that in certain situations the value which is being imparted to clients cannot adequately be captured by the time cost model.

In many instances the advice that you share with your client to solve their problem and keep them on track to achieve their objectives will convey greater value than that 45 minutes you spent working on it. Whilst a discussion on value pricing is beyond the scope of this paper, astute accounting firms will at least be incorporating this in certain engagements.

So too, some client engagements lend themselves to retainer relationships, where an integral part of the assignment is to keep the client focused on agreed activities and objectives. In business consulting situations this is reflected in activities such as participating in monthly management meetings with the client or quarterly Board of Advice meetings.

Where strategic financial planning advice has been provided it could include review interactions to ensure that the strategies continue to reflect clients' current circumstances and/or are adjusted to suit changing objectives.

8. Third party input, even for small firms

Astute practitioners will recognise that their time is best invested with clients rather than flailing away at management tasks and administration. It's extremely hard to do both managing and advising. It's next to impossible to be the best at both.

Larger firms are able to hire a talented GM but this can be a confronting issue for small firms i.e. how to justify the expense of professional management and be comfortable with delegating aspects of control that the founder has always exercised.

A good place to start is the firm's organisation chart, clearly defining roles that need to be filled in the business, including the major management tasks. You might be surprised how much can be delegated with good role descriptions, procedure manuals and training.

You may also care to consider appointing a manager on a part time basis. There is plenty of experienced talent around if you look closely enough. For example I recently heard of a retired bank manager filling such a role in a financial planning firm.

Regardless of how you tackle improving your management function, the optimal solution is unlikely to be toughing matters out until the firm has magically grown to be much larger and more profitable. Rather, great management is a key component in getting you to this outcome.

Small practices also face a challenge in terms of their governance. For example, who keeps the sole proprietor accountable? How to work through issues about which two equal business partners are diametrically opposed? What if the three partners in a practice are such good mates that they don't take one another to task for non-performance?

In such situations, an external party can bring a range of desirable qualities to the table. The roles will vary from case to case - mentor, coach and/or external board member. Careful development of the role description(s) will pay dividends here, together with astute selection of an appropriate person to fill the/each position.

Many practitioners also find great benefit in tapping into the support and input from colleagues. This could be in the form of informal networks and peer review programs. However if accountability is desired, a degree of structure, such as a formal coaching program, will yield results (provided all participants play their part).

9. Assistance with the strategic aspects of your marketing

Virtually all professional services firms have engaged the services of external providers for assistance with the branding aspects of their marketing. Typically this includes the design of logo, letterhead, business cards, website and signage. This is largely considered to be an occasional "Thank goodness that's over" engagement.

Many accountants have also embraced the concept of a part time marketing assistant - someone whose role it is to ensure that basic marketing activities are attended to each week. This role will likely include maintaining the firm's prospect database, sending out newsletters and chasing up professional team members for newsletter articles etc. The role can also involve organising client seminars, boardroom briefings and speaking engagements.

Yet amongst all this activity, there is the risk that your marketing will lack an overall essence. Symptoms often include the inconsistent use of colours, duplication of effort and superficial activity of a "me too" variety. More worryingly, a firm's marketing may fail to enhance the firm's reputation in its preferred specialties and the hoped-for new clients may not eventuate.

Very few accountants in practice have undertaken formal marketing study. And employing an expensive full-time marketing strategist is highly impractical. The firm should therefore engage the services of a strategic marketing consultant whose expertise can be engaged as required or even better, on a retainer arrangement for an agreed set of services. This appointment works extremely well in conjunction with the part time marketing assistant referred to above. The Assistant will be responsible for actioning the initiatives agreed with the Strategist. The amount of time required by the accounting practitioners in this process is minimal and yet the results can be profound.

The expectations from such an arrangement? Outwardly, the firm will be much better represented with compelling, consistent messages across all aspects of its marketing - website, personal profiles, newsletters, strategy papers, publications, video content and media releases. Internally, this is also a catalyst for the firm to become much more focused i.e. developing its expertise and a range of services to best suit target clients.

This capability comes to the fore in launching new services. Too often accountants proudly send out a letter to clients announcing a new capability and expect the phone to ring. The reality is that a more concerted, imaginative campaign is required for clients to appreciate how the service will assist them.

10. Aligned with organisations providing relevant support

There is no reason why every step of achieving your long-term vision must be undertaken alone. If your vision is to provide a financial planning solution for your clients, it makes sense to align with a financial planning group that has the resources, imagination and inclination to assist you achieve this objective. So too if you are seeking to assist your clients grow their businesses, engaging with companies that have already developed templates, software and expertise will ensure that you are on a proven path to success.

Further, being part of a peer network where one can meet regularly to share experiences and tap into a collective expertise will be invaluable. For those so inclined, extending these peer interactions to mutual accountability for completion of projects and attainment of objectives will also boost your outcomes.

11. Foster entrepreneurship in your business clients

Without doubt, most accountants find the most engaging clients are those who are constantly undertaking new activities. Not only does this generate additional accounting fees, but it stimulates and brings out the best in the accounting team.

Embrace the proposition that the more entrepreneurial clients that your accounting firm has, the better and more enjoyable will be your experience as a practitioner.

This being the case, it makes sense to foster entrepreneurship amongst your clients. Not only will this encourage your current clients to be bolder and more successful with their business ventures, you will also enhance the firm's reputation as a supportive incubator of business activity. This means of course that the firm itself must "walk the talk" in terms of the skills of the advisers and the resources by which it can assist clients.

Clients should be encouraged to undertake entrepreneurial experiences. For some it will be encouraging clients to undertake adventure holidays as part of a group you organise. Other firms may take their clients away on a study tour or provide opportunities to mix with successful entrepreneurs. When combined with a consistent and compelling marketing message, the firm will be seen to be "the place to go" for progressive thinkers amongst its target market.

12. Refresh, recharge and reinvent for a better, longer and more satisfying career

All too frequently, the demanding existence of being an accounting practitioner reduces one's professional horizons and results in an outcome which equates to "I guess this is as good as it gets". And this will be the outcome unless you take charge. Long hours and dealing with multiple client engagements means that there is seldom time to celebrate wins before charging on to the next deadline. Holidays can be infrequent and never long enough to enjoy the tranquility which only comes from an extended period outside the professional pressure cooker.

Just as more expectant clients will be part of your ongoing professional challenge, so too you should expect more from your career. Because your time in practice will run for many years, it makes sense to plan a major "time out" for every decade. For some, these sabbatical events will be the catalyst to travel, particularly with family. This could also include periods for taking on further qualifications, a study tour or writing a book in one's area of professional expertise.

In days gone by, "making Partner" was the culmination of one's career, signifying that this was the pinnacle at which one was expected to remain for the balance of their working life. However, rather than view yourself as such an automaton, it is reasonable to expect that your professional interests will evolve and develop. It therefore makes sense to provide yourself with the expectation and freedom to explore other areas of professional interest.

For some this will mean specialising within their chosen fields. For others it will mean progressively evolving from their initial area of expertise in (say) tax to consulting or financial planning. Certainly, is usual for practitioners to become much more relationship orientated and have more value to offer their clients with respect to insights from their experience, leaving the more technical aspects of engagement to keen young members of their team.³

³ For a further exploration of these issues, refer to "Your Professional Headspace" - http://www.scottcharlton.com.au/professional_headspace.php

Action

Now it's your turn. There's no point reading this paper without acting on the points that resonated. Here's a list of suggested actions.

- ☐ Go back through the paper and highlight the points of highest priority
- ☐ Share the paper with colleagues and get them to likewise identify priority items
- ☐ Develop an action plan, complete with dates. Then mark out time in your diary to give effect to your plans
- ☐ Discuss how these expectations will impact your business with our Director of Business Development.

Small but decisive steps now will lead to significant outcomes in the future.

With best wishes for success in these endeavours.

A handwritten signature in black ink that reads "Scott Charlton". The signature is written in a cursive, flowing style.

Scott Charlton

About the author

Scott Charlton is a chartered accountant who specialises in coaching accounting and financial planning firms. Scott is the author of three books relevant to accountants in practice, *Your Professional Headspace* (2011); *Partnering with Financial Planners* (2012) and *Partnering with Accountants* (2014). Scott is also Director of Coaching at Slipstream Coaching, a company dedicated to assisting accounting and financial planning firms achieve their potential. Scott can be contacted via email scott@slipstreamcoaching.com.au and on 0409 870 330.