



Directors' Feedback - Need More Than Taxation Services From Accountants?

Hello, I'm Peter Towers, Managing Director of ESS BIZTOOLS. Welcome to Accountants Minute.

What would you learn from 8 hours with a group of company directors? I had that privilege a couple of weeks ago in a programme sponsored by the Entrepreneurs Programme, part of AusIndustry. The brief was to meet for 8 hours with a group of company directors and discuss with them the issues that they were confronting in their businesses and also to give them some briefing on corporate governance issues.

I learnt plenty in getting feedback from the directors and thought today I'd share what they said with you.

The directors represented companies that had turnovers from \$750,000 through to \$29M with an average of around \$4M amongst the various companies.

The feedback that I received that I thought you might be interested in included the following:

- **Government Grants** - *"great idea, don't know much about grants, who is supposed to keep us informed?"* was one of the questions. *"Our accountants never seem to tell us anything about grants!"* They were particularly interested in the Skills Development Grant and the Business Improvement Grant. A couple of the directors also had some interest in the Accelerating Commercialisation Grant, which is a grant of up to \$1M on a 50/50 basis for companies with turnovers up to \$20M that have developed new products, processes or services.
- **Financial Accounts** - Well this created some debate when I asked the directors to indicate how they would rate the financial accounts that their external accountants prepare for them relative to the type of information that is conveyed to them. The response was *"fair"*. It's worth thinking about. *"Fair"*. One main complaint was - *"we run a number of divisions or departments and yet the Profit & Loss Account we receive back from our accountants is in one Profit & Loss Account"*. *"Surely we can get departmentalised accounts?"* was a question asked by a number of the directors.
- **Job Costing** - the other big question related to job costing. A number of these businesses had operations that related to job costing, yet the directors indicated to me that a conversation about job costing had not been raised by their accountants. I would have thought it was one of the obvious areas for accountants to be looking at.
- **Benchmarking** - we talked about benchmarking. I was surprised that no one seemed to know anything about the role that Benchmarking.com play and no one indicated that they were receiving a benchmarking report. Some of the directors liked the idea of developing a benchmarking group within similar types of businesses in different parts of the country, but surely this is a service that accountants should be providing to your clients. It's quite easy to do so using the Benchmarking.com information.

- **Key Performance Indicators** were discussed, but I got the feeling that not many people were confident that they had selected the correct KPIs or that their management team fully understood their use.
- **Portfolio Allocations** - another big discussion point was when I asked them about portfolio allocations. We produced a list of 45 portfolios, everything ranging from who is in charge of legal matters, insurance, registration of motor vehicles, sales, marketing, shareholder relationships and so on. Most of the directors indicated they looked after all of these things themselves! I asked them whether they'd heard of delegation and why weren't they delegating these tasks to the other members of the management team and even some younger members of staff. It would be a great staff training exercise for the team to learn new skills and for senior management to be able to observe whether some of these younger team members really had management potential.
- **Mentoring and Coaching** - most of the directors indicated that they felt very lonely in undertaking the role as a company director. A number of them indicated that this is a very lonely job. It is and directors do need support. When I asked them if they had a board of advice, no one indicated that they did and only one had an external director involved and the board only had a meeting about once a year!
- **Business Plans** - about half of the directors admitted that they had business plans, but the plans were four or five years old. The directors admitted that the business plans were hopelessly out of date. The others indicated that nothing was written down, it was all in their heads.
- **Research and Development** - some of the directors were undertaking research and development and doing it very well. Others indicated they weren't quite sure what they could claim and what they couldn't claim so they'd never worried about it. Those people also indicated that their accountants didn't seem to have too much interest in research and development so they hadn't pursued it. Those directors definitely had no research and development system; they had no idea of the forms they needed to keep to substantiate the research and development work that they'd undertaken.
- **Succession & Exit Planning** - most thought it was a great idea. Most hadn't done anything about it. A couple were talking about merging their businesses. Some had vague ideas of what they might like to achieve in the next five years, but there was a significant lack of planning in this area.
- **Vision** - we then discussed the five year vision and all of the directors thought that this was a great idea, but then they all indicated they needed assistance from various people to make this come to fruition. The directors named the people they would like to assist them:
 - their accountant - they'd like to have their accountant more involved in the development of a five year vision
 - but also some other people - some mentors in the community that they like and trust.
- **Human Resources and Fair work Australia issues** - I asked them whether they had any type of external advisers; whether it's their accountants, lawyers or a specialised human resources organisation. Three of the directors did; they were using a human resource organisation who are quite expert in dealing with Fair Work Australia issues, but the others had nothing and in this day and age I think for growing companies, that's probably dangerous.
 - We also discussed Fair Work Australia in detail and how people deal with Fair Work Australia. It was then very obvious that companies and directors need advice from people who understand how that organisation works.
- **Workplace Health & Safety** was another issue where only a few of the directors had a formal approach and had an external organisation that was monitoring what they were doing and was conducting audits on, at least, an annual basis and was writing reports to

the directors and senior management on the results of those audits so that the directors could then ensure that appropriate policies were implemented.

- **Accountants** - Only one of these directors' companies had a full time accountant working for them, the rest were totally reliant on external accounting businesses. When I asked them what their accountants did for them the unanimous answer was "taxation". We then discussed what else accountants could do and the majority of directors indicated that they would like their accountant to be undertaking additional work for them, but; and here was the big BUT; the directors thought their accountants were too busy doing taxation to have the time to help them in developing their business vision.

What accountants need to do is to make an appointment and sit down and have a conversation with your clients because that was what I had to do following this 8 hour seminar. My contract then said that I had to have a telephone conversation with each of those directors. The contract said for 30-minutes, but I can assure you it took a lot longer, but it was amazing what the feedback was confirming the issues that I've discussed with you today.

My suggestion is that you think about having a conversation with your clients; not a 5-minute conversation but a 45-minute to 60-minute conversation. You could use the SME Needs' Analysis that ESS BIZTOOLS has developed to guide you through that conversation and out of that conversation I'm certain that you'll identify issues that your clients are looking for assistance on because they certainly told me in the seminar and in the follow up telephone conversations that I had with them. You can then submit a proposal - this is what you indicated you wanted assistance in; this is what we can do for you; this is the timing and, very importantly, this is our quotation for assistance in doing this work for you and our billing schedule is as follows. So spell it all out so there is no misunderstanding. I think the majority of the directors who were participating in the seminar would accept a reasonable proposal if their accountants had submitted it to them and then it's up to you to make sure you can deliver in a timely manner the services that your clients are asking you to provide and pay you for doing so.

So that's the result of my 8 hours with a group of company directors and the subsequent follow up telephone conversation with each of them. The directors were not unduly complaining, but they were quite strong in their comments that they thought there was a lot more work that their external accountants could do for them to assist them in building value in their businesses. The directors were very sure of those comments when we looked at what chief financial officers in listed public companies do for their CEOs.

They're the thoughts that I want to leave you with today. ESS BIZTOOLS can assist you to deliver every service that I've talked about with you today. If you want to find out more details, please go to www.essbiztools.com.au where you can sign on for a 30-day no obligation guest login to have a good look at the system.

If you would be interested in subscribing to an individual package you can go to www.essbasip.com.au where you can read the overviews on the individual product packages and you can subscribe to a product at a time which suits your internal work levels within your accountancy business.

If you have any questions, please don't hesitate to send me an email - peter@essbiztools.com.au.

Have a wonderful day.

Peter Towers

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