

ACCOUNTANCY BUSINESS DEVELOPMENT
FROM COMPLIANCE TO BUSINESS ADVISORY SERVICES


Paper 500-073


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ACCOUNTANCY BUSINESS DEVELOPMENT
FROM COMPLIANCE TO BUSINESS ADVISORY SERVICES

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1. Predictions Of Accounting Businesses Evolution 2016-2019

<u>Predictions</u>	<u>Comments</u>
1a To manage the effects of the "digital disruption", the take up of "cloud technology" by small/medium enterprise operators, outsourcing of compliance process work to organisations in other countries, primarily Asia, accountants will have to offer a revised services mix, including: <ul style="list-style-type: none">• business advisory work• management consulting• superannuation• wealth management to their SME clients or scale back their business operations.	<p>The report commissioned by the Commonwealth Bank - "Accounting Market Pulse" released in December 2015 has identified that the main areas of expected growth over the next 12 to 18 months are:</p> <ul style="list-style-type: none">• business advisory work;• management consulting;• superannuation;• wealth management; and• tax consulting. <p>A growing number of Australian accountancy businesses are outsourcing components of their compliance work to businesses operating in lower cost countries. The accountants who are outsourcing in this manner are in a position to reduce their fees, thus enabling them to aggressively compete in markets around Australia.</p> <p>The CCH Report - "SMEs - the fine line between failure and success" identifies key services that SMEs want supplied by accountants:</p> <ul style="list-style-type: none">• management of costs• management monitoring• business plans• assistance in raising capital or loan funds• expansion advice
1b The freeing up of time will give accountants a great opportunity to develop and offer a "Chief Financial Officer" range of services to SME clients.	<p>The Personal Property Securities Register, which became fully operational from 31st January 2014, offers significant challenges to accountants to establish appropriate systems for their SME clients to avoid the consequences of not properly registering</p>

Predictions

Comments

transactions on the PPSR leaving companies in a vulnerable position relating to liquidators' demands for preferential payment refunds which potentially could have been minimised if the debtors had been registered on the PPSR.

It is strongly recommending that accountants undertake a Personal Property Securities Register Due Diligence Review on all business clients. It is suggested that if a client declines an invitation for a due diligence review that the accountant forwards an appropriate letter to the client confirming that an offer to conduct a due diligence review was made and that the client has declined that invitation. It is suggested that the accountant prepares this letter in duplicate and requests the client to sign the duplicate copy and return it to the accountant. It is suggested that the accountant files this letter appropriately so that it is available in the unfortunate event that at some future time the client is involved in a transaction that leads to an insolvency event by someone that the client is dealing with.

Predictions

2. We believe that there will be a lower number of income tax returns prepared by accountants and tax agents as the full effects of the introduction of the Standard Business Reporting process by the Australian Taxation Office is felt in the market place.

3. Accountants will need to enthusiastically embrace "replenishing revenue streams" to proactively respond to the dire forecasts in "Digital Disruption".

Comments

The Australian Taxation Office has forewarned accountants that the ATO believes that the introduction of Standard Business Reporting will result in less activity in Australian accountants'/tax agents' offices thus contributing to a forecast reduction in fees paid by SMEs to accountants/tax agents of, at least, \$500M per annum. The ATO believes that Standard Business Reporting will be implemented by 2017.

Accountants servicing SMEs will need to develop new products and services to "add value" to SME clients.

Accountants currently preparing wage earner returns will either:

- upgrade services for SMEs - thus competing with accountants already servicing SMEs;
- retire; or
- continue with remaining wage earners having tax returns prepared (this will normally be property owning taxpayers)

The Deloitte Report "Digital Disruption (September 2012) - Short fuse big bang" identified a number of significant issues confronting a large number of businesses including accountants. One of the key suggestions made by Deloitte was that businesses should be enthusiastically looking for "replenishing revenue streams". Accountants have a significant advantage to enthusiastically diversify your fee mix by the introduction of business advisory services that small/medium enterprise clients have been requesting in survey after survey for the last decade.

The biggest risk for accountants is inaction. In the digital age, businesses are moving faster, more nimbly, everyone is learning. Your SME clients are expecting a wider range of services to be supplied to them. If accountants don't supply these services, the SME clients will ultimately switch to someone who does supply the services and the accountant will be left with tax returns which more and more will become a "commodity product", subject to "specials" and "price cutting" and "high competition". It is not the value added space to which accountants should be aspiring!

<u>Predictions</u>	<u>Comments</u>
4. "Cloud technology" will assist the introduction of a closer ongoing involvement of SMEs and accountants.	The advancements in cloud technology and software available for SMEs has probably outstripped most people's expectations over the last decade. The technology is now available to assist accountants to offer a "virtual Chief Financial Officer" service for a large number of your small/medium enterprise clients. The supply of a virtual Chief Financial Officer service was literally a dream five years ago, but it is now realistically available for virtually every small/medium enterprise operator. If accountants do not gear up to supply this type of service through embracing business advisory services' systems then undoubtedly another accountant or consultant will be making presentations to your clients.
5. Accountants promoting business advisory services will offer a "Chief Financial Officer" (CFO) suite of services.	<p>SMEs want additional services from their accountants. If accountants don't supply the services, SMEs will go to other accountants, business coaches and others who can supply value adding commercial services.</p> <p>Various surveys have identified that SMEs want assistance with:</p> <ul style="list-style-type: none"> • undertaking their business activities • cashflow management • wealth creation • succession planning • retirement planning • reducing tax • government grants' applications • business plans • marketing • corporate governance • raising finance for their businesses • "what if" scenarios • risk management reviews • capital expenditure/new business evaluation • loan applications • company secretary duties • cost management • management mentoring
6. Accountancy businesses will gear up to offer a broader range of commercial services.	<p>This will encourage accountants to employ:</p> <ul style="list-style-type: none"> • marketing personnel to assist in promoting the wider range of services to SMEs; • professional sales personnel to "sell" the new business advisory services; or • the key team members will be trained in professional selling so the team are

Predictions

Comments

- | | |
|--|--|
| <p>7. Many accountants are already outsourcing and more will commence outsourcing of compliance work to businesses that are not based in Australia/New Zealand.</p> | <p>adequately prepared to thrive in the new business environment to be unleashed by the "digital disruption".</p> <p>Outsourcing was a very small operation a few years ago, but it's now grown into a major activity with compliance work being outsourced to businesses in the Philippines, Vietnam, India, Malaysia and some other Asian countries.</p> <p>Outsourcing of significant components of the compliance processing work enables Australian/New Zealand accountants to offer compliance services at a lower selling price. These lower selling prices can then be used to increase marketing activities and business expansion. Firms that are outsourcing are also freeing up capacity which can be used to deliver business advisory services to their clients and to other businesses.</p> |
| <p>8. If some accountants don't offer "Chief Financial Officer's (CFO)/Commercial Director" services, other accountants and business coaches/mentors/consultants will.</p> | <p>There is a large number of business coaches/mentors/consultants who will offer:</p> <ul style="list-style-type: none"> • business strategy and planning • marketing • sales • human resources • government grants <p>and more and more will advise on financial management/modelling/corporate governance, so accountants will be left with the commodity product - the "compliance tax return".</p> |
| <p>9. Accountancy businesses operating as "business advisory centres" will offer "commercial services".</p> | <ul style="list-style-type: none"> • Business Plan preparation/review • Performance Evaluation • Assist management to achieve business goals: <ul style="list-style-type: none"> – increase profitability – achieve plans – succession planning – getting investment ready – getting ready for an IPO (Initial Public Offer) • Research and Development System • Export Market Development System • Assisting businesses to get ready to raise equity capital e.g. the new Crowd Funding Laws for companies • Corporate Governance Reviews • Personal Property Securities • Leadership and Mentoring • Due Diligence Reviews |

Predictions

Comments

- | | |
|---|---|
| | <ul style="list-style-type: none"> • Business Valuation • Business Retreat Planning • Marketing • Sales • Human Resources • Information Technology • Business Advisory Services • Strategic Management Consulting Services • Asset Protection • Estate Planning |
| 10. Business advisory centres will be structured as corporate entities. | A suggested structure of business advisory centres is set out in Addendum A attached. |
| 11. There will be fewer accountancy firms. | Fewer accountancy firms with more accountants and other commercial staff.

Unmotivated accountants will fade away. |

2. Vision For The Future Of Accountancy Businesses

Products and services to be supplied by accountancy businesses, offering business advisory services, will include some (if not all) of the listed products/services. What products/services does your accountancy business provide?

- | | | | |
|---|-----|--------------------------|-----------------------------|
| – Accountancy Services: | | | |
| – tax returns | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – tax planning/minimisation | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – other compliance services | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – audit | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – superannuation fund audits | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – Financial Planning: | | | |
| – wealth creation | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – insurance broking | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – finance broking | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – advisory | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – Chief Financial Officer's Services (BAS018) | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – Strategic Management Consultancy (BAS019) | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – Business Advisory Services: | | | |
| – personal property securities register system advice | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – business health check | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – management of costs | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – government grants and assistance | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – management mentoring | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – business plans | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – business models | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |
| – budgets | Yes | <input type="checkbox"/> | No <input type="checkbox"/> |

- | | | | | |
|--|-----|--------------------------|----|--------------------------|
| - cashflow forecasts and management | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - debtors' management | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - work in progress management | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - inventory management | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - risk management strategies | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - human resources strategies | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - corporate governance | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - succession planning | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - cash management | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - family businesses | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - exporting | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - buying a business | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - selling a business | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - leadership | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - dealing with banks | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - capital/loan raising | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - applications for loans | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - investment readiness | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - estate planning | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - business valuations | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - self-managed superannuation funds (administration) | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - virtual Chief Financial Officer services | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - corporate governance mentoring | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - management consulting | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| | | | | |
| - Asset Management | | | | |
| - intellectual property documentation and protection | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| | | | | |
| - Retirement Planning | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| | | | | |
| - Market Research | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| | | | | |
| - Marketing | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| | | | | |
| - Information Technology: | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| - cloud technology consulting | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| | | | | |
| - Does your firm outsource compliance work? | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |

Preparation by the accountancy business to offer non-compliance services:

Marketing:

- | | | | | |
|---|-----|--------------------------|----|--------------------------|
| - Do you employ a marketing person? | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| | | | | |
| - If yes, what is the approximately % of time allocation for: | | | | |
| - internal marketing work for your accountancy business? | % | | | |
| - marketing assignments on behalf of clients? | % | | | |
| | | | | |
| - Is the marketing person spending enough time on "internal marketing work" to assist in generating sufficient leads to achieve the targeted income for business advisory services? | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |

- If you don't currently employ a marketing person, does your firm propose to do anything about this? Yes ☐ No ☐

– If yes, when _____

Sales:

- Do you employ a sales person? Yes ☐ No ☐
- Has your accountancy team participated in a "professional sales" course? Yes ☐ No ☐
- If you don't currently employ a sales person, will your accountancy business be able to generate the targeted additional sales revenue? Yes ☐ No ☐

Comments:

3. Implementing “Business Advisory Services” Strategy

A suggested strategy:

Comments

1. Partners sign-off on strategy investigation for the implementation of business advisory services
2. Team member interviews:
 - commitment to strategy
 - job descriptions/reviewed/updated
 - individual development plan
3. Client Advisory Meeting/Client Survey:
 - comments on firm
 - services being provided
 - additional services required
4. Financial Analysis:
 - productivity/budgets
 - work in progress/days outstanding
 - debtors' days outstanding
 - earnings per hour worked for the accountancy business
 - benchmark comparison
5. Think Tank Meeting (all partners and team members)
 - new structure?
 - new services?
 - website?
 - marketing?
 - outsourcing
 - sales (professional selling)?

A suggested strategy:

Comments

- client briefings?
- prospect identification?
- team training and development?
- product/services development?
- specialist industries identification?
- public relations
- board of directors (?)
- CEO (?)
- business development coach (?)
- IT development/cloud technology
- other issues:

6. Development of systems for "business advisory services":

- components of "products/services" package to be offered by your accountancy business
- marketing of " products/services" to banks/referrers
- marketing of " products/services" to clients and prospects
- advertising material
- website - promoting "products/services"
- blog articles promoting "products/services"
- media releases
- seminar/webinar on the "products/services"
- how to approach the assignment
- preparing time budgets
- preparing the quotation
- preparation of proposal to client/prospect
- receipt of client's acceptance
- project implementation check list for client
- undertaking the assignment
- reporting to the client

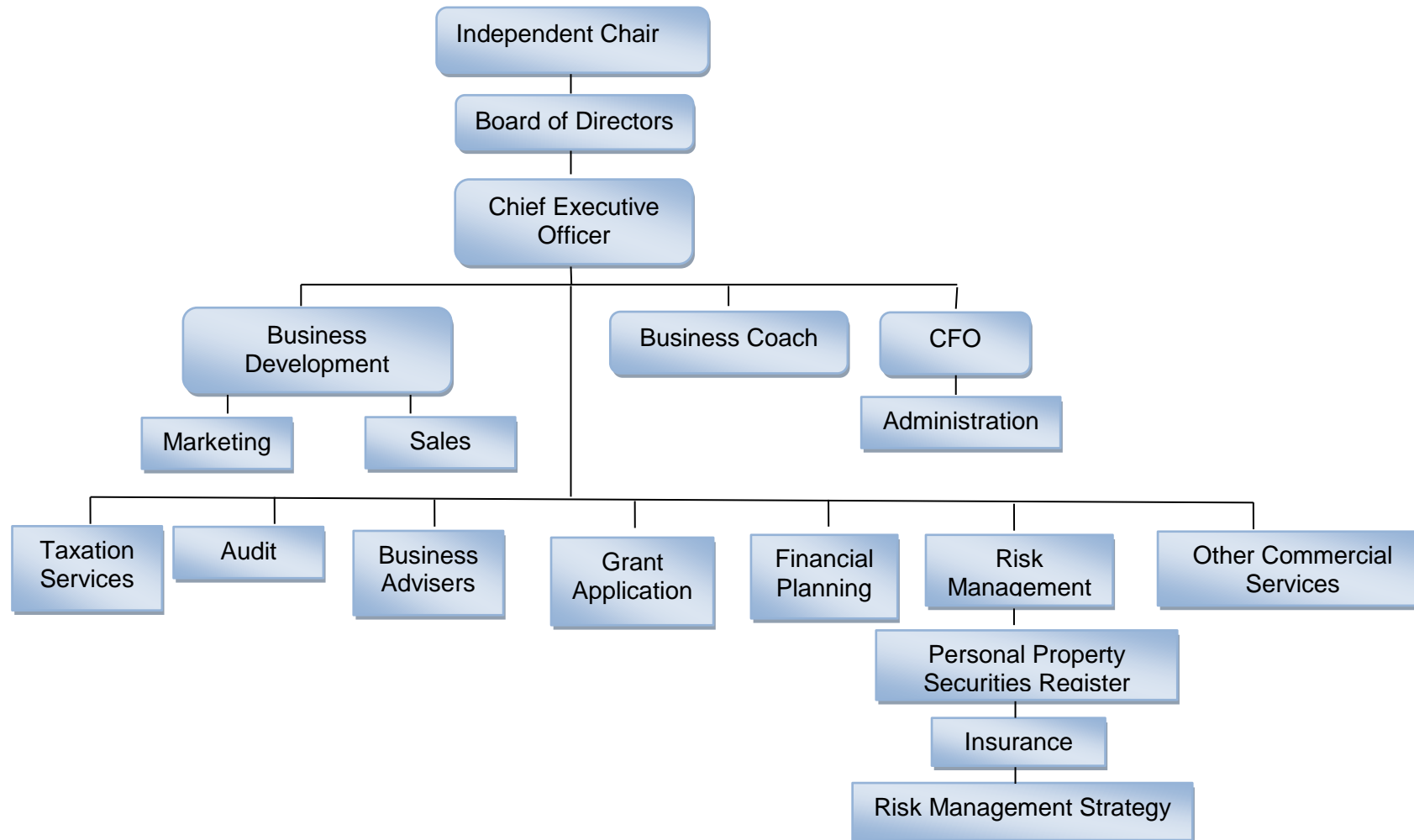
7. Team for implementation of business advisory services:

- Marketing
- Sales
- Product "Champions"
- Industry "Champions"
- Customer Services Officer(s)

A suggested strategy:**Comments**

8. Partners' agreement on implementation of "business advisory services" strategies:
- Corporate Structure:
 - consideration of an independent chair?
 - consideration of external directors?
 - consideration of internal directors?
 - Consideration of a CEO?
 - Consideration of a business development coach?
 - Timetable for commencement of "business advisory services".
 - Budget for "business advisory services".

500-073a Suggested Business Advisory Services' Structure



AN IMPORTANT MESSAGE

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