



2015 ACCOUNTANTS RESEARCH REPORT

WHAT'S WORRYING ACCOUNTANTS?

The top five strategic threats affecting accounting practices fee growth rates and profit margins.

WHAT DO ACCOUNTANTS NEED?

The key advisory needs of accountants, trends in needs and accounting industry benchmarks.

HOW TO SOLVE THE ISSUES.

How practices are addressing and solving their key advisory needs:

- ▶ Practice Advice Essentials
- ▶ Leveraged Advice Services
- ▶ Attracting 'Ideal' Clients
- ▶ Professional Associations
- ▶ Financial Services Industry Relationships



TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
PART 1 STRATEGIC THREATS	7
Government Regulation.....	8
Technology	8
Changing Client Loyalties	9
Shifting Demographics	10
Increased Competition.....	10
PART 2 ACCOUNTANT CONCERNS AND NEEDS	13
How Do Accountants See Themselves	13
Business Concerns.....	13
Growth and Succession Planning.....	16
Business Value Gap	16
Practice Valuation.....	17
Key Success Factors.....	18
PART 3 ACCOUNTANT SOLUTIONS	23
Practice Advice Essentials.....	23
Alignment.....	24
Engagement	24
Specialisation.....	25
Support.....	25
Leveraged Advice Services	26
Attracting 'Ideal' Clients.....	29
Professional Associations	34
Financial Services Industry Relationships	35
PART 4 WAY FORWARD	37
Professional Development Course.....	37
Course Registration	38



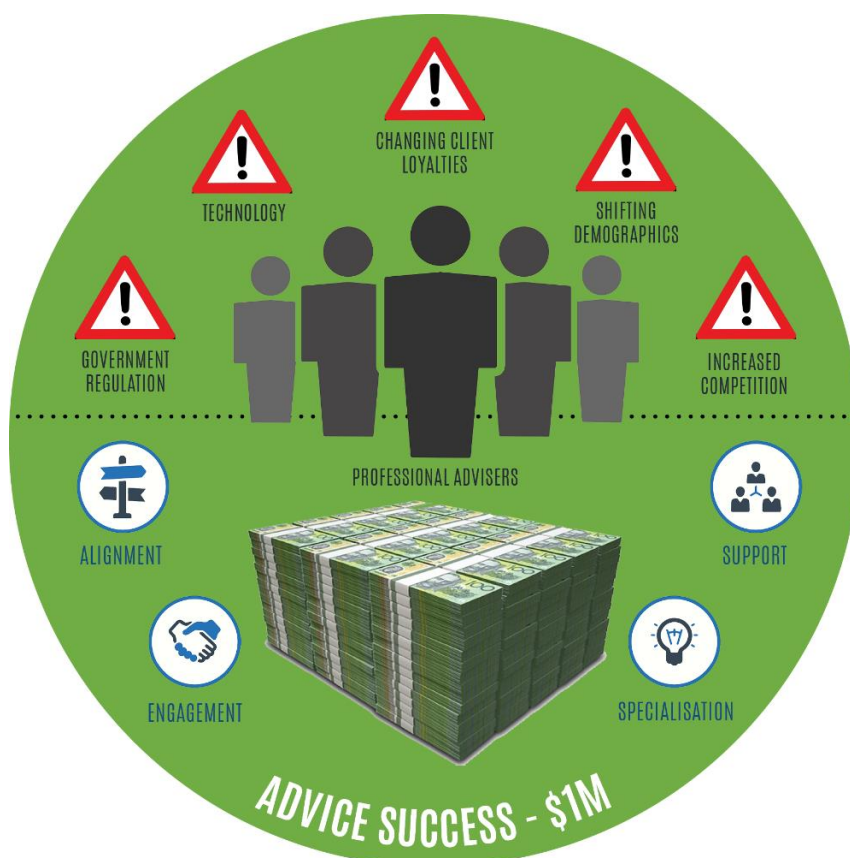
EXECUTIVE SUMMARY

WHAT ARE THE BIG ISSUES FACING ACCOUNTANTS?

PART 1 of the 2015 Accountants Research Report discusses the top five strategic threats facing the accounting profession:

1. Government Regulation
2. Technology
3. Changing Client Loyalties
4. Shifting Demographics
5. Increased Competition

PART 2 highlights the key concerns and advisory needs of accountants, trends in needs and accounting industry benchmarks. **PART 3** sets out strategies and solutions accountants can implement to deal with these strategic threats and highlights the real life experiences of accountants who are embracing advice services to generate **\$1million** in recurring advice service fee revenue for every **300** SME clients.



SO, IN 2015 WHAT'S KEEPING ACCOUNTANTS AWAKE AT NIGHT?

#1 DECLINING FEE GROWTH RATES AND PROFIT MARGINS

HOLD THEIR POSITION AS THE HIGHEST BUSINESS CONCERN FOR ACCOUNTANTS

What's changed, from Bstar's 2014 Accountants Research Report?

The **impact** this concern is having on practice management and ownership succession.

Partners approaching succession and retirement **are now ready to take action** about the future performance and value of their practice.

There's a **39%** increase in concerns relating to practice succession, a **32%** increase in concerns about partner alignment and a **78%** increase in concerns relating to practice finance arrangements.

But 69% of accountants DON'T have a formal succession plan in place.

Succession has moved from a strategic concern, to a high '**need to act**' operational concern.

Having a formal practice succession plan and up-to-date succession agreements and insurances are demonstrable benefits accountants receive from external support.

62% of accountants don't have a trusted practice adviser.

#2

Capacity and time constraints are the number two business concern for accountants, increasing by **48%** from 2014.

- ▶ **40%** of accountants believe they are utilising technology effectively to improve practice efficiency. Technology and outsourcing are

nominated as the two most likely strategies to improve practice productivity and create capacity for advice services.

#3

With its position unchanged from 2014, **transitioning from a compliance to an advice service business model** rounds out the top three business concerns.

- ▶ **94%** of accountants surveyed, rated growth planning important to their practice - NOW.
- ▶ **40%** is the target benchmark advice services fee mix nominated by the majority of accountants, with a 3 - 5 year timeline to achieve this result.

What would be the improvement in the profitability and value of an accounting practice if, 40% of total productive partner and key staff hours were billed out at the minimum average gross advice service fee rate of \$645 per hour?

Progress in advice services varies - **58%** of accountants believe they are 'ok', while **33%** stated they are 'not so good' in offering advice services to their clients.

SOLUTIONS

Accountants can substantially grow and improve the value of their practice if they plan and resource the implementation of advice services. How? By leveraging them in the same way as traditional accounting and compliance services.

The 2015 Report outlines solutions to address these top concerns:

- ▶ **Practice Advice Essentials,**
- ▶ **Leveraged Advice Services,**
- ▶ **Attracting 'Ideal' Clients, and**
- ▶ **Support from a trusted Team of Experts, Professional Associations, Governments and aligned Financial Services Industry Relationships.**

There are key differences between advice services and leveraged advice services.

The 2015 Accountants Research Report provides detailed commentary on how successful accounting practices are building **leveraged** advice services by **separating** 'strategic' and 'operational' advisory and support services.

Leveraged Advice Services are one of three solutions for accountants to combat declining fee growth rates and profit margins. Successful advice and support services leverage all their practice resources.

- ▶ **52%** of accountants believe their client service offering is better than their competitors.

Practices are embracing industry specialisation as a key strategy to retain and grow high value clients.

This allows targeting of advice work in growth industry sectors such as health professionals, education, infrastructure, transport/logistics, retirement, aged care and 'not for profit' community organisations.

So, what are the new fee and service trends in accounting practices?

75% of accountants surveyed believe their client's services plan would benefit from a Board of Advice service offering to clients, up 18%.

Every accountant is concerned about the commoditisation of compliance services, and the downward pressure on fees. One trend is that practices are deliberately keeping quotes for compliance fees low, to retain clients and attract new, cost-conscious clients.

An innovative fee structure approach started by one practice in 2014 was a strong push to convert existing and new clients to **monthly retainer packages** of both compliance and advice services.

By providing a 'menu' of different packaged options, clients are able to select the appropriate service levels, packaged together for a regular monthly retainer fee.

The compliance component of the retainer is deliberately low or static, and better than on a fee for service basis.

Future growth is in advice services. Successful advice services are based on four types of trust.

Four types of trust are required to build a successful advice services practice.

Internal Product Trust is rated by the majority of accountants as the hardest trust factor to achieve, particularly when there are large 'generational age gaps' between partners and key staff. This trust is achieved when all partners and staff are actively supporting practice services.

Most practices don't understand who their existing clients are, who their 'ideal' client is or what their clients are looking for.

- ▶ Over **90%** of accountants don't regularly survey their clients to enhance their service offering and build personal relationship trust.

Conducting regular client surveys is a cost effective and proven strategy to improve client satisfaction and increase the spread of services to existing clients.

Successful practices have implemented a two-step *Needs Review* process that has seen client engagement rates successfully increase from **1 in 10** to **7 in 10**. Bridging the 'awareness to action' gap is the key to securing engagement and transitioning client relationships to the practice's trusted team of experts.

Before a client will engage accountants to provide advice services, their client must trust them and their practice.



Why are the future leaders of accounting practices best suited to manage the implementation of advice services? The 2015 Accountants Research Report presents five compelling reasons why the greatest benefits flow when future leaders (rather than the managing partner or partner with the largest client fee base) lead advice services.

Accountants can create 'leverage' in their practice if they are prepared to develop the advice services skills of their people and trust the team to deliver the service components.

91% of accountants have up-to-date employment contracts and agreements in place with their staff, but only **31%** have formal strategies in place to improve staff attraction, retention and motivation.

Accounting practices want to attract new high-value business clients; it is the fourth highest business concern (unchanged from 2014). Despite this, over **61%** of accounting practices don't have a formal social media strategy to attract new clients.

Using social media marketing tools is another proven, cost effective strategy to attract new clients.

Three social media key success factors will result in 5 new client meeting requests for every 20 'get connected' messages.

The majority of accountants believe standardised business reporting and 'digital disruption' are the greatest strategic threats facing the accounting profession.

Industry specific data entry policies, charts of accounts and benchmarking information is how accountants will protect their position as the custodian of SME financial information.

All professional accountant associations are aware of the need to support their members in public practice with transitioning to an advisory business model. The topic has been discussed over the last decade, but strategic threats to the industry have provided an **urgency factor**.

Chartered Accountants Australia and New Zealand have demonstrated leadership in this area with the development and launch in Australia and New Zealand of a **purpose built, four unit, web-based professional development course** (*Practice Advice Essentials*) to address this need, in partnership with Bstar Training.

The Practice Advice Essentials Professional Development Course will redefine how accountants do business and completely change their revenue base.

In Australia, the removal of the AFSL ‘accountant’s exemption’ for advising their clients on SMSF is creating uncertainty on how these services will be provided to their clients from July 2016.

A major source of frustration for accountants when approached by financial planners, is their lack of understanding of the accounting industry. To build trust and establish relationships, financial planners need to better understand accountants’ needs.

Responding to this issue, **leading wealth management companies and dealer groups** are taking action by investing in the skills development of aligned financial planners.

This education and skills development initiative (*Accountants Centres of Influence (COI) Workshop*) has received accreditation from the Financial Planning Association and the Association of Financial Advisers.

Governments are becoming more active in their support for SMEs, urging them to seek good advice on how to grow and improve their business. In Australia, the Federal Minister for Small Business is encouraging accountants to embrace SME advice services and to continually invest in skills development.

Government accreditation programs which recognise accountants who have invested in advice services skills development (e.g. *Value Improvement Business Adviser*) are a clear route for government and accredited accountants to work together to support SME development, improvement and growth.

Accreditation would promote the development of respected specialist business advisers across the accounting industry.

This could support a streamlined business improvement grant approval process – a win-win for SMEs, advice providers and government.

Professional Associations are well positioned to work with government in this new and exciting area.

Accountants would welcome new opportunities to replace disappearing compliance work.

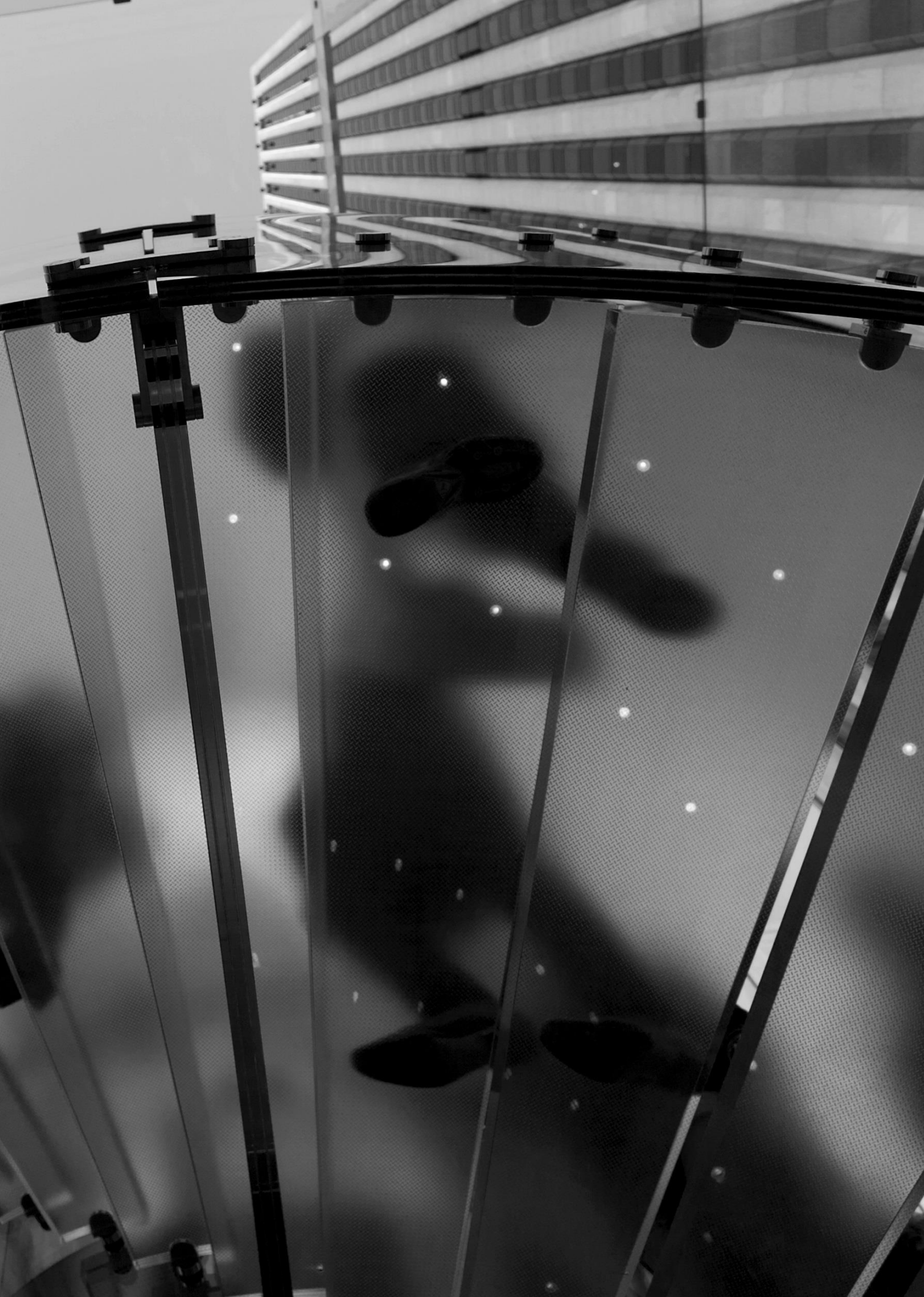
Bstar Methodology

Bstar has a relationship with **more than 150** accounting and financial planning practices. A Bstar Alliance Partner is typically a 3–10 partner accounting and/or financial planning business that has been trained and accredited in Bstar’s Value Improvement Benchmarking Advice (‘viba’) advisory process.

The content in the 2015 Accountants Research Report is taken from [face to face](#) strategic discussions conducted by Bstar with over 175 accounting and financial planning practices. The 2015 Report updates and expands on the 2014 Report, and includes material from reinterviewing previous Alliance Partner participants and conducting new interviews in 2014. The primary tool utilised to collect the information in this Report was the Bstar *Accounting Industry Growth and Succession Planning Assessment (AI GASPA)*.

Bstar has used the real life experiences of accounting practices who have (and haven’t) achieved advice success to tailor the suggested solutions for the concerns and issues identified.



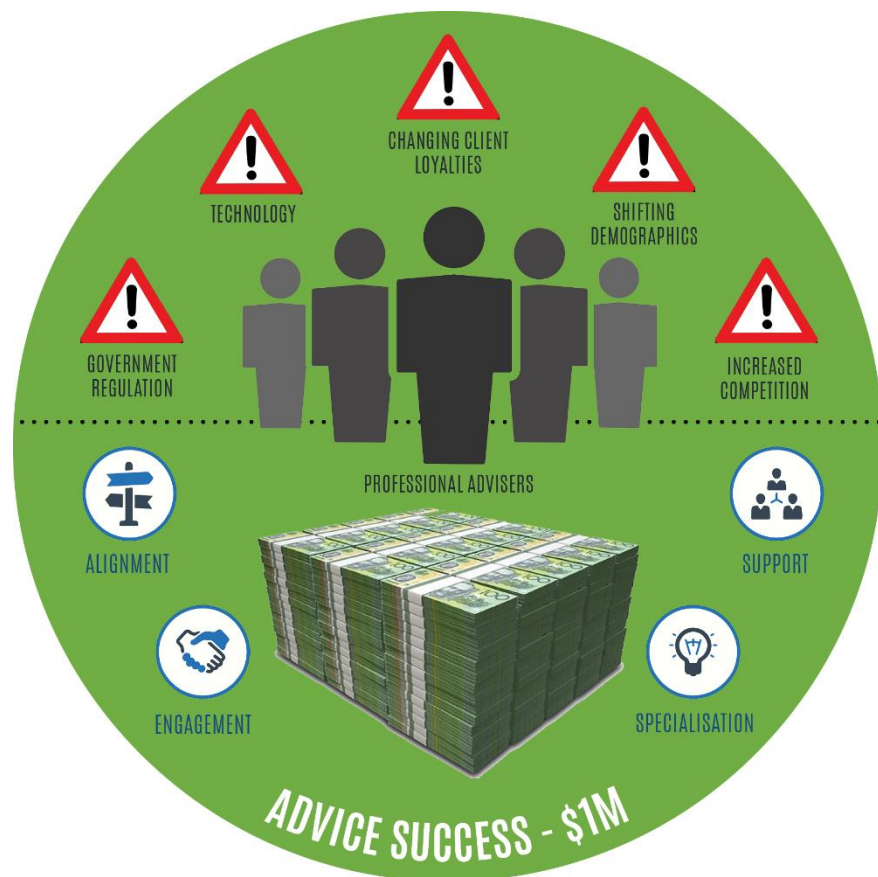


PART 1 | STRATEGIC THREATS

WHAT ARE THE BIG ISSUES FACING ACCOUNTANTS?

The top five strategic threats facing the accounting profession in 2015:

1. Government Regulation
2. Technology
3. Changing Client Loyalties
4. Shifting Demographics
5. Increased Competition



WHY ARE THESE THREATS THE 'WAKE' UP CALL FOR ACCOUNTANTS TO ACT NOW?

Government Regulation



THREAT

Less reliance on accountants as the primary communicator of tax and financial information.

The majority of accountants believe Standardised Business Reporting ('SBR') will have a medium term impact on their accounting fee growth rates and profit margins.

SBR challenges accountants' current position as the custodian of their clients' financial information.

Accountants are 'unsure' of the size of the impact/threat, but recognise that government commitments to improving efficiencies and cutting red tape means they will favour **MORE** direct contact with the 'tax paying' client. This is already being trialled in streamlined personal tax return lodgements.

Industry specific data entry policies, charts of accounts and benchmarking information is how accountants will protect their position as the custodian of SME financial information.

In Australia, the removal of the AFSL 'accountant's exemption' from July 2016 for advising clients on SMSF is already creating uncertainty on how these services will be provided to clients. Accountants are assessing the impact that the regulatory changes will have on the services they can offer, and how they will be delivered.

Accountants must consider their need for SMSF licensing, and decide their approach - whether to remain unlicensed or obtain their own licence, or become part of a licensed group.

With the SMSF sector expected to continue to grow dramatically, accountants need to have a clear plan for how they will continue to offer these services. Key factors to consider when planning their SMSF business decision are:

- ▶ SMSF services position - future practice direction;
- ▶ Client need;
- ▶ Resource/skills requirements (upfront/ongoing);
- ▶ Service fees and profit margins;
- ▶ Regulatory compliance;
- ▶ Internal product trust;
- ▶ Financial services partner's knowledge of accounting practices, reputation and experience (leading Financial Services Industry Relationships are listed in this Report).

An Alignment Workshop is a proven method to plan the SMSF model that best fits each practice.

SMSF advice success comes from a shared vision - include the whole team in the workshop; partners, key staff, the practice's financial services industry relationships and team of experts.

Business advisory advice services become strategically more attractive in this environment. They are outside the scope of the Corporations Act, and are profitable.

Technology



THREAT

Clients becoming more sophisticated in using GLS technology and diagnostic Apps to 'self-assess' their business performance.

Accountants agree that advances in technology are a key strategic threat. Accountants see technology as a major catalyst for change throughout the industry, particularly in compliance and tax.

Technology is leading clients to becoming more self-reliant and reducing their reliance on accountants. It is driving the ongoing decline in compliance work, and fees. Declining fee growth rates and profit margins remains the highest business concern for accountants.

Bstar's interviews showed that the impact of cloud based technologies is now a low business concern for accountants, reducing in concern by **4%** from 2014.

The major difference is that accountants are now reacting to the threat - **63%** of accountants surveyed have analysed the impact of cloud based technologies on their practice.

Comparison of Financial Data

	'SBR' Accounting \$,000	'Industry Benchmarks' Accounting \$,000
General Practitioner Owner Operator Medical Practice		
Gross Patient Fees	400	400
COGS		
Principal/Owner GP 'salaries'	0	240
Medical Supplies	0	10
Gross Profit	400	150
Other Costs		
Medical Supplies	10	0
Other	85	85
EBIT	305	65
Net Interest	10	10
Net Profit	295	55

As cloud technologies are becoming more common and better understood, accountants are adopting them.

Capacity and time constraints are the second highest business concern for accountants - they see improvements in technology as driving efficiencies in their practice, and helping to deliver advice services to clients.

Are cloud based accounting technologies a risk or an opportunity?

They are both.

Listed below are some comments provided by accountants when asked about the risks and opportunities presented by cloud based technologies.

Risks

'Technologies will drive lower fee growth rates'

'Clients will become more sophisticated in their knowledge of financial information'

'This will reduce the need for accountants to provide financial analysis solutions'

'Suppliers are using client information to build business relationship trust directly with my client'

'Cloud technology will change client behaviour, especially younger clients'

Opportunities

'Create extra capacity'

'Improve efficiencies in our practice'

'We are aiming to replace reduced fees with more advice services work'

'Digital client base, less centric on practice location'

Changing Client Loyalties



THREAT

Increased client awareness of the use of technology and outsourcing means clients now expect lower compliance fees.

The majority of accountants agree client relationships can no longer be taken for granted.

Accountants are worried by increasingly cost conscious clients. Clients expect lower fees, driven by technological efficiencies, particularly for compliance work.

Practices are deliberately keeping quotes for compliance fees low, to retain clients and attract new, cost-conscious clients.

Despite these strategic concerns, accountants **believe they are well placed** with existing clients:

- ▶ **81%** believe they have sufficient relationship and product trust with their SME clients to grow their advice services;
- ▶ **82%** believe their clients would consider them to be the most trusted adviser, up **3%** from 2014.

However, accountants need to take care that they are not being complacent about their existing clients. Over **90%** of accountants **don't regularly survey** their clients to enhance their service offering and build personal relationship trust.

Leading accounting practices are taking advantage of weakening client loyalty through the '2 Adviser' model.

By developing and promoting specialised services and industry knowledge these practices aim to 'cherry pick' high valued advice services work (with or without the compliance work) and attract new 'ideal' business clients.

Enhancing relationship trust is the key to retaining clients.

Accountants can protect and grow their existing client base by:

- ▶ Completing an annual **Needs Assessment** to enhance **personal** relationship trust.
- ▶ Quantifying the improvement in business value resulting from their advice services solutions to enhance **business** relationship trust.



Shifting Demographics



THREAT

A low degree of relationship and product trust with generational successors.

The ongoing shift in demographics is already changing the face of SMEs. Baby boomer business owners are increasingly planning their exit from full time work.

Due to the effect of the 'GFC' and continuing difficult business conditions, these owners are more reliant than ever on the sale of their business for their next stage - retirement or a new business venture. However, many feel that they cannot afford to retire or cannot sell their business. These baby boomers are looking for help to meet these challenges.

To protect their existing client fee base, accountants need to establish relationships with the new generation of owners or managers, often in a very short period.

Future leaders of accounting practices are the 'ideal' advisers to generational successors. Accounting practices can separate client relationship management between partners (current owners) and future leaders (generational successors) to protect and grow their client base.

Planning for sale, business valuations, succession planning and implementation, estate planning and sounding board or mentoring services will continue to grow in demand from clients with needs related to management and ownership succession.

Due diligence, business education and management workshops/courses and CFO analysis roles will be in high demand from future owners of SMEs.

75% of accountants surveyed believe their practices' client's services plan would benefit from a 'Board of Advice' service offering, up 18%.

Shifting demographics is not only a concern for accountants but their SME clients as well.

An oversupply of health professionals, particularly new graduates, is a key business concern for Dentists, Medical Specialists and other Allied Health Professionals.

OPPORTUNITY

Specialised solutions to address this 'industry burning question' by specialist accounting practices.

Increased Competition



THREAT

Dealer Groups are now granting approval to their aligned financial planners to offer SMEs business advisory advice services.

SMEs are looking for advice services and baby boomers are looking for assistance to transition to retirement. The market for these services is in transition - it is rapidly becoming bigger and more sophisticated, and a variety of professionals are anxious to provide these services.

Accountants have traditionally been in one of the strongest positions to provide this assistance - based on their client relationship. However, increased competition is changing this.

Accountants understand that if they do not grasp the opportunity now, other advice providers will fill the gap.

Accountants continue to be keenly aware of competition both from other accountants and other professional services businesses. Transitioning from a compliance to an advice service business model is the third top business concern for accountants (unchanged from 2014).

Specialist consultants and business coaches have traditionally been accountants' primary competitors for SME advice services. In recent years, accountants have told us that they regard business coaches as their greatest concern, both as individual mentors to business owners or in coaching clubs or groups.

This is changing. Instead, a 3-10 partner accounting practice is currently most likely to be in active competition for advice services with specialist and tier 2/3 accounting practices or 'full service' financial planners.

Business coaches appear to be less in demand from SMEs, for reasons which are not entirely clear.

An emerging threat to accountants (and their position as their clients 'most trusted' adviser) are 'full service' financial planners. Generally, these planners present themselves as professional advisers, offering advice on a 360° degree view of the client and their position, not restricted to investment products or super fund selection.

Experienced in fact-finding meetings, these financial planners can quickly build strong and deep relationships with clients.

The full service planner provides advice on all aspects of wealth management and protection (e.g. insurance, superannuation, investments, estate planning, tax planning and other financial advice), initially for the individual. Increasingly, the planner becomes the first port of call for the individual's SME.

These 'full service' financial planners see advice services as a service that complements and enhances their core business - a natural extension for their role as the client's trusted adviser.

These financial planners are already accustomed to operating in a regulated environment, and see these services as a way of increasing leverage with their existing skilled support staff.

It is also an innovative client acquisition strategy and a source of new business revenue.

'Full service' financial planners have:

- ▶ The resources and skills to aggressively market the combined service offering direct to SMEs;
- ▶ The time and capacity to invest in building an advice services business;
- ▶ Good business development and engagement skillsets;
- ▶ Identified industry specialisation advice services as a growth opportunity to expand the number of existing clients they have in their targeted industry sector.

A collaborative approach

By establishing a trusted team of experts, accountants can offer their clients integrated advice whilst maintaining their position as the focal point for their client's needs.

Clients get the best result by using the combined skillsets of accountants, financial planners and lawyers who work together effectively.





PART 2 | ACCOUNTANT CONCERNS AND NEEDS

How Do Accountants See Themselves?

- ▶ **63%** of accountants have a high understanding of growth planning for their practice;
- ▶ **55%** of accountants surveyed believe they are in the top 20% when it comes to the impact of client retention rates on their practice value;
- ▶ **73%** of partners are motivated to grow their practice;
- ▶ **52%** of accountants believe their client service offering is better than their competitors;
- ▶ But **38%** believe profitability per partner/principal is having a negative impact on their practice value.

“He who knows others is wise, he who knows himself is enlightened”
Lao Tzu

Accountant’s view of their own abilities in advice services is startling – 91% lack confidence in their ability to deliver advice services (33% grading themselves ‘not so good’ while 58% believe they are ‘ok’).

Business Concerns

Bstar’s *Accounting Industry Growth and Succession Planning Assessment (AI GASPA)* was the primary tool used in Bstar’s face-to-face interviews with accountants.

It contains a comprehensive list of key business concerns. Accountants were asked to rank both their **concerns** and their **need to act**.

The table on the next page provides a summary of the business concerns, ranked in order of highest to lowest concern.

What are accountants most concerned about?*

1. Declining fee growth rates and profit returns;
2. Capacity and time constraints;
3. Services fee mix - compliance to advisory.

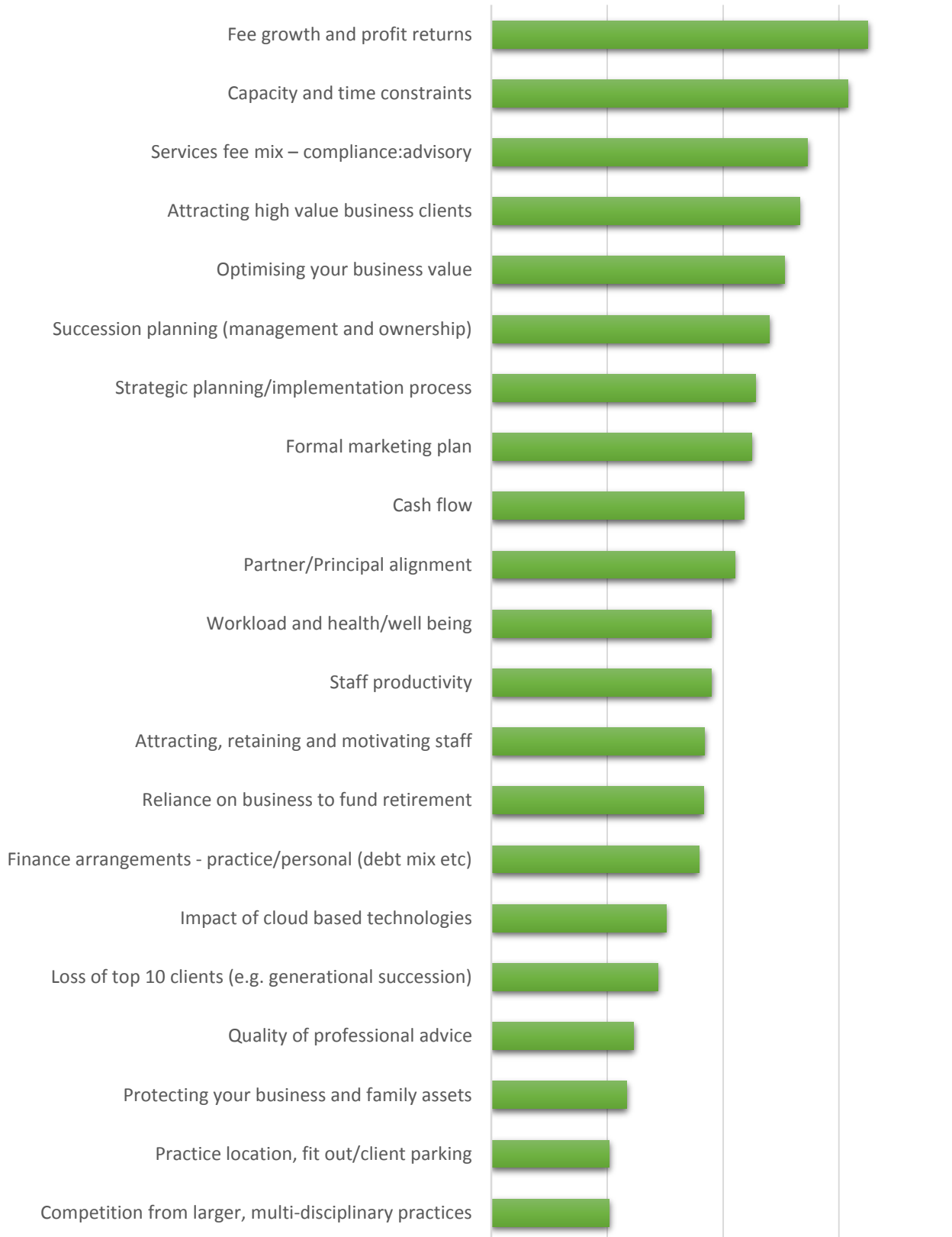
*Top three concerns.

What are accountants least concerned about?*

1. Competition from larger, multi-disciplinary practices;
2. Practice location, fit out/client parking;
3. Protecting family and business assets.

*Lowest three concerns.

Business Concerns*



*The size of the bar signifies the relative importance.

What are the trends in accountant's business concerns?

There is a general view that practices must adapt to the changing environment, and an acceptance that the more challenging business conditions will continue.

This may be a cause of the increase of **32%** in business concerns about partner/principal alignment.

The following trend graph highlights the movement in business concerns since the last reporting period.

What was the highest increase in business concerns?

1. Finance arrangements – practice/personal (debt mix etc) – in 2014 this was 2nd lowest business concern;
2. Capacity and time constraints – moving from 4th to 2nd highest business concern;
3. Succession planning (management and ownership) moving from 11th to 6th highest business concern.

What was the lowest increase in business concerns?

1. Loss of top 10 clients;
2. Staff productivity;
3. Impact of cloud based technologies.

Business Concerns Variance



Growth and Succession Planning

Accountants have a medium to high degree of understanding in relation to practice growth and succession planning. As **78%** of accountants surveyed are in the ‘growing to going’ phase of their practice lifecycle, it is not surprising that this area remains important.

- ▶ **94%** of accountants surveyed, rated growth planning important to their practice – NOW, up **18%**.
- ▶ **55%** of accountants have a detailed growth plan.

The most common nominated growth plan was ‘to adopt technology and/or outsourcing to create efficiencies and diversify revenues with more coaching/advisory work’. The typical plan is a gradual transition to advice services.

Accountants nominated 40% as the appropriate benchmark advice services fee mix.

They expect to achieve this result within 3-5 years.

Partners approaching succession and retirement **are now ready to take action** about the future performance and value of their practice. **44%** of accountants considered succession planning important to their business ‘Now’ to **1 year**.

Succession is now a high ‘need to act’ operational concern. Despite this, **69%** of accountants **DON’T** have a formal succession plan in place.

The sale to internal management successors continues to be a popular succession strategy. But there are risks – see Business Risks section of Key Success Factors for more details.

Succession planning is also driving greater concern about the future performance and value of practices, apparent in the ‘optimising your business value’ concern as well as the high concern over ‘fee growth and profit returns’.

TREND

Full service financial planners are emerging as a likely purchaser of interests in accounting practices.

An increasing trend is that strategic investors (such as corporates and financial planners) are only purchasing a partial interest in practices.

They see their strategic interests are best promoted when they work collaboratively with motivated accountants with ‘skin in the game’.

Business Value Gap

Reliance on the sale of the practice to fund retirement is a medium to high business concern for accountants.

65% of accountants interviewed believe the proceeds from the sale of their practice/practice interest **WILL NOT** be sufficient to fund their next business venture or desired retirement lifestyle.

Many baby boomer accountants don’t believe they can afford to retire. Better health and increased longevity mean baby boomers can expect to live well into their eighties. The financial impact of the GFC, low investment returns and generally lower retirement savings, coupled with increasing costs of living have impacted their plans.

Governments continue to push to increase workforce participation rates and increase the retirement age - the 2014 Budget announced major changes to the old age pension, including an eventual eligibility age of 70 years.

Rather than early retirement, many accountants are now considering other options, including working longer and post-practice consulting.



Practice Valuation

Valuation methodologies vary depending on the size of the accounting business.

Smaller sized practices (< \$500k in annual fees) are valued on a multiple of fees and are considered easy to sell. Client fee multiples paid vary, depending on the quality of the client base.

Small to Medium Practices (from \$0.5m - \$10m in annual fees) are valued on a multiple of sustainable profits.

ISSUE

Compliance fees growth rates and profit margins are declining.
Is a 3 year historical weighted average profit figure the correct method to determine the value of an accounting Small to Medium practice?

For partners and principals approaching retirement, the risk that their practice value will decline might be the catalyst to bring forward their succession plans.

Purchasers of accounting practices need to ensure the profit figure used in the practice business valuation is a true reflection of the practice's future sustainable earnings.

Independent and objective advice, and full due diligence is recommended.

Before making investment decisions, assess the potential for future value improvement in the practice, by including 'what if' calculations.

Buy on the upside potential, not historical performance.

There are over 300 validated accounting practice valuations in Bstar's Knowledge Bank **as at 31 December 2014**. This number continues to grow.

As part of their 'viba' accreditation, Bstar Alliance Partners are required to value their practice using the patented *Business Capitalisation Rate Calculator* which features the accounting industry risk and value driver assessment (AI RAVDA).

The standard approach ensures consistency of data between practices and periods.

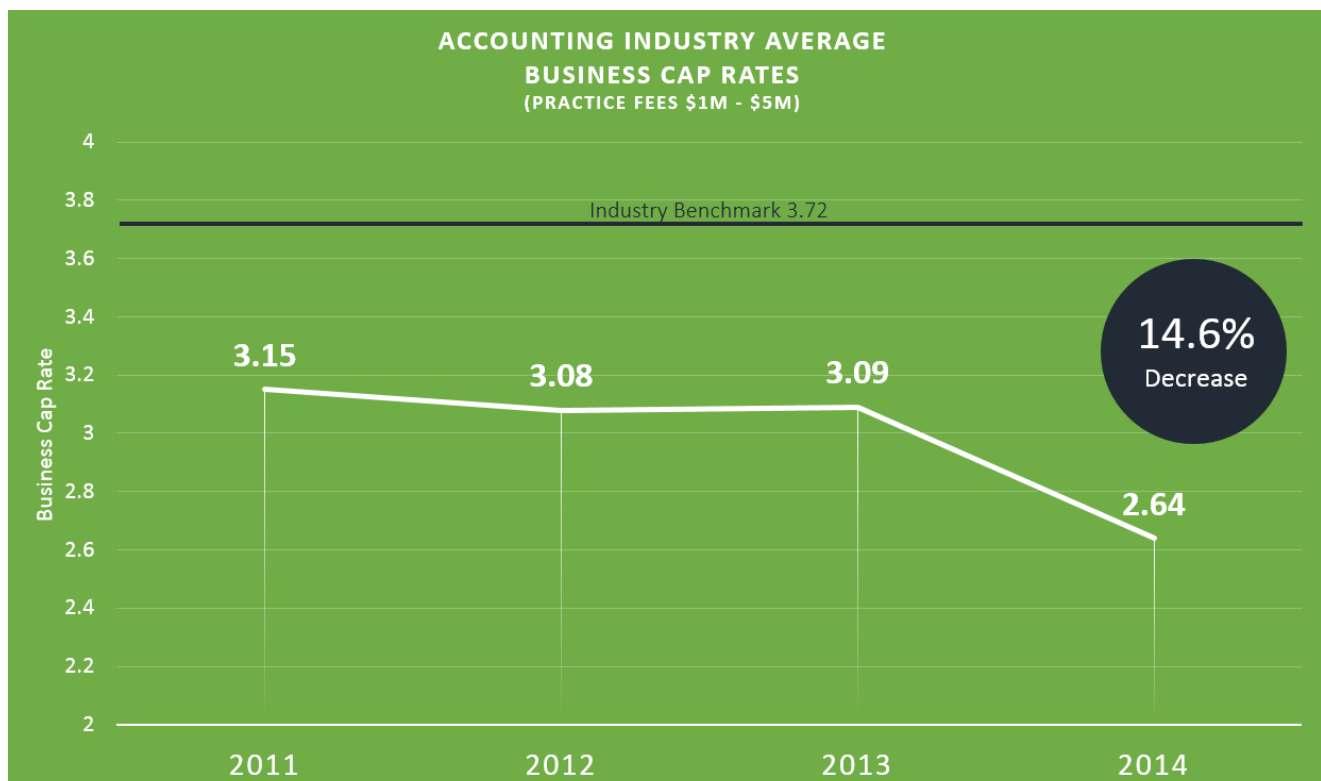
Real, operating practices are valued by the practice's partnership team. All completed valuations are validated prior to entering the Knowledge Bank.

Bstar's Knowledge Bank accounting industry valuation benchmarks and trends in benchmarks show the decline in practice values. Over the last 12 months the average business cap rate of accounting practices (with fees ranging from \$1M - \$5M) declined by **14.6%**. This was the biggest decline in the last 4 years. Has it peaked or will the trend continue to accelerate?

The numbers don't lie

The graph below provides the evidence on why **accountants have reason to worry** about their practice's value, and how much it will be worth when they wish to move on.

- ▶ Only **13%** of accountants believe they're in the top 20%, in terms of their practice valuation business cap rate.



Key Success Factors

The Key Success Factors (KSF) section of *Bstar's Accounting Industry Growth and Succession Planning Assessment* lists nearly 50 questions on topics ranging from surviving/thriving to estate planning.

Below is a summary of the Key Success Factors questions, responses and comments made by accountants when asked for further explanation.

Surviving or thriving?

- ▶ **62%** of accounting practices don't have a trusted practice adviser.

To achieve advice success, accountants need to be open to receiving independent, objective advice.

ISSUE

Attempts to grow business advice services within a practice often fail.

External advice and support improve implementation rates.

Appointment of a trusted practice adviser must always be aligned to the practices' future growth and succession planning objectives. Remuneration packages work best when they are weighted towards success - performance based results. This can include a retainer/base fee, bonuses based on milestone achievements or a share of above-budget profits.

When appointing their trusted practice adviser, accountants need to agree to value and then revalue their practice each year so the trusted practice adviser can demonstrate the value they add with advice and support - and build and enhance their business relationship trust with all partners and key staff.

Clients

Client segmentation helps accountants understand who their existing clients are, and who their clients should be. Client segmentation starts with knowing more about existing clients. It also provides the framework to identify their specific 'ideal' client. By setting quantitative and qualitative criteria for their 'ideal' client, accountants can allocate their time and resources effectively.

- ▶ **45%** of accountants surveyed have not segmented their client base.

SME clients who have business growth, improvement and succession needs are 'ideal' clients for advice services.

Engagement rates are much higher with 'ideal' clients, who need and want these services.

How many existing practice clients of an accountant, meet their 'ideal' client profile?

A practice's client services plan can include identifying what **future services** will be in demand from clients (existing and new) and the resources required to deliver them.

Leading practices are taking a pro-active approach to planning client services. By identifying the future services that will be in demand from clients (existing and new), the practice can plan for the resources and skills required to deliver the new services.

Clients want (and are prepared to pay for) implementation, advice and support. Board of Advice services match this need.

Business management and personal development

- ▶ **97%** of accountants assessed are continually investing in their own professional development;
- ▶ **64%** have formal PD programs in place for their staff.

Accountants can create 'leverage' in their practice by developing advice services skills of their entire team.

Trust the team to deliver the service components.

Board of Advice services success stories

NEED: A young IT entrepreneur client had a rapidly growing business but was not thinking clearly before making decisions about business growth.

SOLUTION: A board of advice was suggested, as a risk minimisation strategy. The BOA process provides discipline and formal structure for business decision making and reduces business risks.

NEED: The key person of a well-established business needed to adopt a more balanced lifestyle. The business needed to reduce the key person risk.

SOLUTION: The solution was a management succession plan including the appointment of professional general manager, supported by monthly board of advice meetings in year 1 and then quarterly in year 2 and beyond.

Business risk

- ▶ Practice cash flow has increased as a business concern by **22%**.

Fee funding support offered to all clients helps tighten management of WIP/Debtors Days.

Over the last 12 months practice values have been declining. This, together with the current tough business conditions have increased the internal pressures on accounting practices.

RISK
Partners and future leaders of accounting practices may break away to establish new practices.

Without alignment between partners and key staff and a clear succession path, the next generation of practice leaders may decide to act directly and leave - establishing their own practice or joining another.

There are two distinct sides to addressing this risk:

- ▶ *Risk management* - by updating practice partnership and staff agreements, particularly restraint of trade clauses and client protection.
- ▶ *Risk reduction* - retaining key staff - ensuring the practice has upside potential, increasing communication and engagement with key staff and future leaders.

Best practice

- ▶ **41%** of accountants believe they are utilising technology effectively to improve practice efficiency;
- ▶ **19%** are taking advantage of 'outsourcing' solutions.

Technology and outsourcing are nominated as the two most likely strategies to improve practice productivity and create capacity for advice services.

Staff

- ▶ **91%** of accountants have up-to-date employment contracts and agreements in place with their staff;
- ▶ **69%** of accountants DON'T have formal strategies in place to improve staff attraction, retention and motivation (an increase of **17%**).

Attracting, retaining and motivating staff is a low to medium business concern of accountants.

Committed and skilled staff are an integral part of a successful advice services business.

OPPORTUNITY

By having operational advisory and support services provided by key staff, practices can increase leverage, ensuring partners remain focussed on the high value tasks, while developing and engaging staff.

Accountants can improve staff attraction, retention and motivation by understanding key staff motivators and de-motivators, and by encouraging partners and managers to recognise and appropriately reward staff.

- ▶ **34%** of accountants believe a lack of communication is a key de-motivator for staff (decreasing from **41%** in 2014).

Better communication, formal induction programs, relevant job descriptions and structured reward schemes were nominated as the best ways to improve staff retention and motivation.

Accountants can improve staff engagement by involving their staff – start with a survey of where the practice is now, where staff feel positive and identify the areas that require attention.

- ▶ Only **38%** of accountants surveyed offer their staff performance based rewards;
- ▶ **82%** of accountants believe their wages and salary costs as a percentage of gross fees can be improved.

One way of improving staff engagement is to introduce performance rewards that create incentives for the right behaviour.

Advice Services Staff Rewards Program

Staff Bonus Entitlement: \$24,000 per year

Associate/Manager	Bonus weightings	KPIs	Result	Bonus Score
Quantitative KPI's				
Gross Advice Services Fees (GASF)	40%	\$20,000/month	\$15,500	31%
Write-offs as a percentage (%) of GASF	5%	<5%	8.5%	2%
New Advice Services clients	20%	2/month	2	20%
Completed client <i>Needs Review</i>	5%	2/month	1	3%
Qualitative KPI's				
		Staff Score 1-5	Practice Score 1-5	
Internal product trust (partners and staff)	5%	3	2	2 (2%)
External product trust (clients)	10%	4	4	4 (4%)
Board of Advice skills development	15%	4	3	3 (9%)
Total	100%			71%
Bonus Pool Range				70%-85%
Bonus Pool Entitlement				75%
Bonus Payment (\$24K/12)*75%				\$1,500

Lifestyle

The majority of accountants are happy, healthy and enjoy their work.

- ▶ **88%** spend time doing the things they enjoy;
- ▶ but work commitments and pressures have seen a decline of **13%** in accountants paying attention to their overall diet and health (**79%**, decreasing from **92%** in 2014).

Succession planning

- ▶ Only **26%** of accountants believe their practice is ready for sale, a decrease of **15%**;
- ▶ **45%** don't have personal wealth management strategy;
- ▶ **24%** don't have adequate key person insurance;
- ▶ **64%** of accountants believe their practice can operate without them.

Estate planning

- ▶ **55%** of accountants don't have an estate plan, up **17%**;
- ▶ **26%** don't have an up-to-date Will, up **10%**;
- ▶ **36%** have outdated succession agreements and buy/sell insurance.

Extract from an accountant succession plan

Management Succession Objectives

- ▶ Reduce compliance activities to support the growth in advice services.
- ▶ Handover most client relationships to the senior management team within three years.
- ▶ Improve business management/leadership skills of partners and managers.
- ▶ Increase business development activities, networking etc.
- ▶ Enhance own professional development skills in relation to Board of Advice services.

Ownership Succession Objectives

- ▶ Be in a position to be able to retire financially secure within 3 years.
- ▶ Current value of partnership interest is well below ownership succession plan 'sales price expectations'.
- ▶ Required sale price of practice interest is \$700,000.
- ▶ To maximise value at exit, need to improve key practice profit, cash flow and value drivers prior to selling interest:
 - Gross Fees > \$4M
 - Profitability > 22.5%
 - FCFF < 1.25
 - Bus Cap Rate > 3.75
- ▶ Preferred succession option is to sell interest to other partners/future leaders.
- ▶ Not interested in providing vendor finance.
- ▶ Would like to sit on practice board of advice and offer clients' similar role.
- ▶ Announce retirement plan two years in advance so practice has sufficient time to plan exit.

STRATEGIES AND SOLUTIONS

Practice Advice Essentials

Leveraged Advice Services

Attracting 'Ideal' Clients

Professional Associations

Financial Services Industry Relationships

'We wanted our Report to stand out, not only in the way we collate our research information, but provide accountants with practical, proven solutions to combat these strategic threats and key needs.

It's what accountants want.

Like their clients, they want solutions not a continual reminder of the issue'.



PART 3 | ACCOUNTANT SOLUTIONS

Practice Advice Essentials

There is a practical framework to transition to an advice services business model. By adopting four *Practice Advice Essentials* (PAE), accountants can redefine how they do business and completely change their revenue base.

The four Practice Advice Essentials are *Alignment*, *Engagement*, *Specialisation* and *Support*.



Alignment

Align partners and key staff to share and proactively manage a vision for a successful advice services practice.



Engagement

Create and implement powerful client engagement trust models.



Specialisation

Develop a service and/or industry/niche market specialisation.



Support

Support for accountants and their clients in order to succeed.

How can using these four Practice Advice Essentials grow accounting practices?

Leading accounting practices are using these *Essentials* to increase their advice service fee mix to the benchmark level of **40%**, with a minimum average hourly charge out rate of **\$645/hr**.

Accountants can generate \$1million in recurring advice services fee revenue for every 300 SME clients - this was described in detail in the 2014 Accountants Research Report.

The four *Practice Advice Essentials* are relevant to:

- ▶ Any professional adviser who wants to grow services where advice is provided - irrespective of the type of advice; and
- ▶ Future practice leaders wanting to grow their fee and client base.

Why are the Practice Advice Essentials critical to advice success?

- ▶ Each *Essential* supports the growth of advice services fees and profit returns for accounting practices.
- ▶ Each *Essential* addresses and resolves **barriers** for accountants, who want provide advice to clients.

	Barriers to Success	PAE Benefits/Outcomes
Alignment	Low understanding/support for advice services within the practice.	Improved internal product trust.
Engagement	Client fee resistance and a lack of marketing skills.	Increased client engagement rates.
Specialisation	Limited number of 'ideal' clients for advice services.	Retain and attract high value clients.
Support	High failure to implement rates.	Practice and client support.

Alignment

Having a formal, documented plan that positions the practice for advice success will unify the practice. The plan identifies and prioritises areas to focus on to grow advice services.

Advice success is most likely to occur when the needs and aspirations of all partners and key staff are aligned and a shared vision for the dedicated advice service business is being proactively managed.

- ▶ **42%** of accountants surveyed believe they need to make major changes to their practice to secure their future growth.

The shared vision is most effective when it is documented in an advice services growth plan for the practice.

The plan should include all practice resources - partners, key staff and the team of experts, both internal and external.

The growth plan can include strategies to **leverage** these resources, through scalable services. To ensure input from all key staff not just partners, the preparation of the plan is best facilitated by an external adviser.

Who is best suited to manage the growth plan and implementation of advice services?

Once agreed, decisions need to be made as to how best to implement the plan. It is key to allocate responsibility for overseeing the implementation of advice services and other growth plan goals.

Traditionally this leadership role has been assumed by the managing partner, or the partner with the biggest client base. Is this the best allocation of the practice's resources?

Should future leaders be allocated this responsibility with mentoring support from senior partners and the practice's trusted adviser?

There are high failure rates for the implementation of advice services. Success rates increase when advice services initiatives are given to future

leaders, instead of increasing the responsibilities of existing partners.

There are five key reasons why future leaders are more successful with implementing advice services.

Future leaders are:

- ▶ **More proactive and open to new ideas to grow the practice;**
- ▶ **More likely to embrace the skills development programs required to co-ordinate advice services;**
- ▶ **Motivated by growing their client and fee base - they have a vested interest in the improved value;**
- ▶ **Attracted to leadership responsibilities and are willing to invest in practices that offer advice services;**

AND using advice services to transition client relationships to future leaders will reduce practice succession risks!

Practices need future leaders to grow. Where they cannot be identified internally, practices need to recruit externally. As a result, future leaders are in high demand, and retaining future leaders can be as challenging as recruiting them.

Be prepared! Future leaders' number one due diligence question is "What is the practice's percentage of advice services?"

Engagement

Greater internal/external product trust and deeper personal/business relationship trust results in a higher client engagement rates and more referrals from within and outside the practice for advice services.

To secure advice services engagements, accountants need to establish both relationship (business and personal) and product (internal and external) trust.

Before a client will engage accountants to provide advice services, the client must trust them and their practice.

Internal Product Trust

Internal Product Trust is rated by the majority of accountants as the hardest trust factor to achieve, particularly when there are large 'generational age gaps' between partners and key staff.

Accountants will know when internal product trust exists in their practice. It is when all partners and key staff are actively supporting their advice services (client referrals, completing *Needs Assessment* etc).

Successfully leveraging Advice Services requires a high degree of Internal Product Trust.

IMPORTANT	
Establishing and enhancing four types of trust will improve advice services fee growth rates	
Relationship Trust	Product Trust
<p>Personal</p> <p>Established and enhanced by understanding the personal, family and business needs and aspirations of all clients.</p>	<p>Internal</p> <p>Established and enhanced by all partners and key staff experiencing first-hand the benefits of the practices' advice services solutions.</p>
<p>Business</p> <p>Established and enhanced by quantifying how advice services improve the performance and value of a client business.</p>	<p>External</p> <p>Established and enhanced by clients recognising/ valuing an expertise in relation to a service, industry or niche market specialisation.</p>

Specialisation

Industry specialisation services and performance benchmarking builds the degree of trust required for potential 'ideal' clients to **change accountants**.

Service, industry and niche market specialisations are proven strategies to protect high value client relationships and attract new clients.

To determine if specialisation is an opportunity for their practice, accountants can assess the criteria for a specialisation and then implement a three step process to build a specialisation capability.



To determine if specialisation is a risk for their practice, accountants need to understand their client base.

By segmenting their existing client base, using high value fees criteria, they can assess the risk.

Are their high value clients in a sector that has increasing competitor activity or do they need services with specialised knowledge and expertise?

RISK

Leading accountants are using the '2 adviser model' when marketing their specialisation to centres of influence and via social media. This is a major risk for generalist practices.

Support

Support makes implementation more successful, and external scrutiny makes project leaders more accountable for implementation.

New advisory services which support clients, such as Boards of Advice, increase the success of implementation and improve the average fee and profit margin per client.

Accountants

- ▶ Only **35%** of accountants allocate a percentage of their time to strategic planning for their practice.

Leading accounting practices plan for implementation and how to support it. Methods include appointing a trusted practice adviser, expanding the role of the practice manager and increasing marketing resources (internal/external).

To achieve advice success, accountants need to be open to receiving their own independent, objective advice and support.

Accountants can self-assess areas of support they need and then nominate how their support requirements can be fulfilled.

Only 31% of accountants have a formal succession plan. Accountants know what they need to do – but to achieve it, they need external advice and support.

Clients

Research confirms that advisory support services, particularly to help with implementation, are the services clients are **most willing to pay for**.

Advisory support services can be tailored to a client's needs and its business size and structure.

Advisory support services can be segmented by business profile into two general types:

- ▶ **SMEs** - Board of Advice or CFO services that support the implementation of a business growth, improvement and succession plan; and

- ▶ **MEs** - strategic Board of Advice services that support owners and managers to transition to a 'corporate' business model.

Business valuations and revaluations, together with 'what if' calculations, prove the value of the Board of Advice service.

By illustrating the regular increase in the business value, accountants:

- ▶ Enhance business relationship trust;
- ▶ Quantify the Board of Advice's value to the business. This is essential in securing recurring engagements;
- ▶ Remove client fee resistance and move their practice towards a more progressive billing environment (based on value, rather than time spent);
- ▶ Provide clients with **peace of mind**, as they understand their business value is increasing - the advice and support will help them retire financially secure.

A business revaluation confirms both the **actual** and the **potential** improvement for a client's business.

After producing a business valuation at the start of a BOA engagement, accountants can identify the potential for further value improvement by completing a series of 'What if' calculations.

"What if" calculations motivate clients to engage accountants for advisory and support services.



Leveraged Advice Services

Introduction

Benchmark performing practices leverage all their resources - using the strengths of partners, professional and support staff.

Accountants have already begun leveraging by developing scalable processes for traditional compliance, tax and accounting services.

Accountants can leverage advice services by using the same approach.

Advice services will only generate satisfactory fee growth rates and profit returns when they are treated as a 'core service' offering.

Separation of 'strategic' and 'operational' advice services

The key to leveraged advice services is to identify the components of each stage of advisory and support services.

In particular, **always separate** 'strategic' and 'operational' advice components.

Once each component has been identified, match the service to a person – an internal or external expert – who has the skills/expertise to deliver the service.

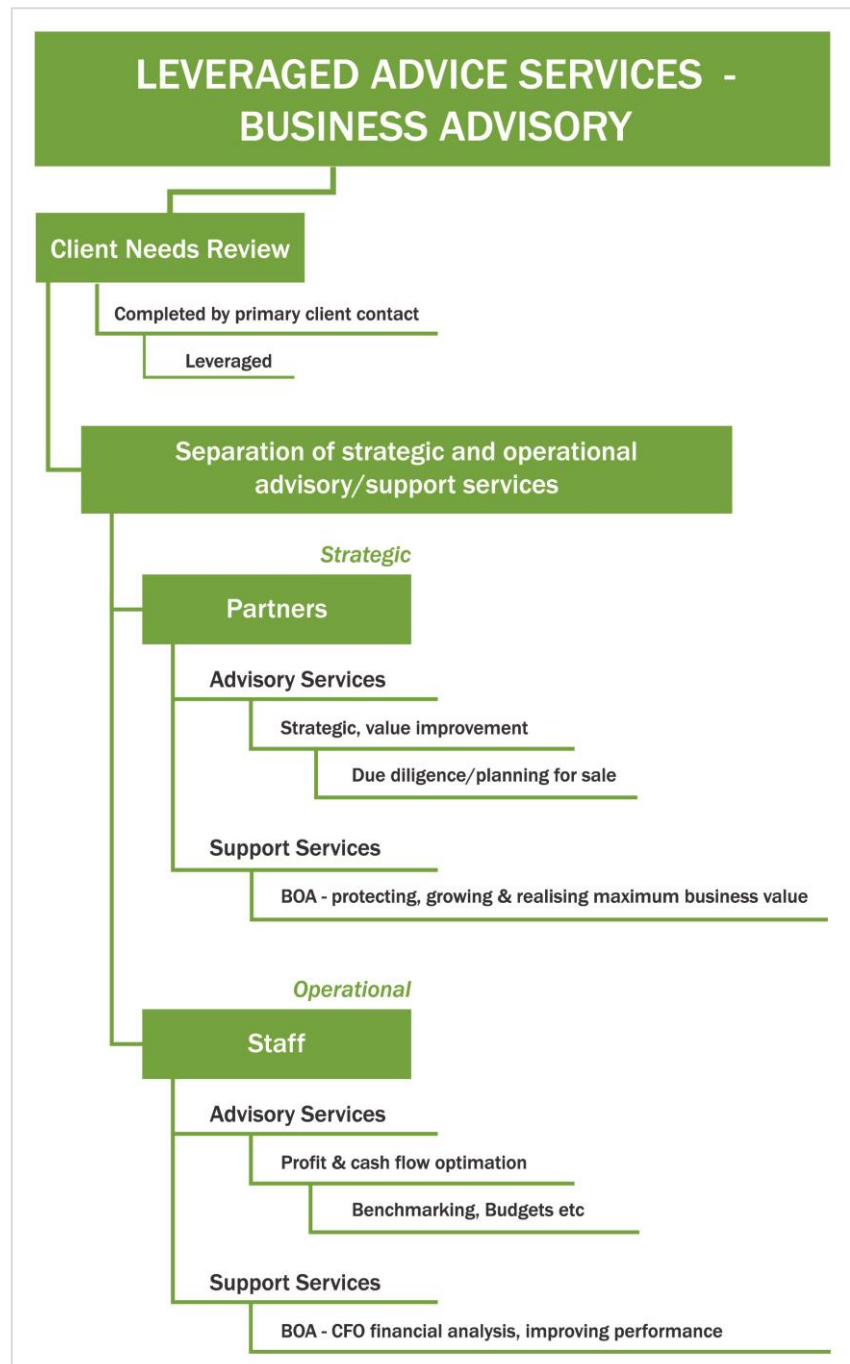
The final step is to agree service fees and margins for each component.

Disciplined implementation of leveraged advice services is essential.

Success lies in ensuring each person only delivers their component, at the agreed fee and margin.

Too many practices have partners or key staff completing low margin compliance work, constraining their capacity to deliver high margin advice services work for the practice.

What would be the improvement in the profitability and value of an accounting practice, if **40%** of total productive partner and key staff hours were billed out at a minimum gross advice service fee rate of **\$645** per hour?



Leveraged advice services start with a *Needs Review* - this is a scalable advice process because it is completed by the primary client contact.

Leveraged Advisory Services

Partners can be allocated the responsibility to provide strategic advisory services such as strategic planning/value improvement services.

Key staff can be allocated the responsibility to provide operational advisory services such as profit and cash flow optimisation services.

There can be a clear distinction between support services provided by partners and key staff.

Leveraged Support Services

Partners can provide Board of Advice support services centred on protecting, growing and realising the maximum value of the business so owners can retire financially secure.

Key staff can provide CFO support services centred on financial analysis and improving the profit and cash flow performance of the business.

Implementation

Different accounting practice structures require different implementation models.

Where there are time or capacity constraints, supplement practice resources **with external, trusted experts**.

Sole practitioners don't have the time to be an expert in every area. By using external, trusted resources to provide components of advisory and support services on an 'as needed' basis, they can avoid increased staff costs. By developing a panel of external, trusted experts, sole practitioners can also outsource entire services, while maintaining their client relationship.

OPPORTUNITY

Advisory support services can be a 'win win' succession planning solution for sole practitioner accounting practices.

A sole practitioner can sell their practice but retain an ongoing relationship for **non-competing support services** with a selected number of 'ideal' clients.

The ongoing relationship can assist with practice handovers.

Multi-partner practices are better positioned to internally resource leveraged advisory and support services.

Incentive bonuses based on advice services KPIs can be tailored to support implementation across the practice.

Suitable KPIs for key staff for leveraged operational advisory and support services include:

- ▶ The number of completed annual *Needs Assessments*;
- ▶ The number of clients converted to an operational advisory/support service;
- ▶ The number of introductions to a team of experts (e.g. financial planner).

Professional staff of accounting practices want to do more than just compliance work.

A professional skills development program for leveraged advisory and support services is a key staff retention strategy for the practice and its professional staff.



Team of experts

Accountants can't deliver everything their clients need.

Where relationship and product trust has been established, clients will see their accountant as the focal point for their needs.

Clients will rely on their accountant to have access to a team of experts that have complementary skills.

The need for external expert services are usually specific and project based. Examples include banking, financial planning, HR, IT, insurance, legal and marketing.

Accountants need to ensure their recommended expert has the right skills and expertise to meet their client's needs. If the expert doesn't deliver, their position as the trusted adviser will be at risk.

'Needs to Solution' meeting

The expert is best introduced by the accountant in a face-to-face meeting. This Needs to Solution meeting is the best forum to secure engagement and smoothly transition the client relationship to the new expert/adviser.

OPPORTUNITY
Relationships with a team of external experts can create opportunities for specialisation centres of influence.

Practice management and ownership succession planning benefits

Leveraging advice services reduces risk for an accounting practice and makes the practice more profitable and valuable.

How?

By improving management succession planning - Leveraged Advice Services improve staff retention rates and provide opportunities for future leaders of accounting practices.

By offering operational advisory and support services to existing and new clients, future leaders have opportunities to grow their client and fee base while growing advice services.

By improving ownership succession planning - Leveraged Advice Services provide opportunities for a smooth transition in practice ownership.

These services can also provide opportunities for ongoing strategic consulting role, post-practice retirement, for exiting partners or principals.



Attracting 'Ideal' Clients

Attracting high value business clients is the 4th highest business concern of accountants.

Here are three common reasons why accountants feel they need to continually attract new clients:

1. Client segmentation generally makes accountants realise that most of their practice's existing clients don't meet their 'ideal' client profile;
2. The practice has a 'client tail' – accountants realise that they have large number of small, unprofitable clients, and need to redefine their client base; and
3. Accountants want to 'freshen up' their client base, to grow practice fees - partners and principals often feel they have saturated their existing clients with their current services offering.

There are many innovative marketing strategies available to accountants to attract 'ideal' clients. Strategies that have been successful for Bstar Alliance Partners are listed below:

- ▶ Social media;
- ▶ Industry specialisation;
- ▶ Industry benchmarking;
- ▶ Successor Needs Reviews;
- ▶ Awards and sponsorships;
- ▶ Marketing to women in business;
- ▶ Business education and improvement workshops.

Social media

This is a cost effective marketing tool that can be used to raise awareness and attract new clients to a practice.

Social media presents new ways for business-to-business, direct marketing.

Before implementing an effective social media strategy, accountants need to ask:

- ▶ Is their practice website up-to-date?
- ▶ How current are their social media profiles (both personal and practice profiles) and what is their profile strength rating?
- ▶ Does the strategy require upgraded social media account status, to take advantage of advanced searches and communicating directly with their targeted new 'ideal' client/s?

LEVERAGE OPPORTUNITY

The social media strategy can be an opportunity to leverage practice marketing or administration staff. Use their existing skills or provide support so these teams can manage the strategy.

To be successful, a social media campaign will do more than raise profile – it will secure meetings with new, targeted 'ideal' clients.

There are **three key success factors** to an effective social media campaign:

1. Confirming and identifying the correct target - the new 'ideal' client;
2. Preparing and sending the key message;
3. Offer 'value adding' material to secure a meeting with the targeted 'ideal' client.

Success comes from scale – the more 'get connected' messages, the greater the number of new client opportunities.

Using the three social media key success factors leads to 5 new client meeting requests for every 20 get connected messages.

Industry specialisation

Industry specialisation is a proven client acquisition strategy.

Specialisation gives accountants a platform to market to their targeted 'ideal' client.

Why is industry specialisation so powerful in attracting new 'ideal' clients?

- ▶ Industry research confirms the key advisory needs of the targeted new 'ideal' client;
- ▶ Marketing materials can be tailored to present a solution to these key needs;
- ▶ Advice services materials and processes can be customised to present an industry specific solution to these key needs.

Larger accounting practices are increasing their resource investment in industry specialisation services and performance benchmarking to retain and grow their market share in the targeted industry sectors.



PHARMACY INDUSTRY KEY MESSAGE

Grow your retail sales and margins by improving staff engagement

GP Medical Practice Client

One of the key needs of GPs in private practice is to retain quality contracting GPs. The number of FTE GPs in a medical practice is a key profit and value driver.

Accountants specialising in this industry need to be able to provide value to GP practices. One innovative solution that a specialist accountant is offering is a tailored Practice Performance Program (PPP). The program rewards contracting GPs with a share of the medical practice's after tax profit, based on achieving agreed KPIs. The accountant uses their specialist experience of GP practices to recommend and tailor the KPIs.

This type of incentive program has proven to be attractive to the practice owners and contracting GPs as well as the clinics operating with Allied Health Professionals.

With the support of the medical clinic practice manager, the accountant is able to arrange to present the specialist PPP to the contracting GPs and Allied Health Professionals (usually after clinic operating hours), to explain the benefits.

The entire group understands how the medical practice is supporting them to work more effectively and co-operatively. They are shown how supporting the PPP can generate more referrals from the operating Doctors and how all their businesses can grow.

By presenting this industry specialisation solution, the specialist accountant improves the relationship and product trust they have with their existing GP clients. They also have opportunities flowing from introductions to other potential clients - contracting GPs and the Allied Health Professionals.



Legal Practice Client

Many accountants have developed close professional working relationships with lawyers and regularly refer clients to the lawyers on their team of trusted experts. Lawyers are traditionally reluctant to provide introductions or referrals to their clients and accountants report that it is difficult to form cross-referral relationships with lawyers. Lawyers need to have high levels of both product and relationship trust before making a recommendation.

Accountants can get their attention, and demonstrate their skills by directly addressing the burning question in legal practices – low levels of partner alignment.

By conducting a legal practice *Alignment Workshop* with a targeted legal practice, the accountant can facilitate alignment of partners and key staff and help create a shared vision for the legal practice. During the workshop, the accountant can deepen the relationship and build trust with the partners and key staff, while demonstrating their understanding of the legal profession and their issues.

There may be opportunities for advice services which emerge from the workshop. These can be to provide further assistance to the legal practice, or personally to the partners and staff. First-hand experience will convince even the most sceptical lawyer of the accountant's skills, and may lead to referrals.

This also demonstrates the '2 adviser' model, as the accountant is targeting the legal practice only for specialist advice services. Other accounting services, such as compliance work, are left to the existing accountant.

OPPORTUNITY

How many multi-owner businesses would be interested in a Workshop – to secure alignment and a shared vision for the business between all the owners and key staff?

This applies across all industries and generational family businesses.

Industry benchmarking

Having access to industry benchmarking information will enhance advice services such as business valuations and CFO/Board of Advice.

Accountants can use industry profitability and valuation benchmarks to validate their estimate of notional earnings and business cap rates when preparing a business valuation.

Accountants can use comparable business, industry valuation and performance benchmarks to validate their 'What if' improvement targets when providing Board of Advice support services.

Accountants can use industry valuation and performance benchmark reports as part of their social media value-adding 'call to action' materials.

Get the attention of the targeted 'ideal' client.

Show them the improvement in profitability, cash flow and business value if they move from an average performing business to the benchmark.

Successor Needs Reviews

Not all new client opportunities exist with current business owners.

To protect and grow the long-term value of their accounting practice, accountants need to consider how they engage with the generational successors of their family business clients.

Future leaders can build personal relationship trust with a generational successor by conducting a 'Needs Assessment'.

Awards and sponsorships

Leading accounting and financial planning practices are connecting with the next generation by becoming involved with and sponsoring graduate programs at Universities and Colleges that are aligned to their targeted industry.

Marketing to women in business

Generational change is leading to increasing numbers of women being involved in business, both as successors and starting their own businesses.

Accountants can maximise their opportunities for advice services by understanding the differences in engaging with women. Engagement processes which build trust, emphasise listening and recognise and tailor the advice services to women's needs are more successful.

Business education and improvement workshops

Industry associations and franchise groups are very interested in working with accountants that have specialised knowledge and expertise in their sector and can offer business education and improvement workshops to their members.

When segmenting clients, accountants can identify clients who are **key influencers** in their industry. These influencers are the best source of referrals to other, 'ideal' clients.

Accountants will know they have established **external product trust** with their 'influencer' clients when they can work collaboratively together to secure an industry association or franchise group opportunity.

Your Industry Business Valuation Report

Make your business more profitable & valuable

Introduction
Your Industry Business Valuation Report provides you with current information of how comparable businesses in your industry are valued, your industry average and benchmark Profit, Capitalisation Rate and Business Value.
BUYING A BUSINESS - minimise your business acquisition risks by not paying too much.
GROWING YOUR BUSINESS - identify areas for future value improvement.
SELLING YOUR BUSINESS - strategies to maximise your business sale price.

Comparable Business Information

We have prepared your Report on the basis of 29 comparable businesses.

Business Profile	Profit Code Range	Date Range	Sample
Turnover Range	PIE Range		
\$2m - \$5m	All	Jan 2011 - Dec 2014	29

Industry Business Valuation Analysis Table	Industry Average	Benchmark Average (Avg. Top 20%)
Profit (Weighted Average National Earnings before Interest & Taxation)	\$836,780	\$1,247,288

Business Capitalisation Rate (BCR) (Business Capitalisation Rate as determined by the BCR)	5.1	4.14
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Business Value (BV) (The value of the business by multiplying the Profit by the BCR)	\$5,814,040	\$5,916,644
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Profit Is your Profit above or below the industry average & benchmark?
The more profitable your business, the higher your business value.

Strategy: Complete a Profit Optimisation Review to grow your sales, improve your profits and cash flow.

Business Capitalisation Rate (BCR) Is your Business Capitalisation Rate above or below the industry average & benchmark?
The higher your Business Capitalisation Rate, the higher your business value.

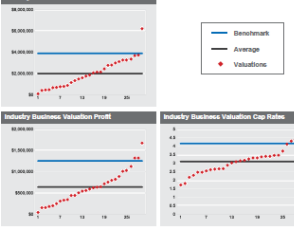
Strategy: Complete a Risk & Value Driver Assessment to lower your business costs and improve your business value driver.

Business Value (BV) = Profit * BCR Is your Business Value above or below the industry average & benchmark?
Increased profits, improved cash flow, lower business risks = business value optimisation.

Increased profits, improved cash flow, lower business risks = business value optimisation.

Your Industry Business Valuation Report

Industry Business Valuation Analysis Tables



Make Your Business More Valuable

Successful businesses in your industry are implementing forward thinking strategies to make their business more profitable and valuable. The table below highlights seven industry leading value improvement strategies.

- Increased Profits:** Use industry benchmarking data to identify your business strengths and weaknesses.
- Improved Cash Flow:** Enhance your debt management systems and tighten your debtor procedures to include discounts on early payment and chasing credit limits based on each customer's payment history.
- Lower Business Risks:** Reduce key person reliance by investing in the development of your key capability members.

Get the 'VIP' Treatment

VIP - Value Improvement Package
For more information on how to make your business more profitable, valuable and an industry benchmark then see our new VIP or Value Improvement Package.
Our Package includes Industry Analysis Reports, Client Business Improvement Reports, a SMOOT Analysis Workshop and Report and a Value Improvement Analysis Workshop and Report. Invest in this powerful information and advice NOW so you can grow your sales, increase your profits, improve your cash flow and maximise your business value.
Make your business a 'very important performer' today.

INDUSTRY ASSOCIATIONS AND FRANCHISE GROUPS MARKETING

Demonstrate value by focusing on business education, not promoting advice services.

Build external product trust by presenting real life case studies and relevant industry benchmarks in marketing presentations.

Build business relationship trust by facilitating a SWOT (Strengths, Weakness, Opportunities and Threats) group workshop that avoids asking for intrusive personal and financial information.

Build personal relationship trust by offering a free industry benchmark report for members that agree to meet to complete a *Needs Assessment*.

Professional Associations

Accounting

After releasing the 2014 Accountants Research Report, Bstar contacted all Australian accounting professional associations to discuss the findings, and confirmed the need for accountants to grow their advice services.

The aim was to develop a specific education and training program to support their members in public practice to transition to an advice services business model.

'Acquiring advisory knowledge is essential to growing advice services'*

*Quote from surveyed accountant.

Chartered Accountants Australia and New Zealand (CA ANZ) responded quickly and their support has led to the development of the purpose-built *'Practice Advice Essentials Professional Development Course'* for all accountants, in partnership with Bstar Training.

The Professional Development Course fills a skills gap for accountants that have completed their public practice admission program, but now need to understand how to deliver and grow advice services of all types.

The course emphasises developing specific, practical skills on how to build a successful advice services practice.

CA ANZ are ensuring their members are aware of these new training initiatives, through increased business development resources.

CA ANZ have introduced new world class training standards, to deliver best of breed education and training solutions to all accountants including the CA ANZ Diploma of Financial Planning allowing members to achieve RG146/RG105 compliance.

Uniquely the diploma has been specifically developed for members and recognises subjects previously completed under the Chartered Accountants Admissions Program and where applicable the SMSF Specialist

Program, ensuring that you only need to complete subjects and assessments not previously completed.

The comprehensive SMSF Education Program offered by CA ANZ provides education for all SMSF professionals ranging from, introductions to SMSF's, regular updates on the law through to cutting edge SMSF strategies.

The interest shown by overseas accounting bodies in the *Practice Advice Essentials Professional Development Course* proves that accountants worldwide share these needs.

Australian and New Zealand accounting professional associations have the opportunity to lead the world in education and training on how to grow advice services.

Financial Planning

In Australia, both the Financial Planning Association and the Association of Financial Advisers have accredited the *Accountants Centre of Influence (COI) Workshop*.

This workshop was developed to assist financial planners to build trusting relationship with accountants.

Clients of accounting practices get the best result when their trusted team of experts work together collaboratively to address all the client's needs.



Financial Services Industry Relationships

Financial planners have an opportunity to build greater trust with accountants by better understanding the needs of the accountants and their SME clients.

A major source of frustration for accountants when approached by financial planners, is their lack of understanding of the accounting industry.

To build trust and establish relationships, financial planners need to better understand accountants' needs.

Leading wealth management companies and dealer groups were invited to participate in a 10 question interview, as background and for inclusion in this Report.

The interview **was limited to their plans to develop skills to work with the accounting industry**. Service offerings to clients and accountants were excluded from the discussions.

Skills Development Plans

Below are the responses (from four companies and groups) which confirmed the importance of these issues.

The table highlights these companies' commitment, and different approaches, to investing in the skills development of their management team and aligned financial planners.

All four believe the *Practice Advice Essentials Professional Development Course* (Alignment and Engagement Units) will improve the integration of advice services within an accounting practice.

These companies are all in agreement that the collaborative, integrated advice model will produce a win-win for everyone involved – the accountant, the financial planner, **and most importantly, the client.**

RESPONSES SNAPSHOT



STRENGTH

With over 28 years' experience, Securitor has a strong heritage to capably support advisers and accountants to achieve their full business potential.

Through leadership, innovation and strategic collaboration, Securitor is able to provide tailored solutions and professional education support designed to meet each accounting practices needs and position their business for growth and success.



STRENGTH

Independence. Deep understanding of the issues facing accounting practices. Insights gained from long-term close relationships with a network of accounting partners.

REPUTATION

Skills development plans include management team training and the *Practice Advice Essentials Professional Development Course* Alignment and Engagement units for aligned accountants.



STRENGTH

Very high degree of knowledge of accountant's needs/industry centred in their SMSF division, resourced well.

SPECIALIST

Skills development plans include the *Accountants COI Workshop* for aligned financial planners and *the Practice Advice Essentials* Alignment unit to be included in their accountants SMSF induction program.



STRENGTH

High degree of knowledge within licensees and existing skills development programs.

INTEGRATION

Skills development plans include group *Practice Advice Essentials Professional Development Course* and support for financial planning practices to do more work with SMEs in partnership with their accountants.



PART 4 | WAY FORWARD

Professional Development Course

All accountants can register for the *Practice Advice Essentials Professional Development Course* to improve their knowledge on how to transition to an advice service business model. Course key learning outcomes are listed below.



Alignment

- ▶ Demonstrate a process to create a shared vision and alignment of partners and key staff;
- ▶ Assess how your practice is positioned for advice success;
- ▶ Highlight valuation benchmarks for top performing practices that have achieved advice success;
- ▶ Identify what you need to address in your advice services business growth plan;
- ▶ Introduce key performance indicators and weightings for your advice services staff;
- ▶ Review industry succession statistics and real life management and ownership succession planning strategies.



Engagement

- ▶ Explain how to segment your clients and identify your ideal client;
- ▶ Discuss how to develop advice services packages for each client group;
- ▶ Identify and contrast the different types of trust;
- ▶ Discuss ways of enhancing relationship and product trust;
- ▶ Introduce four proven tactics to increase client engagement rates;
- ▶ Demonstrate how structured advice services can grow an existing client paying \$5,000 compliance and accounting fee into a client with \$20,000 total fee.



Specialisation

- ▶ Help you analyse the competitive threats from the '2 Adviser' model;
- ▶ Discuss criteria for establishing a specialisation;
- ▶ Introduce a three step process to build industry specialisation capability;
- ▶ Explain why your advice solutions must match the industry burning question(s);
- ▶ Collate and produce benchmarks for your targeted industry;
- ▶ Examine how social media marketing works and the key messages you should be delivering.



Support

- ▶ Present the benefits of appointing your own trusted adviser;
- ▶ Assess areas of support you'll need to implement advice services;
- ▶ Demonstrate a Board of Advice (BOA) service offering;
- ▶ Identify the skills required to deliver BOA services;
- ▶ Help you quantify the value-add generated by advice services (business valuation and revaluation);
- ▶ Discuss BOA engagement with examples of agenda, minutes and action lists.

Course Registration

All accountants can register.

Visit the *Practice Advice Essentials Professional Development Course* website:

<http://www.charteredaccountants.com.au/practiceadvice>

For a limited time, a 10% discount to the full PAE Professional Development Course registration fee is available to readers of this Report. Please contact Bstar Training on 1300 552 577 to obtain the promotional code.

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Home > Training > Practice management > Practice Advice Essentials

Practice Advice Essentials
Redefine how you do business and completely change your revenue base. [Print](#) | [Email](#) | [SHARE](#)

How would you like to generate \$1 million in recurring advice services fee revenue for every 300 SME clients? To help make that happen, Chartered Accountants Australia and New Zealand have partnered with Bstar Training to deliver Practice Advice Essentials, a highly practical and applicable training course that accountants can use to redefine how they do business.

Want more information?
Email pae@charteredaccountantsanz.com and we'll have one of our team contact you with more information.

Choose location [Online](#)

Course overview
This series of four proven, practical and immediately applicable two hour webinars will help you successfully transit from a compliance based practice to an advice services business model by resolving the four key essentials to achieve advice success:

- > Alignment
- > Engagement
- > Specialisation
- > Support.

See "Course Inclusions" for additional components available for each unit.


[Register](#)

Search for another course

Program Description

- Unit 1: Alignment
- Unit 2: Engagement
- Unit 3: Specialisation
- Unit 4: Support

Presenters

 Grant Bloxham
CEO and Founder of Bstar

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Details at a Glance

Suitable for: **Intermediate** / **Advanced** Up to **20 CPE Hours**

Discipline: Practice Management
Stream: Practice Management, Business leadership and strategy, Client relationship management, Operations and project management, Practice ownership
Segment: Practice
Type: eLearning

Additional Information

- > Unit 1 - Alignment
- > Practice Advice essentials Unit 2 - Engagement
- > Unit 3 - Specialisation
- > Unit 4 - Support
- > FAQs for Practice Advice Essentials course

Related Links

- > Brochure
- > Can accountants learn a lesson from their dental clients
- > Introducing advisory services (article)
- > Advisory service fees (article)
- > Accountants Research Report 2014 - Executive Summary
- > Additional library resources
- > Bstar Training

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Bstar is a management information solutions company that provides business advisers with a world class, online advisory business model to achieve practice success and grow their advice services.

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