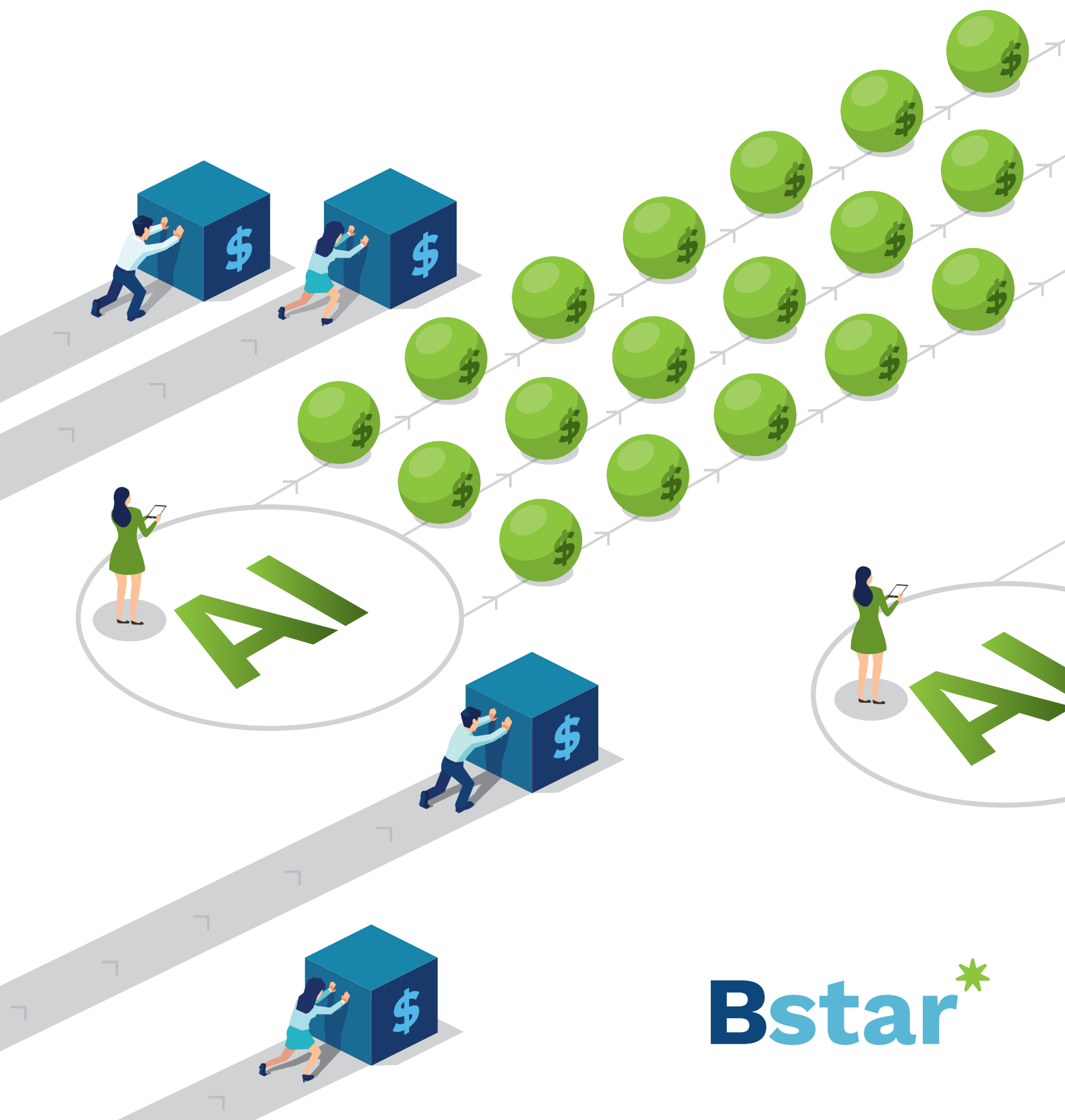


Automating Business Advisory Services

A genuine game changer for accountants



Bstar*

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Prepared by
Grant Bloxham
Bstar Founder & CEO
1st February 2021



Introduction

Buzz Words

As one¹ of our clients, recently commented, 'Advisory Services' has been a buzzword in the accounting industry for a very long time. It remains one because so few practices have successfully made it a core part of their business.

Accountants are well aware of and don't need to be continually reminded of the **opportunity** to grow Business Advisory (BA) services. Almost every accounting practice does offer some form of these services.

However, practices are looking for the **'How To'**, in terms of streamlining the delivery of BA services and implementing a scalable solution **that is not partner or director reliant**.

Purpose

"Businesses that grow by development and improvement do not die²." **Henry Ford**

The purpose of my White Paper is to share insights on our journey (<https://bstar.com.au/our-journey/>) to automate BA services for the accounting practices (Alliance Partners) we work with.

Automating BA services is a genuine game changer for accountants. The automated process starts with a client needs analysis, or a business performance review, through to developing and maintain a sounding board relationship with every business client.



What are Business Advisory services?

Non-licensed, professional services focused on business growth, profit, cash flow & value improvement, succession & exit strategies.

5 Automated BA services BHAG³

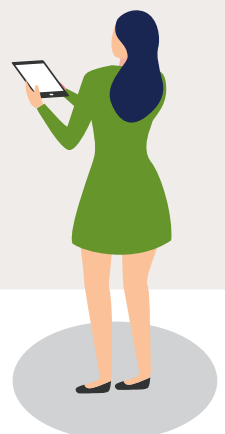
80% completion rate of client engagement tools

70% of all services being delivered by staff

56% conversion to a sounding board relationship

25% of all practice revenue fully automated

3 x billable time fee write-ups

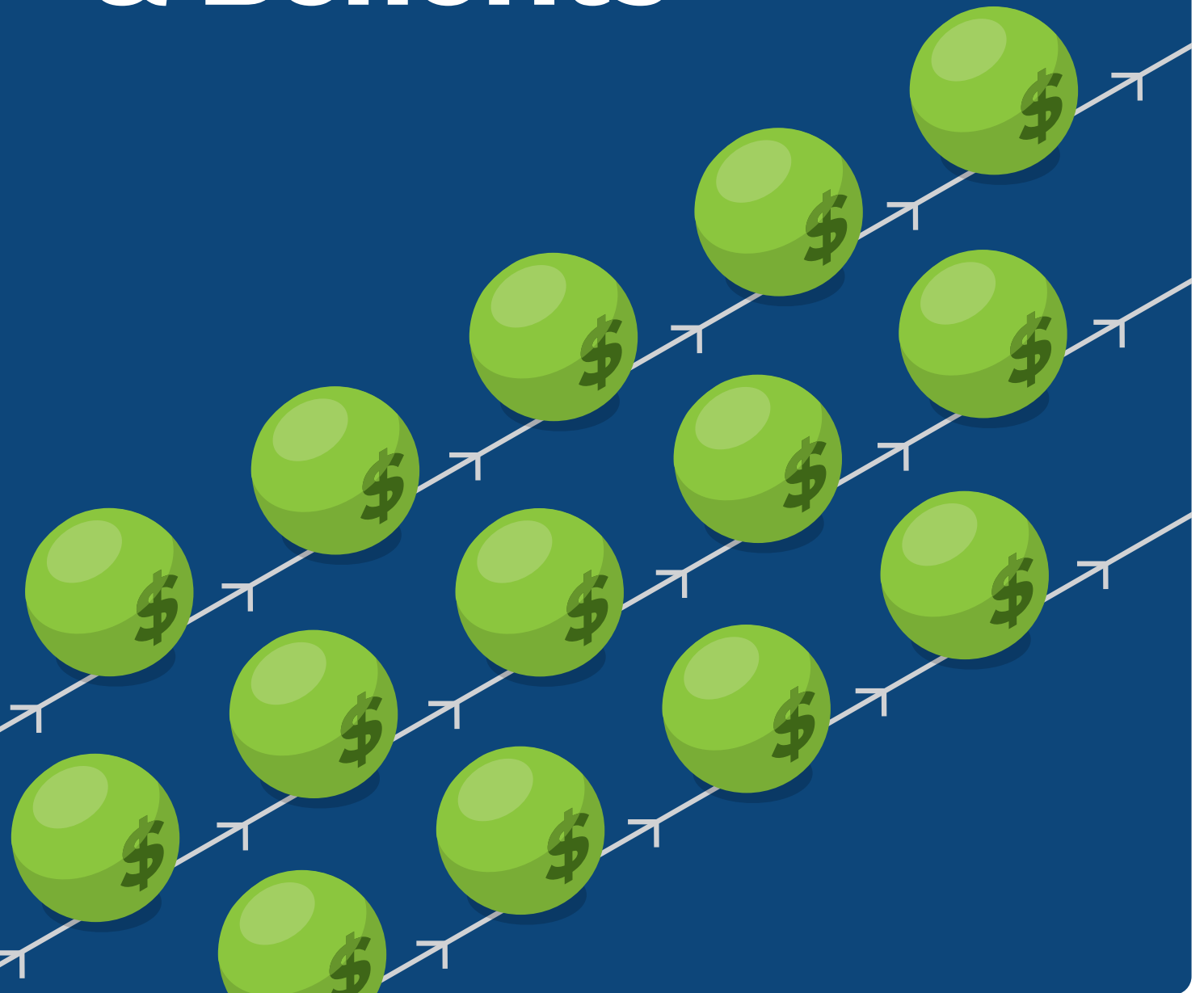


1. Refer to the Alliance Partner interview with Kate Bennett, Kendons on bstar.com.au.

2. Quote is from Henry Ford, Ford News, 15 February 1923. (www.thehenryford.org).

3. A big hairy audacious goal, or BHAG, is a clear and compelling target for an organisation to strive for. The term was coined in the book "Built to Last: Successful Habits of Visionary Companies" by Jim Collins and Jerry Porras.

Automation: Needs, Barriers & Benefits

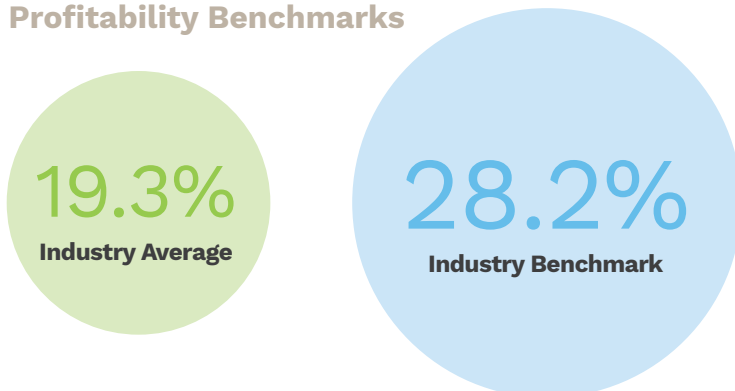


Need

Most accountants would agree, margins on accounting, compliance and tax services are tightening. Automating your BA services is a pathway to diversify revenue mix and improve profitability by doing more with existing clients.

Revenue mix is a key profit and value driver in an accounting practice. Bstar's accounting industry benchmarks⁵ highlight the profit improvement opportunity if revenue generated from BA services grows.

Profitability Benchmarks



COVID-19

COVID-19 has been hard on everyone and a wake-up call for many SMEs. Demand for BA services such as **business valuations** and **succession planning** is soaring as owners are starting to realise their own vulnerabilities and take action to reduce stress, spread risks and workloads.

Whilst demand for BA services is growing, economic pressures caused by the COVID-19 pandemic have contributed to a **fee-sensitive environment**. **Automation** is essential to lower the cost of service delivery to clients whilst generating strong service profit margins.

Our SME Research confirms business owners want more from their accountant. (<https://bstar.com.au/shop/2020-21-sme-research-report>).

Barriers

Automation helps overcome common barriers to introducing and growing your BA services, including a lack of time or skills, capacity constraints while building confidence.

3 common barriers to growth

Barrier	Solution
1. Time and capacity constraints.	Adopt technology to systemise the delivery of services to clients.
2. Lack of confidence, competence and absence of 'selling' skills.	Invest in the 'soft skills' development of your key people.
3. Low product trust for new services across the practice.	Treat your practice as a client before you offer any new service.

Source: Bstar's 2020/21 Accounting Industry Insights Report.

.....

21%

Only 21% of practices⁴ have made formal plans to create capacity and broaden their services.



SME Insight

SMEs need a sounding board they can turn to and trust to reduce Non-financial Risks, Improve Business Performance and owners' quality of life.

Source: Bstar's 2020/21 SME Research Report.

4. Source: Bstar's 2020/21 Accounting Industry Insights Report.

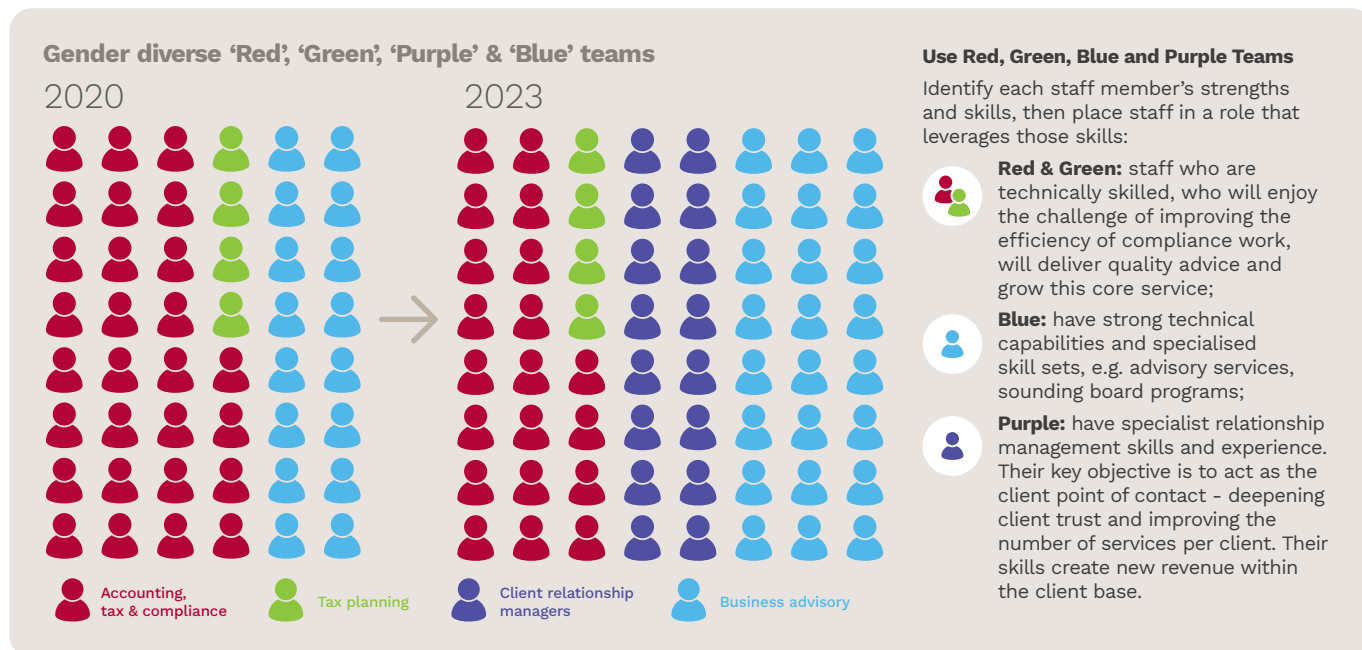
5. Source: Bstar profitability & valuation benchmarking data. Profitability and benchmark data based on 257 accounting practice business valuations being completed, with allowance for a notional salary per partner ranging from \$150K - \$300K p.a. Industry benchmark is the average of the top 20%.

Another key barrier to growth identified by practices is that they don't have enough staff who are competent and confident in delivering BA services. Only **22%** of practices⁶ stated their staff are capable of delivering all or selected BA services.

Automation can be used to address this issue, leveraging existing staff and skills. Use an automated process to drive a **consistent, scalable client** experience across your practice.

By allowing more of your staff to initiate and take the lead in delivering 'operational' BA services, your staff engagement will improve, as well as reducing direct reliance on partners and directors for many BA services.

This also benefits your practice by offering a variety of career development opportunities to individual staff, allowing them to upskill and transition between different teams. These opportunities help to attract, retain and motivate staff throughout your practice.



Financial Benefits

Automating your BA services delivers multiple financial benefits.

I have set out a simple financial case study⁸ to demonstrate this Insight by comparing fee revenue, billable hours and write-ups for a 'typical' SME client BA services engagement, both with and without **Automation**:

- **Risk Diagnostic:** Short Risk and Value Driver Assessment.
- **Solution:** Better Business Program Workshop & Improvement Plan.
- **Support:** CFO Service including 4 meetings per year.

Key Insight

Your choice:

You can keep on delivering business advisory services the old fashioned way, with a 'clunky', labour intensive offering or

Generate 3 times the financial returns by defining and automating your process.

The numbers don't lie.

3x

6. Source: Bstar's 2020/21 Accounting Industry Insights Report.

7. Source: Bstar's 2020/21 Accounting Industry Insights Report.

8. Hourly fee rates are based on an accountant role (3-5 years' experience) hourly rate. Number of hours is based on time modelling and actual results achieved by Bstar Alliance Partners.

Without Automation

1. Risk Diagnostic

Hours: 2
Fee: \$0



2. Solution

Hours: 21
Fee: \$3,500



3. Support

Hours: 34
Fee: \$9,000

TOTALS

Hours: 57
Fee: \$12,500
Write-up: \$2,525

Financial
Benefits –
SME Client
Engagement

With Automation

1. Risk Diagnostic

Hours: 1
Fee: \$0



2. Solution

Hours: 5
Fee: \$3,500



3. Support

Hours: 22
Fee: \$9,000

TOTALS

Hours: 28
Fee: \$12,500
Write-up: \$7,600

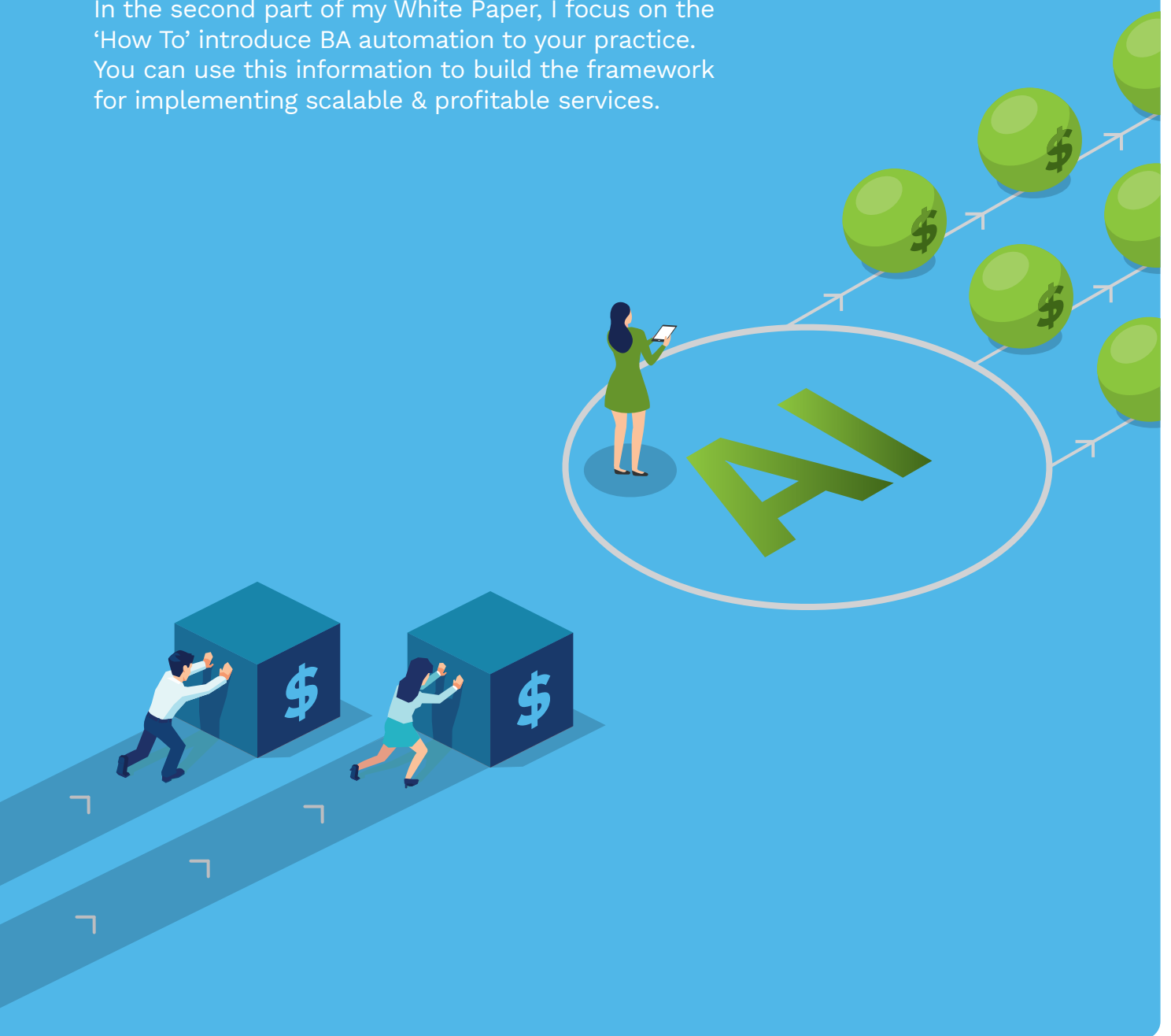


	Case Study 1 – Without Automation				Case Study 2 – With Automation			
	Hrs	Rate	Fee	Return ⁹	Hrs	Rate	Fee	Return ⁹
STEP 1: RISK DIAGNOSTIC Short Risk & Value Driver Assessment	2		Nil	-\$350	1		Nil	-\$175
STEP 2: SOLUTION Better Business Program Workshop Business Improvement Plan Report	5 16	\$175	\$3,500	-\$175	3 2	\$175	\$3,500	\$2,625
STEP 3: SUPPORT CFO Service (4 meetings per year)	34		\$9,000	\$3,050	22		\$9,000	\$5,150
Totals:	57	\$9,975	\$12,500		28	\$4,900	\$12,500	
Write-Up:				\$2,525				\$7,600

9. Return is the write-up for each stage of the 3-step Advisory Process.

Automation: The ‘How To’

In the second part of my White Paper, I focus on the ‘How To’ introduce BA automation to your practice. You can use this information to build the framework for implementing scalable & profitable services.



Accounting, Compliance & Tax Services

When accountants contact me to discuss growing their BA services, one of the first questions I ask them is ‘*what are your current practice WIP days for compliance services?*’.

Automating accounting and taxation services should be a **priority** as these services represent the majority of income for small to medium sized accounting practices. This process builds trust across the practice on the benefits of **Automation** and will create capacity which can be used to grow BA services.

All service lines offered by accountants need to aim to have an automated process, whether wholly or in part. **Automation** should be factored into your decision making process when investing in new services and to automate your BA services, you can adopt a similar approach to your compliance work.

Segment your Offering

Before automating your BA services, map out your service offering for each client segment. Clarity on this aspect is important, as each client segment or group has different needs.

The **table below highlights this point**. There are different sounding board solutions you can offer depending upon the profile of your client base.

BUSINESS PROFILE	KEY ISSUE	SOLUTION BOARD SERVICE & OBJECTIVE
Small	44% of SMEs don't have a business plan.	Business Planning Mentoring Prepare and document a business plan.
Medium	31% of SMEs had less than 0% growth in Profitability.	CFO Service Establish accurate financial reporting, improve profitability and cash flow.
Large	Only 12% of SME owner(s) were not intending to rely on the sale of their interest in the business to fund their retirement or next business venture.	Board of Advice Program Determine the 'true' business value, grow and transition the value to reduce the owner(s) value gap risk.

Source: Bstar's 2020/21 SME Research Report.

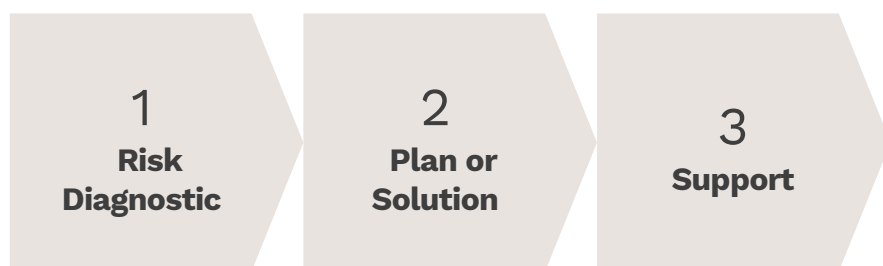
For more information on how to map out your service offering, structure and price your BA services, refer to **Appendix 2: Bstar's Business Advisory Services Process**.

“Be ready to revise any system, scrap any method, abandon any theory, if the success of the job requires it.”¹⁰
Henry Ford

.....
20 days or less
Accounting practices that have automated their compliance services are achieving WIP days of 20 or less.

10. Quote is from Henry Ford, Ford News 15 January 1923 (www.thehenryford.org).

A 3-step Advisory Process



The **Automation** of BA services starts with your clients completing a **Risk Diagnostic** on their business. You can then offer a recovery, growth, improvement, valuation, succession Plan or Solution.

Only **6% of owners**¹¹ are actively managing their business plans. It is essential you provide ongoing Support to your clients to hold them accountable to implement their plans. An automated sounding board solution streamlines management of action items that will improve clients' performance and value. Let's now look at each automated step in more detail.

1. Risk Diagnostic

A *Risk Diagnostic* process enables your clients to self-assess their key needs. If they identify a **high risk or a key concern** you have the opportunity to prepare a Plan or offer a Solution that addresses their weaknesses or threats.

Special features when automating this part of your advisory process include:

- Messaging centred on helping clients, not selling solutions;
- Examining Non-Financial Internal/External Risks;
- Limiting the time required by your clients to take the 'first step';
- Industry specific content for high value clients;
- Matching content to the profile of your client base;
- Creating different tools for current & future owners, GMs, staff and other key stakeholders;
- Downloading a 'One Page Report/Scorecard' with a strong call to action;
- Highlighting improvement opportunities if action is taken;
- Showcasing Plan or Solution templates, case studies and outcomes;
- Engaging a User Experience Expert.

When designing your *Risk Diagnostic* tools, consider engaging a **User Experience Expert (UEE)**.

With over 145,000 SMEs in our network, in June 2020, we decided to upgrade the design of our Risk & Value Driver Assessment or '**RAVDA**' with the support of an UEE. The UEE redesigned RAVDA has been overwhelmingly embraced by our Alliance Partners and their business owner clients. As a result, 2,278 engagement tools were completed in less than six months.

Our goals were to help our Alliance Partners **improve client engagement rates, offer an online COVID-19 Business Recovery Program** and **create a world class BA experience**.

What can you automate?

Online Risks Surveys & Assessments

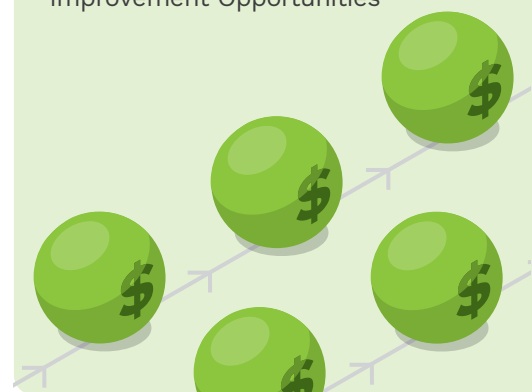
Scorecards & Reports

Risk Score Ratings

Industry Benchmarks Comparisons

Identification of Top Risks & High Concerns

Highlighting Value Improvement Opportunities



2,278

For the period **1 July 2020 to 31 December 2020, 2,278 engagement tools¹² including Personal & Business Risk Surveys were completed.** This set a record for the average number of tools created per month by our Alliance Partners to help and support their clients.

¹¹. Source: Bstar's 2020/21 SME Research Report.

¹². Source: Bstar engagement tool data.

2. Plan or Solution

Automating your client's *Plan or Solution* is achieved by leveraging technology that analyses your client's *Risk Diagnostic* responses and concerns and then via **data analytics** identifies opportunities to improve performance. This integration process can include but is not limited to:

- Pre-populating a SWOT Analysis based on *Risk Diagnostic* responses;
- Identifying business improvement goals, strategies and action items that address areas of high concern;
- Generating planning reports that capture data from multiple data pods to create value-adding content:
 - Internal and External Risks;
 - Improvement Timeline;
 - Risk Diagnostic Concerns, Analysis & Rating;
 - Value Improvement Opportunity;
 - Top Goals;
 - Industry Benchmarks;
 - SWOT Analysis;
 - Improvement Strategies & Action Items.

“All you need to do is facilitate the workshop, then review and approve your client's Plan. Automation does the rest!”¹⁴

3. Support

After presenting a *Plan or Solution* to your clients, the **final step** in automating your advisory process is to provide *Support*.

A CFO Service has a 2 to 3 year 'shelf life'.
After analysing and improving their KPIs your clients
will ask you 'what's next?'

Focus your sounding board solutions on accountability,
it's what business owners value and pay for.

Integrating business improvement goals, strategies and action items into an online environment, via an Accountability App, enables you to hold your clients accountable to implement their agreed action items. This **Automation** streamlines the management of your ongoing client Support meetings.



Accountability Apps can generate reporting tailored to each responsible person.

Accountants, clients and staff are all accountable to get plans done.

¹⁴. Quote from a Bstar Alliance Partner made in December 2020.

Cash Flow: Improve trading cash flow & business liquidity.

1 item (0)



2021 Budget

Prepare a series of cash flow budgets (best case, worst case) to assess the business's cash flow requirements.

Goal: Improve trading cash flow & business liquidity.

Person: Mary Smith

Start Date: 29 September 2020

End Date: 1 October 2020

Cost: \$3,000

Revenue: \$0

Value Gap: Minimise value gap risk.

1 item (1)



Finance, Valuation, Succession and Estate Planning

Complete a value gap analysis to determine value gap surplus/risk.

Goal: Minimise value gap risk.

Person: Tom Smith

Start Date: 2 October 2020

End Date: 3 October 2020

Cost: \$0

Revenue: \$0

Financial Reporting: Enhance financial reporting systems & procedures.

2 items (1)



Management Information Systems ("MIS")

Create new management reports that measure product/service margins, job profits/losses, staff productivity etc.

Goal: Enhance financial reporting systems & procedures.

Person: Johnnie

Start Date: 10 December 2020

End Date: 31 January 2021

Cost: \$0

Revenue: \$0

Screenshot of Bstar's Accountability App, Action Item Status Report.

Your App functionality should include pre-set service Agendas, a dashboard to create, update, filter and sort action items, Gantt Charts and action item status reporting.

Automation enables your clients to access and update their App action items. This creates a '**wow factor**' for your practice for both existing and new clients. Getting your clients to update their own action items is time-efficient, prevents potential **fee creep** and **reduces risks** associated with you 'running' your clients' business.

Automation enables data to flow both ways in an Accountability App. As action items are completed in the App, information is automatically updated in Risk Diagnostics, workshops, Plans and Solutions.

The seamless integration and management of client BA data is the true power of **Automation**.



34hrs p.a.
reduced to 22hrs

**100% gross fees,
35% less time**¹⁵

15. Refer to the Automation Financial Case Study in this Paper.

In conclusion, there are two **Automation value-adding or special features** I believe are worth mentioning. They will help you to retain BA engagements and increase the number of client referrals for financial and other services.

Quantification of Value

Automation of BA services should include '**Quantification of Value**' reporting. This special feature enables you to present real time value creation data and statistics to your clients. This information can be used to retain existing retainer fee arrangements and grow 'fee for service' recurring revenue.

Value creation can be demonstrated and measured in both financial and non-financial terms.

Retain the retainers!

Financial

Lower Debtors/Stock Days

Higher Profit Margins

Stronger Valuation Multiples

Non-Financial

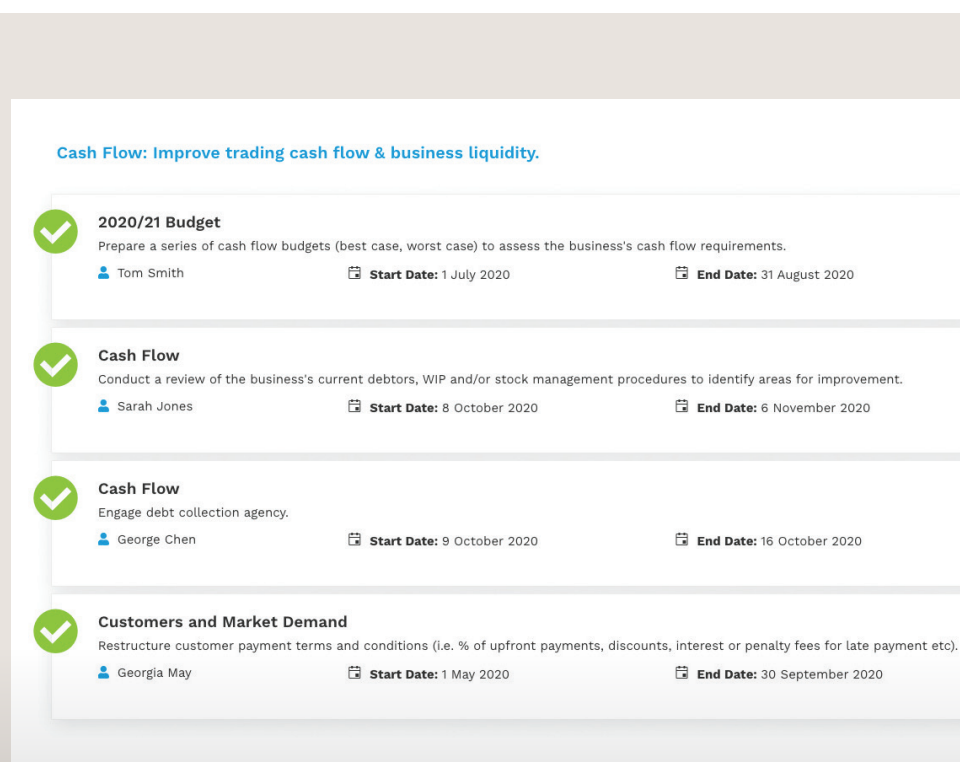
Improved Staff Engagement

Less Relationship Conflicts

Closed Action Items

Your Accountability App should allow for activity to be tracked in multiple ways against goals.

Providing your clients with a **Closed Action Item Report** demonstrates implementation achievements and validates fees for BA, financial and other professional services.



Screenshot of Bstar's Accountability App, Closed Action Item Report.

Automated Referrals

Another special feature of **Automation** is the ability to optimise referral opportunities within your own client base. Accountants are always looking to increase the number of services provided to clients directly or to introduce clients to approved service providers, via a centre of influence relationship.

Risk Diagnostic tools (Step 1 of the Advisory Process) allow data to be collected across your client base, collating client needs and identifying the services your clients are seeking. Clients don't have to ask for services; this is initiated by online surveys and questionnaires.

Action items within your Accountability App can be customised to introduce other services including banking and finance, HR, IT, insurance, legal, marketing, superannuation and wealth.

Information about these services can be embedded in individual action items. **Automation** applies a consistent process to recommending solutions and allows referral numbers and outcomes to be efficiently tracked.

Using an end-to-end **automated BA process** creates a much richer client experience.

Automation creates the referral opportunity.

It triggers an approved response which is consistent across the practice.

There is no reliance on partners, directors or staff to 'sell' other services.



Way Forward

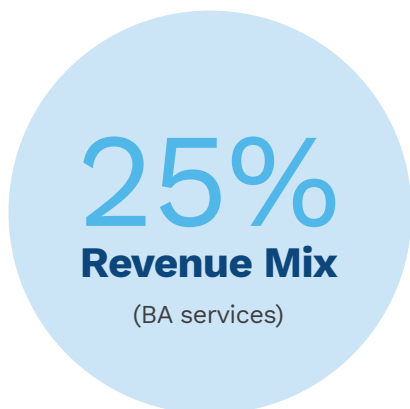


That's it. Now make an **informed decision about automating your BA services.** Share these insights with your partners, directors, staff and key stakeholders.

Take action by setting your own, realistic goals and collaborate with business partners who you trust and respect.

Set your own Goals

In our experience, it may take up to three years to reap the benefits of establishing a successful BA practice. After reading this White Paper, set yourself two '25 percentage' goals - in both revenue mix and profitability, and a timeline to achieve these KPIs.



Collaborate and succeed

You may need help to develop and automate your BA services. While appointing an **Internal Champion** (such as a future practice partner or director) can smooth development of automated processes internally, you don't have to deliver every aspect yourself.

"It's good to learn from your mistakes. It's better to learn from other people's mistakes." Warren Buffett

Establish a team of experts to support the delivery of your BA offering. Learn and benefit from others' experience to improve your efficiency, reduce costs and timelines to market.

Industry Associations have an opportunity to step-up and develop new training courses centred on the professional development of key staff to take the lead in delivering 'operational' BA services supported by **Automation.**





I am responsible for the strategic management of the Bstar group of companies.

Bstar empowers accountants to enrich the lives of their business clients.

In 2021, we celebrate our 20th year anniversary working with accountants and will officially launch our automated BA solutions. Key milestones¹⁶ include:

350

accounting
practices

145,000

SMEs

1,500

new business
valuations
per year

Benefit from our experience and once you have mapped out your BA services offering go to Bstar's website and request a demo of our automated BA solutions. Consider this as part of your **due diligence** process to build a 'best of breed' offering.

<https://bstar.com.au/request-demo/>

I hope you have enjoyed reading my White Paper. I welcome and value your feedback on any aspect of the Paper.

Yours faithfully,

Grant Bloxham
Founder & CEO,
Bstar

1 February 2021

¹⁶. Refer to our website, bstar.com.au for more information, especially "Our Journey".

Important Notices

Background on Bstar

This Accounting Industry White Paper (Paper) has been prepared by Bstar Pty Ltd ABN 60 109 809 305 to provide an opinion on automating Business Advisory services. It is for general information only. The content in this Paper is taken from a range of sources. Where data is sourced from other Bstar research and insights reports those reports are quoted, and available from Bstar on request. Other sources are referred to in footnotes.

Bstar deals with accountants every week, and conducts discussions with accountants from at least 600 distinct practices throughout Australia and New Zealand every year; the majority of these practices are not Bstar Alliance Partners and have no financial relationship with Bstar. Bstar uses this contact to discover the views and concerns of accountants and to collect data on accounting practices all year round.

Bstar routinely conducts strategic discussions with practice principals about their needs and concerns, and has used information from those discussions in developing practice insights and strategies that appear in this Paper.

Bstar has a financial relationship with Bstar Alliance Partners. A Bstar Alliance Partner is typically a 2-10 partner accounting and/or financial planning business that has been trained and accredited in Bstar's Value Improvement Benchmarking Advice ('viba') advisory process, and obtains services from Bstar for a fee.

Bstar's CEO Grant Bloxham has more than 5,900 LinkedIn connections (the majority accountants), who also provide Bstar with input and comment on issues.

Important Information

Mr. Bloxham and Bstar have prepared this Paper from information believed to be accurate at the time of publication. It is for general information only. It includes material that represents the opinion of Bstar and Mr. Bloxham on the subject matter. It is a summary and overview of both public information and material sourced by Bstar and does not constitute the entire material. It does not constitute advice (whether professional, legal, tax, investment, financial or any other type) or professional consulting of any kind. Before making any decision or taking any action you

should make your own enquiries and investigations and consider consulting your key business advisers. This Paper should not be used as a substitute for consultation with professional tax, accounting, legal or other competent advisers. Given the changing nature of laws, rules and regulations there may be omissions or inaccuracies in the information contained in this Paper.

Bstar is a management information solutions company supporting accountants to grow their business advisory revenue and attract new clients. Information included in this Paper relating to Bstar and its products, services and technology (particularly relating to advisory processes, solutions, Accountability App, trusted advisers and opportunities) is general information only. Readers of this Paper need to make their own assessment of these, as Bstar is not objective or impartial when referring to its own products, services and technology. Bstar may elect to produce versions of this Paper which are personalised for particular groups, companies or associations, and receive a fee for producing that version.

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Appendix 1

Bstar & Author

Bstar

Bstar empowers accountants to enrich the lives of their business clients. We do this by providing the 'How to' generate profitable Business Advisory services. Adopt our patented valuation tool and a 'first of its kind' automated Business Advisory solution to streamline the delivery of valuation services and implement a simple 3-step, integrated advisory process.

Our goal is to enable your practice to achieve a minimum 25% profitability by growing these services. Training and support is centred on upskilling your staff so they can take the lead in delivering 60% to 80% of all 'operational' advisory services.

Why become a Bstar Alliance Partner?

- Convert 'compliance' clients to 'advisory' clients;
- Enhance business advisory confidence, knowledge and expertise;
- Expand client base (existing & new) and build profitable recurring revenue streams;
- Grow business valuation services with reduced risks by using a patented tool;
- Access the most accurate SME valuation benchmarks & insights;
- Attract new clients from an industry or niche market specialisation;
- Become the key sounding board your clients turn to and trust.

Grant Bloxham

Grant is considered an industry thought leader on how accountants can grow their business advisory services revenue and attract ideal clients to their practice.

He is passionate about accountants offering more value-adding services to their SME clients and is co-author of Bstar's annual Accountants and SME research reports.

Appendix 2

Bstar's Business Advisory Services Process

Small Business (<\$1M)*	SME (\$1M - \$5M)*	Medium Enterprise (>\$5M)*
Awareness & Engagement Business Risk Survey <i>Embed in General Tax Program</i>	Awareness & Engagement Short RAVDA <i>All clients on/off COVID-19 support</i>	Awareness & Engagement Business Valuation Survey or Short RAVDA <i>Campaign Clients age > 50 Embed in Tax Planning Program</i>
1. Engagement Solution: Risk Diagnostic Short RAVDA	1. Engagement Solution: Review of Business Performance Full RAVDA	1. Engagement Solution: Value Appraisal/Alignment Workshop Full and/or Amalgamated RAVDA
2. Advisory Service Business Recovery/ Planning Program <i>Fee \$250 - \$1,500</i>	2. Advisory Service Better Business Program <i>Fee \$1,500 - \$5,000</i>	2. Advisory Service Business Value Assessment <i>Fee \$3,500 - \$10,000</i>
3. Sounding Board Solution Business Planning Mentor <i>Fee \$150 - \$250/month</i> Accountability Application	3. Sounding Board Solution CFO Service <i>Fee \$500 - \$1,500/month</i> Accountability Application	3. Sounding Board Solution BoA Program <i>Fee \$1,500 - \$5,000/month</i> Accountability Application

*Business Gross Revenue.

Notes



