National roundtable series 2014
Executive summary

The Accounting Growth Network

Maximise the opportunities of an evolving industry

The 2014 Accounting Growth Network (AGN) roundtable series brought together like-minded progressive accounting firms to share fascinating insights into a rapidly evolving industry. With a transformational shift taking place in the industry, accountants need to move away from traditional thinking and evolve their business models.

The changing needs of clients, along with the well known regulatory and technology changes, are the main catalysts. These have implications for business models, the types of skills staff will need beyond technical knowledge and the processes required to effectively service the clients of the future.

To succeed and grow, it's essential to respond effectively to these changes.

Clients driving change

Clients want more from their accountants. They are demanding more value, transparency, real-time data and forward-looking advice. They are becoming increasingly savvy when it comes to options, are becoming less loyal over time and are willing to explore other providers.

With growth a key challenge for many in the industry, it's crucial to meet the changing needs of your clients, because highly satisfied clients are the key to more referrals.

If you can deliver a truly exceptional experience to your existing clients, they are much more likely to refer you to their family and friends.

In July last year, Macquarie surveyed 1,500 clients of financial services professionals across Australia to understand the drivers of client satisfaction.

According to research findings, the top three attributes that matter most to clients include:

1. the ability to find financial solutions that meet my needs
2. keeps me informed
3. proactively manages my financial affairs.

Interestingly, the attributes that many of the roundtable participants believed were most important to clients, including fairness of fees and financial knowledge, did not rank in the top 10.

Unlocking potential within your existing client base

Macquarie's research confirmed that the more satisfied clients are, the more likely they are to refer you to family and friends. However what was surprising was the difference between the likelihood for clients to refer you based on satisfaction scores: the difference between satisfied clients (with a satisfaction score between six and eight) and highly satisfied (with a satisfaction score between nine and ten) was a massive 71 per cent.

This highlights the importance of focusing on what matters most to clients to boost client satisfaction. Providing exceptional and thoughtful client service and being proactive and responsive inspires confidence, which helps to increase the number of referrals from your existing client base.

Tips

- Technology can be an enabler to help you keep clients informed, by increasing your touch points, and can also assist you with having a forward-looking relationship with clients and plan ahead, demonstrating your proactive approach.
- Complete an in-depth survey with your clients annually to truly test how your firm is travelling with client engagement. The survey should include questions about the client's propensity to refer new clients as well as reveal their expectations of your practice.

> "The GST was a free-kick. Now we have to develop a service package that involves building a relationship."
>
> *AGN roundtable participant*

The changing landscape

Of the 13.5 million individual tax returns submitted to the Australian Taxation Office (ATO) last year, 74 per cent were submitted using a registered tax agent[1]. The number of Australians using tax agents for this purpose is expected to decrease significantly over coming years, as the ATO looks to further automate the process, making it easier to lodge returns directly.

The implications for accountants are clear: with less compliance work coming through the door, proactive accountants need to evolve their offering and seek opportunities to move from a transaction-based relationship, to one with more frequent touch points and value-add services to better meet the changing needs of clients.

The commoditisation of compliance has given way to a whole new layer of services that firms need to provide to create perceived value. Importantly, partners need to be overt in how they are providing that value.

Firms doing it well

Business services and consulting are key areas of focus for growth-oriented practices. These firms engage with their small to medium enterprise clients (SMEs) on a monthly basis – in some cases, as an outsourced CFO service. A fixed fee is direct debited monthly, creating certainty with respect to cash flow. This certainty has the added benefit of helping to create a better multiple or valuation for the practice.

Sales is not a dirty word

It's also important that staff members are able to identify cross-sell or up-sell opportunities at every touch point with clients. For example, while a client might start as a simple individual tax return client, by asking the right questions and building a relationship, that client can soon turn into a much more profitable business or self managed super fund (SMSF) client, or potentially a financial planning client.

However, roundtable participants across the country flagged this as a challenge, because their staff members do not see themselves as sales people nor do they want to sell. This gave rise to a robust discussion about the change in skill-sets that staff will need to have to service their clients moving forward.

As back-office processes become more streamlined, automated or even outsourced, there is likely to be a far greater presence required in the front office to help manage the relationship with clients. Firms that are adjusting their models for the future have a larger percentage of staff focused on client acquisition and engagement compared to back-office staff.

As a result, there was widespread agreement among participants that interpersonal skills have become a much higher priority in recruitment decisions compared to previous years, when technical knowledge may have ranked higher. This has implications for how training time is spent. To date, most practices have focused on technical training, providing very little interpersonal or soft-skills guidance. Given that practice principals flagged Generation Y in particular as preferring to avoid client-facing activities, it is clear that firms need to invest more into training and development in this area to get results.

What are progressive firms doing?

More firms are using psychometric testing and role playing during the recruitment process to see how candidates interact. Some firms ask candidates to video themselves prior to being interviewed, so they can see how the candidate presents and talks.

For existing staff, external consultants are being utilised to provide training to staff at all levels, including front desk staff. Other firms have hired either full-time or part-time learning and development managers to help develop staff.

However, soft-skills training alone may not be sufficient, as firms may not be able to transition existing staff members, who have traditionally focused on technical work, into more sales-focused roles. New talent may be required to have a genuine impact. Progressive firms are promoting or recruiting talented managers whose primary focus is on evolving the business to increase the firm's value. In Macquarie's experience, those firms with an entrepreneurial mindset have greater growth trajectories.

Case study

One firm is looking to employ non-accountants with either a sales or marketing background to set-up and attend all initial meetings with prospective clients in order to win new business.

> "You need more people willing to make eye-contact rather than just crunching away."
>
> *AGN roundtable participant*

[1] The Australian Taxation Office Commissioner of Taxation Annual Report, 2012–13.

Scale and efficiency

Technology has been a genuine game-changer for the industry in recent years, with the emergence of cloud-based software helping to drive back-office efficiencies, but also changing the nature of client relationships.

The applications coming out of the cloud enable a proactive, forward-looking relationship with clients. Accountants have access to real-time data and dashboards, which not only act as a prompt to have more frequent conversations with clients, but also help to facilitate conversations with clients about where they want to go in their business and how to drive their profitability, rather than simply looking at historic data.

In addition, technology helps to bring down the costs of doing business, which raises a number of questions and opportunities. For example, with technology automating compliance work, do accountants charge the same fee, or take the opportunity to spend the extra time on more value-adding services?

Roundtable participants were quick to point out, however, that investing in technology does not necessarily yield an instant return.

The firms that are realising true value from new systems are taking the benefits of the technology beyond efficiencies. These firms are leveraging technology to increase client engagement, by providing clients with regular updates and insights based on real-time data. They are leveraging these capabilities across all devices, including smart phones and tablets, in line with evolving client needs.

Tip

- Being proactive has become increasingly important, which has led some firms to set goals for the number of business clients that they are converting to the cloud each week.

Planning next steps

Acquisition is the backbone of a number of firms' strategic plans to acquire new clients and grow. This trend will likely see an increase in competition between larger firms offering more services as they attempt to provide a compelling value proposition to clients to conduct all their financial affairs in the one place.

Growth-oriented firms are also seeking partnerships or joint ventures to bring in specialist services and effectively create a one-stop shop for clients.

For partners looking to buy-in or exit firms, there might already be large amounts of old-partner debt on the balance sheet. It may mean some firms can't expand and grow because they are unable to use leverage. Planning ahead is key.

Having a blueprint for the exit of partners from your business not only helps the future interests of exiting partners, but can be used to help plan the growth strategy of the firm and to retain key staff.

Younger partners or future partners can become disenfranchised if succession plans are not communicated clearly and early, which may cause them to leave the business prematurely.

Case study

One firm has a documented succession plan that clearly outlines how junior partners acquire equity and transition to ownership of the business. This plan includes specifics on the valuation model and outlines the dates when transition will occur, including the retirement dates of exiting partners. The impact of this approach is that younger partners are far less likely to leave because there is a degree of certainty, and they are focused and motivated to grow the value of the firm.

Outsourcing

With top-line growth an ongoing challenge, freeing up time to focus on the acquisition of new clients is more crucial than ever. To that end, outsourcing has become increasingly common in the industry in an effort to enable staff to spend time on value-adding activities, including business development.

In addition, outsourcing is being used in some cases to help eliminate key person risk. For example, for firms relying on a key person to do a specialist role such as SMSF administration, it may be worth considering outsourcing that function until the business hits a critical mass or achieves scale in that service.

> "Accountants are turning away clients if they don't fit their service model. Firms doing it well are disciplined and focused."
>
> *David Clatworthy, Head of Accounting Segment, Wealth Management, Macquarie on achieving scale.*

Action plan

For driven accounting firms, it's all about clients. These firms are evolving their business models and processes, investing in technology and developing their staff to facilitate proactive, forward-looking relationships with clients. The firms outstripping the others also have niche markets and are focused on who they are targeting, but are also clear about who falls outside their service model.

To maximise the opportunities of the evolving industry and client needs, now is the time to re-evaluate your business strategy.

Have you considered…

1. **Who your ideal client is.** What makes them tick? What frustrates them? What is it that they are they looking for, that your company can provide them with?

   In the light of the above, consider your **brand's positioning** within the marketplace. What makes you stand apart from the competition in regards to your offering? What makes your ideal client choose you over another provider? Aim to articulate this in an elevator statement – one sentence that sums your business up and that you could explain to someone in the time it takes to ride an elevator. This statement should then become the lens that you apply to all business decisions you make moving forward. Finally, as a part of your positioning, consider the values that you want to portray to your clients and ensure that all of your staff are aware of these so that they too can reflect them in their client dealings.

2. What are your **strategic objectives** across the next 12 months, three and five years? Do your objectives need to evolve? Strategic objectives should always be quantifiable, so that you can measure your success as you progress, and they don't necessarily always need to be financially focused. Consider including objectives based on client satisfaction and staff retention, as well as how much revenue and profit the business is aiming to make in a set period of time.

4. What are your **individual strategies** that will help you achieve the above objectives? When building these out, consider developing a strategic roadmap by business area, for example, HR or marketing, to provide as much clarity as possible on where you want to head. This will also assist in communicating your strategy throughout your business and engaging your team in implementing it.

5. What **resources** do you need to acquire or retain to deliver the above? Consider things such as:

   - **services offered** – are your clients looking for more services than what you currently offer? Consider how you might be able to facilitate an extension of services to provide them with what they are looking for and in turn gain a greater share of their wallet? It might be that you decide to formulate an official referral arrangement with other businesses that have a similar ideal client base to yours or a business that is similar in its values. Or, it might be that you decide, and have the capital to acquire a business that suits your strategic objectives. Finally, you may decide that you can up-skill your staff and undertake licensing so that your team can service more of your clients needs, in a more efficient way
   - **staffing** – consider what skills your staff members need to offer as you move forward into executing your new strategy? If your current staff base are unable to immediately fulfil these needs, what type of staff skill-set might be able to, and how can you best go about bringing these members into your team? When thinking about these new staff requirements, consider whether training or up-skilling your existing staff members is feasible or whether the role really does require a specialist. Finally, from a staff retention perspective, successful businesses will often think about what other initiatives or policies can be introduced to assist in attracting and keeping the highest quality staff members?
   - **technology** – what solutions do you need to meet the needs of your ideal client? Should you be thinking about the cloud and what impact it might have on your current infrastructure? Could a technological solution help you achieve other objectives, for example being more responsive and proactive towards servicing your client base through regular communications? Consider how you can leverage technology to streamline your measurement and reporting processes to provide a more real-time view of your successes and opportunities
   - **brand profile and marketing** – when thinking about your approach to marketing your brand, consider your brand positioning and ideal client. How and where will you be able to reach them? What channels would they prefer you communicate to them through and how often do they want to hear from you? Once you establish the answers to these questions, you should consider setting up a regular communication program that will allow you to forward-plan your communications and what information you are sending to your clients. Also consider how you can be raising your profile and using your existing clients to find new ones. We know that events often provide a successful platform to achieve this, so think about what event might suit your base, that you can play a role in facilitating
   - **measurement and review** – in order to understand how impactful the changes you implement are, you need to ensure that all of your activities have established quantifiable key performance indicators (KPI's) at the outset and that you progressively check in to see how you are tracking against them. This reporting should be reviewed by relevant staff on a regular basis, with opportunities for optimisation identified and built progressively into your plans moving forward. Remember, your short-term strategy should be an evolving document, not something that you set and forget.

Speak to a Macquarie team member for more information on how we can assist you in making the most of this opportunity as we head into the next phase of the accounting industry's evolution.