

# Implementing Value-Added Services



BY DAVID CONNELL FCA FCPA

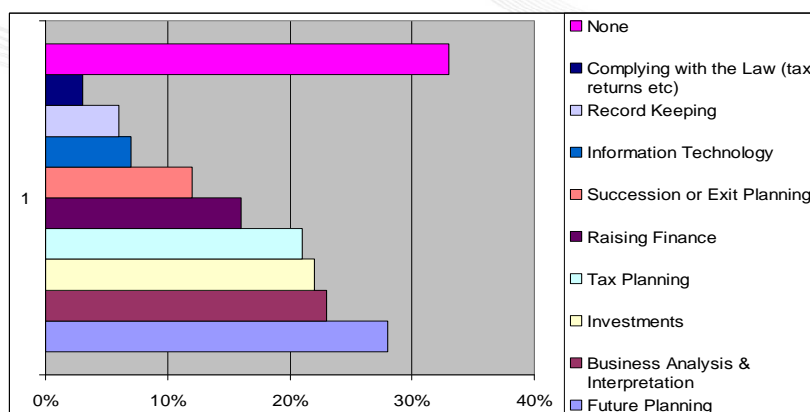
We travel a great deal and meet many practitioners around Australia and New Zealand. One of the most common questions ANZAN Professionals consultants receive is “How do we establish specialist services?” and “How can we add value to clients in a more effective way?”

The most recent ABS (Australian Bureau of Statistics) report into our profession, albeit now five to six years old, shows that accountants are very highly dependent upon compliance work for revenue although we suspect that most firms do not draw a clear distinction in their timesheets for ‘special’ requirements – rather this work simply becomes lost in the normal time recording for compliance activity.

Around fifteen years ago an excellent report was produced as an outcome of a survey completed by the Business Owners’ research Group. It revealed that business owners held their accountants as their ‘Trusted Advisor’ but had major concerns that they were not receiving the help and assistance needed to grow their businesses. The message was clear – small business owners wanted more from their accountants. Out there in their businesses they are prey to virtually the whole gamut of Shakespeare’s ‘slings and arrows of outrageous fortune’. All too often they have nobody to turn to. They are often overwhelmed by situations they know little about. Not surprisingly they don’t like big firms; they like small firms. The message was that they would like to use accountants more if they felt that they weren’t just human calculators and understood more about the services that an accountant can provide.

A report prepared by RSM Bird Cameron in 2005 revealed very similar results –nothing had changed in twelve years despite enormous change in software, hardware and systems generally. A further report in 2007 by Sage titled ‘A New Breed of Accountant’ revealed a very strong need by business clients for a ‘new breed’ of accountant – one who is more of a business advisor and more entrepreneurial. In May this year ANZAN Professionals presented ‘Fields of Diamonds’ to the National Practitioners Symposium at the Hilton in Sydney. The session looked at the opportunities available to accountants today and referred to a 2004 New Zealand survey ‘What do our Clients want’ (see table below). It also highlighted the need for future planning and business analysis. It showed that about one third of accounting clients really don’t want anything – they’re simply clients because of a legal requirement to lodge tax returns, etc. This highlights the need to ensure that a proper client categorisation/segmentation system is in place to properly identify those clients that not only want support but will listen to advice, value advice and pay for it. Other research confirms that same ... clients want more.

## What do our clients want?



AMR Interactive, July 2004



Our Governments have ensured that accountants have plenty to do by introducing and changing complex legislation. What results is the challenge of screening or culling clients and assignments. The recent announcement by the Rudd Government of a full review of our Federal tax system ensures that this process of so called 'simplification' will continue to keep us busy. For most, marketing and selling skills have not been necessary as we welcome any fee paying client. Compliance can be very profitable and this has encouraged the leverage of firms through staff numbers rather than value. Even in a recession, it has simply been the case of 'putting bums on seats'.

The 'Fields of Diamonds' presentation referred to the undiscovered or untapped work in client bases. There is extra revenue available through, practice improvement and then by implementing services such as financial planning, strategic planning, estate planning, succession planning, financial analysis, coaching and much more. ANZAN Professionals has been involved in practice improvement consulting for fifteen years. Now fully owned by Lonsdale Financial Group, ANZAN has very strong resources to assist firms at a very practical level. Our experience reveals that when a firm seriously focuses on strategic planning and a business plan, bottom line improvement invariably follows and we have seen improvement in the bottom line up to five times and more.

Some years ago a group known as Results Corporation produced very good systematized approaches to accounting services. Today there are now many more organizations, offering better systems, yet practitioners still have trouble moving forward (FTI or failure to implement was a term often used). Many competitors from other professions are now moving in on traditional accounting areas of service to fill the gap e.g. financial planners and solicitors are targeting succession planning. 'Coaches' and 'mentors' are now plentiful and yet Accountants are the original, highly trained business coaches. At a time when so many engage coaches for all manner of things – fitness, speaking, dress, study– accountants are missing the best opportunity in promoting themselves as business coaches. Many non accountants have now entered that field and are potentially damaging clients.

It is possible to contract out or outsource virtually all compliance work so that an accountant working from a single desk could manage say \$3 million in fees, maintaining the client relationships and controlling the contractors. A good profit margin should not be difficult to achieve providing contracts are properly negotiated and managed, ensuring that you pay only for productive time and bill on value. There are so many good systems available today that it is now possible to effectively outsource all compliance work, through groups such as 'Beancounter' in NZ, all financial planning, loan re financing through groups such as DKN Financial Group and Lonsdale Financial Group, document preparation, entity establishment and estate planning, through groups such as Topdocs, succession planning, financial analysis, superannuation fund administration and audits. The list goes on.

There is a reluctance to outsource services to experts and we are missing out on many opportunities because of this. Sometimes accountants are even reluctant to pass on work to partners in the same firm.

So why are we having this difficulty?

Some of the problem lies in the fact that accountants 'allocate' one specific person to the task of say looking after estate planning or succession planning and that person develops the skills and experience. Eventually the firm is dependent upon that person. Perhaps along the way that person received no credit or recognition for the time and effort in effectively building a new business and becomes disillusioned to the point of leaving the practice – so too does the service.

Generally speaking accountants have done very well in developing financial planning services. So it is important to consider the following:

- A distinction made for this new service
- Resources allocated
- Budgets set
- Strategies determined
- A business plan for this service
- Often separate entities
- Separate qualifications and training
- Strong support network
- Serious focus on training
- Separate and very strict legal requirements to be adhered to

Our experience shows that when it comes to implementing additional services, there are no silver bullets. The development of each business takes time and effort to produce the rewards. Organizations such as DKN Financial

Group and Lonsdale provide a dedicated, experienced Business Manager service to assist businesses to grow into the model they seek.

Succession planning, estate planning, strategic planning, financial analysis, coaching and mentoring can all be systematized in a firm to involve everyone so that it becomes a 'firm' service, not reliant upon one person. However, few firms are prepared to allocate the resources to make this happen when they are so busy doing it, with compliance work. To set up a whole new systematized approach to a new service takes at least two to three years with likely losses in the early stages. Few firms or practitioners have the patience for this when there is so much work to be done now.

With so many good 'packages' available now, you do not have to reinvent the wheel. Simply log in to the many application service provider websites such as Topdocs. Another that I have only come across in recent weeks is . Another site, [www.xero.com](http://www.xero.com) looks as though it could be a very strong rival to BankLink (a very good service) and provides similar services. New providers are constantly entering the market and it pays to be aware of what is happening. Our practitioner networks across Australia and New Zealand have been established to do just this, avoid reinventing business processes and ascertain which services work and which don't. Contact ANZAN today for details of membership- see details below – or access our website [www.anzan.com.au](http://www.anzan.com.au) ).

Instead of focusing on implementing the new service, focus on what the specific needs of your individual 'A' Class clients are (assuming that you have categorized your client base) using a one page plan approach such as the example below. This is an actual case and is a very fast growing business, but many clients will have similar requirements. In another fairly extreme example, staff in a workshop completed this exercise for a mum and dad one truck courier business with fees of \$3,500. They identified over \$70,000 of additional services. Quite obviously mum and dad were unlikely to accept all of these services but it is a good example of what is possible. By compiling one page plans for all of your 'A' Clients you then have a target or budget to work to and can calculate the staff needs and specifically allocate assignments.

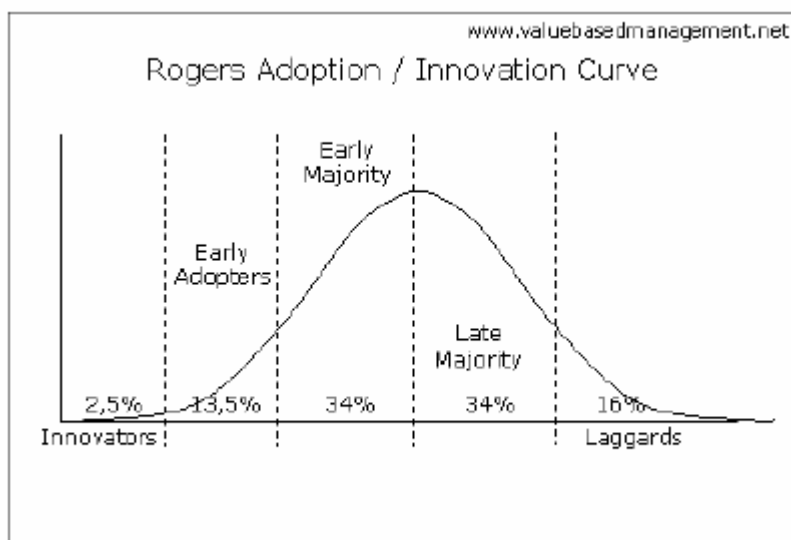
NOW		WHERE
<p>Started in a garage – looses in 2001</p> <p>Supplying supermarkets</p> <p>\$20 mil turnover/ \$1 mil profit</p> <p>Mum &amp; Dad (60's) – now son involved</p> <p>All compliance</p> <p>Reactive</p> <p>Financial controller in place</p> <p>\$50,000</p>	<p><b>Blogg's &amp; Co</b></p>	<p>Div 7A problems \$10,000</p> <p>Withdrawing funds – trust &amp; Coy. \$25,000</p> <p>Training for son – management \$5,000</p> <p>Succession planning \$10,000</p> <p>Competitor analysis \$5,000</p> <p>Strategic planning – business plan \$8,500</p> <p>A disaster plan \$3,000</p> <p>Audit on quality control / systems review \$2,500</p> <p>Waste Audit \$3,000</p> <p>OHS Audit \$5,000</p> <p>HR plan/ strategies \$1,000</p> <p>Staff training \$6,000</p> <p>Choice of Super \$1,000</p> <p>Audit for Investor Ready \$6,000</p> <p><b>Total additional potential Fees \$91,000</b></p>
STRATEGIES	ACTION PLANS	TIMING - Who & When By
Draft a presentation / proposal		
Analyse the 'where' items		

In another case a simpler approach was taken – the principal knew there was much to be done in the practice but hadn't undertaken any analysis so we obtained a client list (of 'A' Clients) and worked through the list client by client discussing their special requirements and attempting to place an estimated fee figure next to each client. To the principal's astonishment the figure came to \$600,000.

In yet another case we estimated the number of 'baby boomer' clients in the practice – the total was 600. We established an approach to be taken with these clients as a starting point only – this basic starting point was, surprisingly, a \$1,000 fee – total in the practice \$600,000.

Packaging and fixed pricing is yet another strategy.

The Rogers Adoption/Innovation Curve (see below) is true of the accounting services market as of any market and the 'innovators' and 'early adopters' are busy developing these fields of diamonds now – 84% of the market is still working on compliance and waiting to see what happens.



Don't wait for the rest of the industry to make a move. Be proactive in implementing additional services within your business. Contact us today to access our range of consulting packages tailored to Accounting practices or our Network meetings. These practice management workshops provide valuable peer to peer networking opportunities and the chance to discover what other practitioners are doing. The ANZAN Professionals team are not business consultants, they are fully qualified accountants who have successfully built their own accountancy practices. They know what works because they have the experience of having done it themselves. Contact us today.

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