

GLOBAL
EDITION

INCORPORATE ADVISORY
YOUR PRACTICAL GUIDE
MY FIRM. MY FUTURE.

CPA
AUSTRALIA



Acknowledgement

CPA Australia would like to acknowledge the valuable contribution of Peter Knight FCPA, Director, Knight Partners Pty Ltd, whose insights and expertise helped to shape the content of this practical guide.

© CPA Australia Ltd, 2020. All rights reserved.

The reproduction, adaptation, communication or sale of these materials ('the Materials') is strictly prohibited unless expressly permitted under Division 3 of the Copyright Act 1968 (Cth). For permission to reproduce any part of these materials, please contact the CPA Australia Legal Business Unit - legal@cpaustralia.com.au.

DISCLAIMER

CPA Australia Ltd does not provide any warranties or make representations as to the accuracy, completeness, suitability or fitness for purpose of the Materials and accepts no responsibility for any acts or omissions made in reliance of the Materials. These Materials have been produced for reference purposes only and are not intended, in part or full, to constitute legal or professional advice. To the extent permitted by the applicable laws in your jurisdiction, CPA Australia Ltd (including its employees, agents and consultants) exclude all liability for any loss, damage, claim, proceeding and or expense including but not limited to legal costs, indirect special or consequential loss or damage, arising from acts or omissions made in reliance of the Materials. Where any law prohibits the exclusion of such liability, CPA Australia Ltd limits its liability to the resupply of the information.

CONTENTS

INTRODUCTION	04
PART ONE BUILDING YOUR ADVISORY STRATEGY	06
PART TWO BENEFICIAL ADVISORY TOOLS	10
PART THREE FROM IDEA TO IMPLEMENTATION	16
PART FOUR BECOMING A TRUSTED ADVISOR	18
ADDITIONAL RESOURCES	22

INTRODUCTION

Digital technologies are fostering new client expectations. If cloud-based software can provide a high-level snapshot of business progress and automate compliance tasks, what value can clients expect from their accountant that can't be matched by a machine?

An accounting business of the future will be expected to go beyond the base-level number crunching work. One of the most in-demand services from SME clients is business advisory.

In 2019, CPA Australia released its *MY FIRM. MY FUTURE. Report*, which identified key themes that will be crucial for accounting firms to consider as they respond to the forces reshaping the profession.

These key themes were leverage technology, incorporate advisory, do better business and look to specialise. How each theme impacts a practice's strategy will be influenced by the vision and goals for that practice, however all four themes are essential for building a sustainable firm for the future.

Developed in consultation with subject matter experts from across our membership and the wider industry, these practical guides provide you a roadmap for success.



ALMOST 70% OF SMES WOULD LIKE THEIR ACCOUNTANT TO PROVIDE BUSINESS ADVISORY SERVICES OVER THE NEXT 5 YEARS.

Business advisory services has emerged as a key factor shaping the future of public practice. Consumers and SMEs are beginning to expect more services from their accountant, including business advisory.

As the expansion from compliance services gathers pace, successful accounting firms of the future must adapt to meet the growing demand for advisory services. This practical guide is designed to help you with this.

It includes advice on building and implementing your advisory strategy, as well as recruiting and developing client-centric staff to help support more proactive, hands-on advisory activities.

There are tips for the kind of technology that can help to strengthen client relationships and collaboration, examples of how to build an agenda for client planning meetings and methods for pricing your valuable advisory offering.

The aim is to help you incorporate advisory services into your business in a way that adds value to your practice – and for your clients.

PART ONE

BUILDING YOUR ADVISORY STRATEGY

Just as technology continues to evolve, the nature of client relationships is changing too. How can you meet the new needs of your clients and uncover the value behind the numbers?

For many accountants, incorporating advisory services can seem daunting, so here are some questions to get you started:

How solid is my foundation?

Incorporating advisory may not require an “out with the old and in with the new” approach. If you’ve been working with the same clients for many years, there’s a chance that you’ve already been providing some form of advisory service, such as tax planning, budgets and cashflow management.

When considering building your advisory strategy, look at the skills you already have, such as:

- Business planning
- Budgets and cashflow management
- Rolling forecasts
- Setting financial targets.

These are the fundamentals that can be built on to form the basis of valuable conversations with clients.



ADVISORY TIP!

Prepare an engagement letter.

A well-worded engagement letter can communicate services to clients and improve transparency – clients can be clear on what they will get for their money. Ensure your terms of engagement are clear – it is vital to state what advice and services you will and will not be providing to avoid misunderstandings.

THE FIRST STEP IN BUILDING ADVISORY INTO YOUR PRACTICE IS UNDERSTANDING WHAT TYPE OF SERVICES TO PROVIDE.

PART ONE

BUILDING YOUR ADVISORY STRATEGY

What advisory services do I want to provide?

Along with general advisory, such as business planning or budgeting, you may choose to add additional specialist capabilities around areas such as:

- Business strategy
- Business transformation
- Mergers and acquisitions
- Succession planning
- Performing the role of a virtual CFO.

Such higher-value services may attract a broader client base and generate new income streams. Consider the needs of your existing client base, the demand within the broader market and the services that are of greatest interest to you. If you're interested in it, you will be happy to spend time developing skills in this area.

How well do I know my clients?

Getting to know and understand your clients – as well as their business – will help you to be of service to them. The more time you take to know them and their business, the better you will become at anticipating their needs and adding value to their business.

What do my clients need?

Shape your services to match the needs of your existing clients – as well as those in the wider market. Be aware that sometimes your clients may not know what to ask for and you may need to educate them about the services you can provide. Advice for developing a needs analysis is covered in Part 3 of this guide.

Do I have the right team in place?

Advisory services require more than technical skills. Client-facing roles demand clear, concise communication and active listening skills.

Additional skills across your team may also include data analytics and financial analysis. Building advisory skills across your team will be explored in Part 2 of this guide.

What technology will assist in my advisory services?

Digital reporting and communication tools can help you to gather and share insights efficiently. There are tips for this in Part 2 of this guide.

How should I price my advice?

Pricing of advisory services can be a challenge as it generally requires a shift from hourly billing to fixed-fee or value-based pricing. Pricing models are explored in Part 2 of this guide.

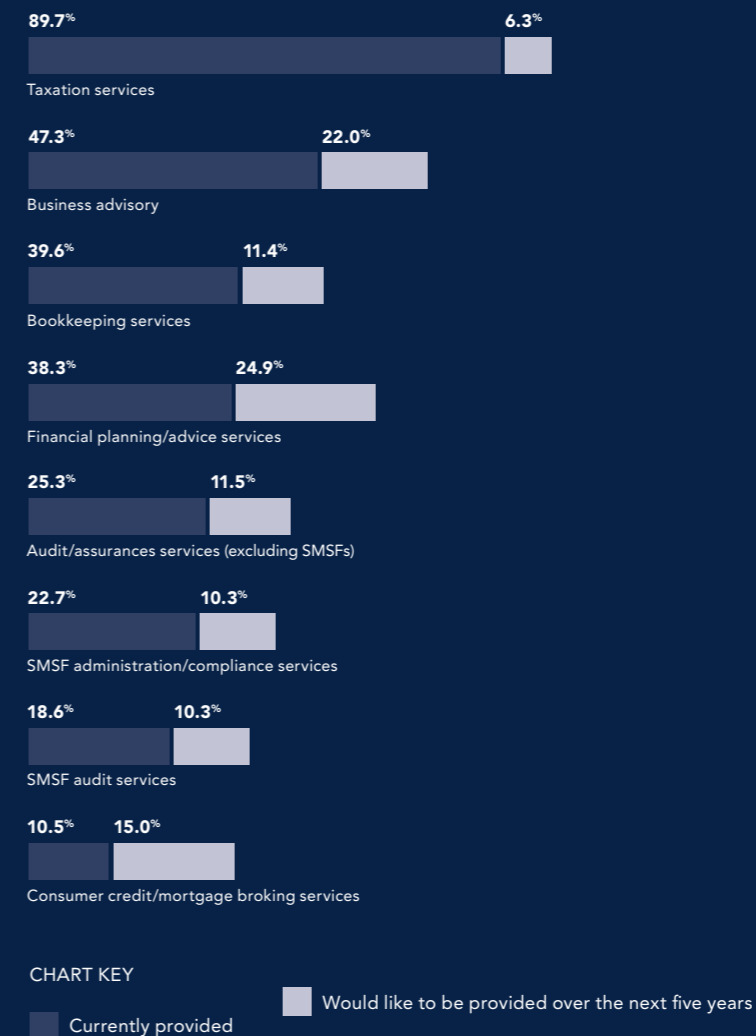
What advice model should I use?

Common business advisory service models include:

- Business management and profit improvement, including business analysis and strategy, cost analysis and reduction, cash flow analysis and forecasting, debt consolidation, and more
- Corporate restructuring
- Virtual finance department services, including bookkeeping services, payroll and software
- Outsourced human resources, including remuneration packaging, share options, bonus schemes and non-cash benefits
- Asset protection services, including structural advice (including trusts and tax planning), risk assessment, disaster planning and recovery, pension planning and insurance
- Virtual CFO services
- Succession planning strategies
- Business mentoring or coaching.

SERVICES YOUR ACCOUNTANT PROVIDES

SMEs were asked which of the following services does your accountant currently provide and which would you like them to provide in the next five years.



*Multiple answers allowed
n = 401, SMEs
Source: CPA Australia's survey of consumers and SMEs September 2019

ADVISORY TIP!

Build on what you already know.

Ask yourself: Do I have the right skillset? Identify the gaps and consider how to fill them. For example, do you require more training or should you consider recruiting new members to your team?

PART TWO

BENEFICIAL ADVISORY TOOLS

Now that you've identified the advisory offering it's time to build your capabilities. You'll require a combination of technology and interpersonal skills.

TECH TOOLS

Just as technology continues to evolve, the nature of client relationships is changing too.

A wide range of tech tools are included in the MY FIRM. MY FUTURE. Leverage Technology Guide. to help you to choose the best software for your business. But, when it comes to incorporating advisory services, there are two key tools to help you on your way.

1. Cloud-based technology

Collaborative software, such as cloud-based general ledger systems, is helping to reposition accounting firms from service providers to trusted partners. The quality of real-time client data allows you to be future-focused and to offer services more cost effectively.

Cloud-based technology is projected to have the greatest impact on accounting practices over the next five years. It is similar to traditional, on-premises accounting software, except it is hosted on remote servers, similar to the SaaS (Software as a Service) business model. Data is sent into "the cloud," where it is processed and returned to the user and can be accessed anywhere, anytime, from a secure web browser.

It can present a slightly overwhelming array of choices, so seek input on what best meets the current and future needs of your clients and your team. Speak to your team members and ask other practitioners what works for them. Also, speak to vendors about how their offerings can help drive advisory business.



CLOUD-BASED TECHNOLOGY IS REGARDED AS HAVING BY FAR THE MOST CRITICAL IMPACT ON ACCOUNTING PRACTICES OVER THE NEXT FIVE YEARS.

PART TWO

BENEFICIAL ADVISORY TOOLS

2. A CRM solution

Value and outstanding customer service are essential to successful advisory offerings.

While sole practitioners and very small businesses may be able to manage client relationships without specialised software, larger practices may benefit from a Customer Relationship Management (CRM) system.

To gain the benefit of a CRM system, your business needs to ensure that all interactions by partners and staff are captured.

An integrated CRM solution can:

- Manage your customer data centrally and allow it to be accessed from anywhere via the cloud.
- Manage documents and knowledge efficiently, from engagement letters, contracts and quotes to documented advice.
- Manage customer relationship databases, including sending targeted emails to customers.
- Save time by pushing invoices from your accounting system automatically, or establish monthly payment arrangements, which will also improve cash flow.
- Personalise emails to a group of selected contacts.

Demand for data analytics

Many accountants see data analytics as a way of bridging a gap between accounting and advice, as well as a means of delivering more valuable insights to clients.

CPA Australia's survey of SMEs shows that 44 per cent say they don't have the resources to make the most of their business information, and just under 40 per cent of SME clients of accounting firms are currently assisted by their accountants in data analysis.

A further 18.2 per cent of clients say that they would like this assistance but don't get it. This presents an opportunity for the successful firms of the future to engage with SME clients.

You may have already collected a significant amount of data during meetings, calls, emails and cloud-based general ledger systems. This data can be a first step in signalling recurring problems and challenges that can help you to increase your firm's offerings in ways that are meaningful to your clients.

OVER 1/3 OF CONSUMERS AND SMES WOULD LIKE THEIR ACCOUNTANT TO PREPARE THEM A HOLISTIC BUSINESS PLAN.

ANALYSING DATA AND INFORMATION

Data Analytics opens a world of new opportunity for accountants to provide more value-adding client services.

Over 400 SMEs were asked if their accountant provided them with assistance in analysing and making the most of the data/information that they had in the business.



n = 401, SMEs
Source: CPA Australia's survey of consumers and SMEs September 2019

ADVISORY TIP!

Build your network.

Build a network of other specialist practitioners and referrals in order to meet a broader range of client needs. If a client needs help with estate planning, for example, you can coordinate a lawyer and a financial adviser from within your network.

PART TWO

BENEFICIAL ADVISORY TOOLS

SOFT SKILLS

Clear communication is at the heart of strong, long-lasting relationships. It can build loyalty and retention, increase the likelihood of referrals and strengthen your position as a trusted business adviser.

1. Leave the jargon at the door

Speak to your clients in a language they understand. It's a form of data collection that is more powerful than cloud-based technology. When providing an advisory service make sure to explain how it benefits them.

2. Ask open-ended questions

The way you ask a question determines the kind of answer you get in return.

Closed-ended questions are usually answered with a single word – 'yes' or 'no'. Open-ended questions generally begin with words such as 'who', 'what', 'why', 'how', 'which' and 'when'. The answers tend to trigger further discussion and points for action.

Prior to meetings with your clients, prepare a list of open-ended questions, which can help form the structure of your discussion and lead to valuable insights.

- What... are your 3 most important goals in the next 6 months?
- Who... do you need to work with more closely in your team?
- Which... strategy should we use to approach your target market?
- How... much profit do you want to make next year?
- When... do you plan to retire/ put your succession plan into play?

3. Developing your team

While software is a vital tool for your business, clients are likely to choose an accountant's advisory service based on its people.

When preparing to add advisory services, share your vision with the team and how it can benefit them.

To identify which staff are best to take on client-facing or analyst roles, sit down with each team member to:

- Discuss their knowledge, goals and key interests.
- Determine how this can convert into a new service offering, such as succession planning, business valuations, due diligence or business coaching.
- Identify knowledge gaps between current knowledge and what could be required to provide a new service.
- Explore additional training options or consider recruiting new team members. During the job interview, focus on communication, interpersonal skills and technical knowledge.

PUTTING A PRICE ON ADVICE

With technology automating many compliance tasks, the traditional hourly rate structure is being challenged – today's transactional work simply takes less time.

If your aim is to become the trusted advisor for your clients' financial matters, value should be located in your financial expertise rather than your time.

Value-based pricing

Value-based pricing calculates the price of a service based on the benefits it provides for the client, rather than what it costs to deliver.

The structure of your pricing may depend on your clients.

A monthly retainer may be appropriate for large clients who require a greater depth of service.

You could also consider setting a fixed price for certain services, such as a 3-hour planning meeting. When communicating fixed prices, be sure to explain to your client what they get from it. For example, what will you bring to the meeting, how you will prepare for it and the follow-up reports you will produce after the meeting.

This will help to set their expectations. For instance, if you charge A\$1,500 for a 3-hour planning meeting, the fee per hour becomes less important than the overall value you will provide.

Another way to introduce value-based pricing is to group services into bundles – such as 'gold, silver and bronze' and charge a set amount based on the value they bring. The price is fixed up front, so your clients know what they will be paying.

The following menu of services is an example.

SERVICE	BRONZE	SILVER	GOLD
Cloud technology	✓	✓	✓
Bookkeeping	✓	✓	✓
Monthly reporting	✓	✓	✓
Tax returns	✓	✓	✓
Cash flow forecasting		✓	✓
Business planning		✓	✓
Business coaching		✓	✓
Virtual CFO			✓
HR advisory			✓
Capital raising			✓
Advanced consulting			✓
PRICE	\$	\$\$	\$\$\$

PART THREE

FROM IDEA TO IMPLEMENTATION

Now that you have what you need to incorporate your advisory offering, it's time to start promoting your new services. Where should you start?

Advisory services won't necessarily appeal to all your clients and it may take time to roll them out to the clients who require them. Here are the smart steps to get you started.

Gauge interest from your existing client base

Not all clients know what they need, or how to ask for it. To determine their interest, offer a free needs analysis – a face-to-face meeting to talk about their issues, strengths, weaknesses, risks, funding challenges and succession planning, based on a prepared list of open-ended questions.

A needs analysis is also an excellent relationship-building exercise. It shows clients that you are interested in all parts of their business. It will give you a deeper understanding of what the client needs, so you can shape your service accordingly.

Introduce a planning meeting

Show an interest in your client's business at more than the transactional level.

An example would be to offer a planning session for the next 6 – 12 months.

A planning session should focus on the core areas of every business:

- Governance
- Marketing and sales
- People and operations
- Administration and finance

Each of these areas has a financial impact. Compare the current budget to last year's and check expectations for next month / quarter results.

Your role is to ask open-ended questions that relate to each of these areas, such as:

- What has changed and how?
- How should we adapt?
- What should our new strategy look like?

EXAMPLE AGENDA OF A PLANNING MEETING

1. Business goals and objectives
2. SWOT analysis
3. Strategic plan
4. Finance and administration – budget and cashflow
5. Sales and marketing – goals and strategies
6. People and operations – issues and plans
7. Upcoming issues (for example, family members are joining the business involved; new management as owner wants more time away from the business; preparing for sale or exit)
8. Date for next meeting

View yearly management accounts as a rich source of data

Your client's yearly management accounts holds a wealth of information. For example, you can present graphs of this year's sales compared to last year's sales, based on data from their management accounts.

This will create a talking point during your meetings. How is their current performance tracking compared to last year's? What has changed and why?

Graphs can also be part of a reporting pack that you send to clients after a meeting. Consider including coaching questions with the graphs, such as "What do you expect your sales to be for the quarter ahead and how will you achieve this?".

Spreading the word

To build your advisory business, consider marketing your services to potential clients. You could focus on specific industries or demographics, for example, or you may wish to hire a marketing consultant, or train an existing employee, to build a marketing plan.

Your marketing expert can advise on ways to promote your services – such as via your website and help you to explore new channels, like social media.

Also, consider creating more regular communication touchpoints with your existing client base. This could include regular newsletters, blog posts, social media, client surveys, seminars and client events.

THE TRANSITION FROM COMPLIANCE TO ADVISORY SERVICES CANNOT HAPPEN OVERNIGHT AND PEOPLE ARE THE ESSENTIAL INGREDIENT.

PART FOUR

BECOMING A TRUSTED ADVISOR

You've successfully incorporated advisory services into your business, but the job's not over yet! How can you deepen your client relationships and expand your services to become a trusted business adviser?

Check in with your clients

Communication is one of the most important advisory skills to build in your business. Show that you have your clients' best interests in mind by scheduling regular check-ins – by phone or video conference, or make time to meet for a coffee. Ask them questions such as:

- How is your business going?
- What are your pain points?
- Do you have enough time for yourself?
- Is there anything you need from me right now?

Be proactive

Your client doesn't want to know what was happening in their business months ago – the value is in knowing what may happen in the near future.

Keep abreast of trends or new legislation in their industry and contact them to talk about how it may impact their business. If their management accounts show an increase or decline in activity, give them a call to discuss what's happening in their business and how you can help.



Develop your team

Depending on the size of your business, you may not be able to provide the depth of service that your advisory clients will expect.

To ensure consistency you may wish to assign 'account managers' for some of your clients. They will be the regular point of contact for your clients and responsible for client-facing communication.

This is also a great way of building depth within your team and providing career progression and professional development.

Have regular meetings with your account managers to discuss client interactions, changes and opportunities for additional value-add services.

PART FOUR

BECOMING A TRUSTED ADVISOR

Build on your advisory services

As your confidence grows, and your clients begin to view you as their trusted advisor, you may wish to refine or increase the advisory services that you offer.

Start by analysing your own operations – just as you would for your clients and identify ways that you can work more efficiently. What technology could streamline your services? Do you have the right team in place?

Next, look at the services you are currently providing and how you could expand them.

For example, at the end of a planning meeting, could you schedule quarterly progress meetings to check in that milestones have been met? Could you prepare a 13-week rolling cash flow forecast? If their business has grown along with their trust in you, could you offer your services as a virtual CFO?

As you plan your growth strategies, ask yourself the following questions:

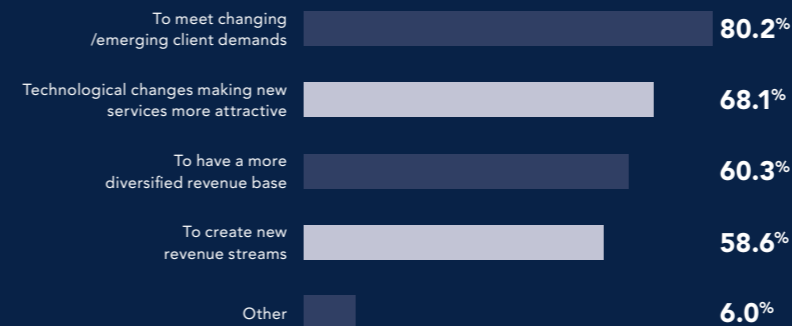
- Which areas of advisory work do I most enjoy (eg, building client relationships; business planning; specialised areas, such as estate planning or mergers and acquisitions)?
- Which services are most profitable for my business?
- What kind of clients do I enjoy working with most (eg, family businesses, specific industries)?
- Which SMEs could benefit from my services and team mix? How can I attract them?

Clients are increasingly seeking in-depth interpretation, projections and benchmarking as part of the service provided by their accountant. These kinds of services can help to distinguish your business from the competition, provide more value to your clients and attract and retain the best accounting talent.

These services will also equate to more revenue as well as longer client. These will help set up your firm of the future.

BROADER SERVICES

Members and accountants in public practice were asked why their practice is likely to have a broader services mix in five years time.



n = 116
Source: CPA Australia's survey of members and accountants in public practice July 2019

ADVISORY TIP!

Remember the Pareto Principle.

Not all of your clients may wish to take up your advisory services, but just think of the Pareto Principle. Named after Italian economist Vilfredo Pareto, the principle states that 20 per cent of your efforts end up producing 80 per cent of your results.

1/3 OF SMES EITHER USE THEIR ACCOUNTANTS AS A VIRTUAL CFO OR WANT TO.

ADDITIONAL RESOURCES

MY FIRM. MY FUTURE. E-LEARNING

MY FIRM. MY FUTURE E-LEARNING is a complimentary suite of online modules designed to help you with all you need to manage and grow a successful business. The suite will enable you to develop a holistic plan tailored to your individual business or provides the flexibility to select topics that are most important to your immediate business or client needs.

This suite of online modules will continue to evolve to address the essential and future business needs.

MY FIRM. MY FUTURE. REPORT

The MY FIRM. MY FUTURE. Report provides an in-depth analysis of the changing accounting landscape. It explores the key forces reshaping the accounting profession and provides public practitioners with the evidence and insights they need to make informed practice and service development decisions.

TECHNOLOGY ONLINE

Refer to our range of online resources for tips on technology, cyber security, data protection, data breaches and selecting an IT service provider.

BUSINESS MANAGEMENT

A range of tools, templates and resources to help you in the management of your business.



THE MY FIRM. MY FUTURE. e-learning suite covers 10 essential business categories

