



Building and Growing your Firm



Module
3

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3.1 Introduction

This module looks at planning and developing your firm, recalling some of the themes covered in [Modules 1 and 2](#). It goes deeper into issues such as developing a growth strategy, building a business advisory practice, coping with increased regulation and competition, marketing, pricing, managing your client portfolio, and how to enhance the “culture” of your firm. The module concludes by considering aspects of financial management.

3.2 Developing a Business Plan for Your Firm

The importance of having a business plan was covered in [Module 1](#). This section recaps the main points. The philosophy behind a business plan is simple. At its heart, there are three key elements:

- a. Where is the firm now?
- b. Where should the firm be going?
- c. How will it get there?

The most important is (b). The answer to this question identifies the key objectives of the firm. Its significance cannot be overemphasized. Unless you know where you are going, you won't know if you are on the right track. If there is one thing about the business planning process that you must do, it is this: clearly define where your firm is going and what it will look like when you get there.

You then need to set about answering (c), which identifies the strategies you will employ to achieve your objectives.

Your business plan must answer these three questions. If it doesn't, it's not really a plan and will most likely not be effective.

3.2.1 A Simple Business Plan Outline

Your business plan identifies the objectives, key strategies and indicators of success aimed at consolidating and growing your firm and its services.

- **Executive summary:** Write this last. It's just a page or two of highlights.
- **Company description:** This includes legal establishment, history, start-up plans, and a summary of “where the firm is now.”
- **Key objectives:** Describe the key objectives of the business: a clear statement of “where the firm is going.”
- **Service description:** Describe what services you're offering. Focus on client benefits, and how you can satisfy their needs.
- **Market analysis:** You need to know your market, client needs, where they are and how to reach them.
- **Strategy and implementation:** Be specific. Include management responsibilities with dates and budgets. Identify the results you can track.
- **Management team:** Describe the organization and the key management team members. Include an organization chart with key areas of operation.
- **Financial analysis:** Make sure to include, at the very least, your projected profit or loss and cash flow tables.

3.2.2 SWOT Analysis

One of the most effective tools to use when you undertake your business planning is a SWOT analysis. SWOT stands for “Strengths, Weaknesses, Opportunities, and Threats.” Opportunities and threats are external to the firm, that is, having to do with the environment within which it operates, while strengths and weaknesses are internal. When applied to your firm, these words prompt thoughts and discussion. The analysis enables firms to identify strategies to match their resources and capabilities to the demands of the environment in which they operate.

The firm regularly needs to consider the opportunities before it and develop strategies to take advantage of these. It is also essential to regularly identify any threats and put in place strategies to minimize the impact of these threats, or to position the business outside their effect.

Strengths

A thorough understanding of strengths is vital as it allows you to become aware of, and build on, these attributes. The strengths typically highlight what is positive about the firm as a workplace and what it is good at doing.

Continually monitor your firm’s strengths, to ensure they remain that way.

Weaknesses (or areas to improve)

These are the areas where you do not perform so well and that you need to work on. If left untreated, these weaknesses can develop into major concerns. It is vital to identify and understand these issues, and put in place plans to turn them around and improve. An open discussion with your team is a useful way to identify these areas; they will often suggest ways to improve or overcome the weaknesses.

Opportunities

This is where it gets exciting! Opportunities represent the vast untapped potential sitting right there in front of you. Opportunities represent what “can be.” In order to move forward, you need to understand what the opportunities are, then determine the most appropriate strategies and actions that allow you best to capitalize on them.

Opportunities bring with them an energy source of their own. They also create enthusiasm and excitement as the firm moves into new areas.

Threats

It is critical to understand the threats facing your firm. These are the issues that could destroy it. It may not be possible to completely overcome the threats, but it may be possible to identify alternative strategies and set contingency plans in place now.

3.2.3 The Organization Chart

The organization chart provides the structure and framework for the firm to run effectively. It has two key benefits. First, it identifies the key areas the firm will operate in. Second, it will lead to a clear allocation of responsibilities once it is properly implemented. Knowing which person is responsible for which area leads to accountability. This has a major influence on whether or not the firm will achieve its objectives. Ideally, the organizational chart should address the structure of the operational teams, for example, Do teams operate in silos? Or, do team members belong to more than one team? This will become obvious with a well-defined organization chart.

Key functional areas of the organization chart

The key functional areas of an organization chart may be broken down into smaller components. This allows for responsibilities to be allocated to each level and for specific strategies to be identified for each. These areas are as follows:

- Marketing;
- Operations/administration;
- Finance;
- Human resources;
- Technology; and
- Future planning.

Marketing

- External
- Advertising, promotion, and sponsorship
- Networking and events
- Website, social media, and referrals
- Marketing collateral
- Internal
- Increase services utilized by existing clients
- Offer new services to existing clients
- Increase charge-out rates

Operations

- Compliance
- Audit
- Taxation
- Financial reporting
- Pension planning
- Wealth creation/financial planning
- Specialized services
- Business valuations
- Due diligence
- Management reporting
- Business advisory and consulting
- Succession planning
- Office administration

Finance

- Monthly financial statements
- Budget and cash flow forecast
- Revenue per full-time equivalent
- Capacity calculation
- Compliance requirements
- Accounts receivable
- Accounts payable
- Payroll
- Bank facilities and funding arrangements
- Insurance requirements
- Facilities and resources

Human resources

- Competency and training
- Culture
- Staffing requirements and recruitment, current and future
- Occupational health and safety
- Anti-discrimination
- Sexual harassment and workplace bullying
- Safety and emergency procedures

Technology

- Technology strategy of firm
- Technology requirements, current and future
- Technology implementation and training

Future planning

- Business plan
- Marketing plan
- Operations plan
- Financial plan
- SWOT analysis

These are the key areas of the organization chart. The size of your firm will determine how many of these can be dealt with and what resources can be allocated to them. Larger firms will be able to address all areas, while smaller firms should deal with the areas they deem most important to their situations.

When the key areas of the firm are identified, roles and responsibilities can be allocated. Once this has been done, those responsible can be held accountable for the achievement of their goals. They can put systems and procedures in place for the areas over which they have responsibility.

The organization chart is one of the most important structures in the firm. A fully functioning organization chart with clear reporting lines, and clear goals, will assist your firm to grow and achieve its business plan objectives. In [Appendix 3.2](#), [Case study 3.1](#) illustrates how a firm can develop its organization chart.

3.3 Assessing Growth Requirements and Developing a Growth Strategy

In order to assess your growth requirements, you need to review the business plan and reflect on your firm's objectives. The plan should make clear what the growth objectives are for the firm, and should clearly identify fee and profit targets.

It is important to note that the focus must be on *profitable* growth, not just growth for growth's sake. Many firms fall into the trap of chasing new fees in order to reach growth targets, yet the new fees are not profitable! This will actually damage the firm and its financial sustainability. It is difficult to support any argument that encourages unprofitable fee growth for small to medium firms.

There may be certain occasions where a "loss leader" strategy is appropriate, but this needs to fit within an overall marketing and pricing strategy. This is covered in more detail in [Section 3.7](#).

3.3.1 Benefits of Growth, and Sustainability

There are a number of reasons you may be aiming to grow as a firm, such as to:

- Improve your ability to attract and service clients;
- Replace clients lost due to natural attrition or retirement;
- Attract and retain staff as the firm provides a greater variety of work;
- Maximize return on investment on fixed overheads, such as rent and technology;
- Provide a more varied workplace; and
- Hit critical mass, to meet fixed overheads and profit targets.

Growth provides a level of natural regeneration in your fee base and smooths out events over which you may have no control. It helps you in your resource management and in managing the capacity issues which impact on firm profitability.

Fee growth can come from a range of areas including:

- Acquisition of new clients;
- Greater level of utilization of your services by existing clients;
- Introduction of new services; and
- Increase in your fee rates.

Table 3.1 Levels of fee growth

Annual Rate of Fee Growth	Impact
Up to 5%	Should manage inflation and provide a small level of natural growth.
5% to 10%	A steady, meaningful level of growth.
10% to 15%	Likely to cause resourcing pressures. Your firm will need to be very organized. This rate of growth is also likely to cause liquidity pressures.
15% plus	A high level of growth is likely to cause a wide range of issues and pressures. It is unlikely to be sustainable in the long term.

Table 3.1 should be taken as a guide and an indicator of likely impacts. The observations made apply to the longer-term view where the firm strategy is to seek a sustained growth rate. The rates of growth need to be considered in the context of the current economic situation of your local environment and will vary among economic regions and developing economies.

The key message: the higher the rate of sustained growth you are seeking, the greater the pressures in the areas of resourcing, liquidity and firm management. The secret is to work toward growth rates that are both manageable and sustainable for your firm.

One useful metric is a firm's sustainable growth rate (SGR). In basic terms, the growth of any business, accounting firms included, is often limited by the amount of equity in the business. The more equity the firm has, the more potential the firm has for growth. However, if a firm grows too fast, then there might not be enough equity to sustain the growth. If a firm grows too slowly, then it may stagnate. The SGR shows how fast a firm can grow using internally generated assets without issuing additional debt or equity. The SGR provides a useful benchmark for judging a firm's appropriate rate of growth. A firm with a low sustainable growth rate but lots of opportunities for expansion will have to fund that growth via outside sources, which could lower profits and put a strain on the firm's finances. Growth in itself can present a dilemma since with growth comes an increased need for increased working capital.

The SGR, applied to an accounting firm, is the rate at which the firm may grow its equity (net assets) using only increases in retained earnings to fund the growth. Growth beyond this amount will force the firm to obtain additional financing from external sources to finance growth.

The steps and formula for its calculation are as follows:

Step 1 – Calculate the return on equity (ROE)

- Calculate the ROE by dividing the firm's net income by its equity. For example, if the equity is \$1,000,000 and the net income is \$200,000 then the ROE would be 20% ($\$1,000,000/\$200,000 \times 100$) or 0.2.

Step 2 – Calculate the dividend payout ratio (DPR)

- Determine the proportion of the firm's net income paid out as dividends. Using the example above, if \$80,000 of the \$200,000 were paid out, leaving \$120,000 reinvested, then the DPR would be 40% ($\$80,000/\$200,000 \times 100$) or 0.4.

Step 3 – Calculate the sustainable growth rate (SGR)

- The formula would be: $ROE \times (1 - DPR)$. Therefore, with the example above, the calculation would be as follows: $0.2 \times (1 - 0.4) = 0.12$. The SGR is 12%.

3.3.2 *Should the Firm Grow, and, if so, by How Much?*

The discussion so far has been on the importance of growth to your business plan. However, your firm needs to take into account practical factors such as:

- Physical constraints of current premises, such as floor space, staff parking, etc.;
- Infrastructure requirements, such as technology, office requirements, etc.;
- Budget requirements to fund marketing, advertising and promotional activities;
- Funding costs for new staff until they are billing and productive; and
- Impact on break-even position.

It is also important for you to consider your position relative to the economic and environmental factors at the time, or in the foreseeable future. Growth may be inappropriate at a particular time.

Other reasons you may not wish to grow include:

- You are operating at full capacity now;
- Growth is not in line with your business objectives;
- Growth may cause conflict with work–life balance objectives;
- There is no desire for the increased stress associated with growth;
- Current fees and profitability are sustainable and comfortable;
- The practitioner is not concerned with the future of the firm, or its future value;
- There is concern that increased growth will mean the practitioner spends less time with longer-term clients who have been loyal to the firm;
- There are physical limitations and practical constraints on the ability of the firm to handle and manage growth, such as size of office premises, with no alternatives available;
- The firm may have recently gone through a period of strong growth and is now seeking to consolidate and settle; and
- The age, or health of the practitioner.

Very few firms manage their growth on a consistent and sustainable basis. It is more likely to come in fits and starts, followed by some settling, then resurgence. It is also a reality that some firms experience a reduction in fees at times. You need to be aware of this possibility and its consequences.

Some questions you should consider when thinking about growth issues include:

- What does the firm's business plan say?
- What is the current resource capacity position?
- Can the firm grow without any loss in quality?
- Does the firm have adequate staffing to manage growth?
- Will growth improve the firm and add to its value?
- If the firm is planning to grow, by how much?

In answering these questions you are reflecting on three critical issues:

- Is growth part of the firm's overall strategy?
- Is the firm well positioned to grow?
- What is the optimal growth objective?

Consider each of these issues in setting your growth plans. Growth for the sake of growth simply does not make sense. You need to understand why you are growing, whether your firm can manage the growth, and whether growth will add value to your firm.

Once you have identified that growth is indeed part of your strategy, make sure that your firm has the capacity to do so.

Carefully consider the following statement: *Resources should be put in place in anticipation of growth, not as a reaction to it.* Too often, firms grow, then rush around trying to put resources in place. The best way to grow effectively is to identify your resource requirements and then put them in place to support your growth. Obviously this will require budget considerations to financially support such a move. However, this approach reduces the risk of falling quality control, and gives you the greatest opportunity for success.

Once you have decided on expansion, the next question becomes, how?

Broadly speaking, there are two types of growth. One is organic growth, which is the process of expansion due to an increase in fees within the current structure. The other is growth by acquisition, which, as the name suggests, means expansion due to mergers, acquisitions or some other activity separate from the firm.

There are a number of options within these two types of growth, which are discussed below.

3.3.3 Internal Growth Strategies

The first type of organic growth is internal growth. Essentially, internal growth is about increasing your fee base from your existing clients. Indeed, recent IFAC Global SMP Surveys found that one of the most important drivers of practice growth for small- and medium-sized practices (SMPs) is additional revenue from existing clients.

There are three main ways to achieve this:

- Increase the use of your existing services by your existing clients;
- Introduce a new service to your existing clients; or
- Increase your firm's charge-out rates or introduce a value pricing model.

3.3.3a Increase Existing Services to Existing Clients

This is a fundamental yet often overlooked method of increasing growth. The key question is, "Are all of our clients using all of our services?" If not, there is an opportunity to increase the "take up" of your services by your existing clients. The fact you already have a relationship with them, and they have experienced the service and quality of your firm, will mean they are more amenable to your suggestions to take up further services.

Preparation work

In order to provide more of your existing services to your existing clients, you first need to know which clients are using which services at this current point in time. Refer to [Table 3.2](#).

Table 3.2 Identifying which clients use which services

Step	Action	Completed
1	List all of your existing services across the top of the worksheet.	
2	List all of your existing clients down the side of the worksheet.	
3	For each service, mark on the worksheet which client is utilizing that service.	
4	Complete this for all clients (or client segment).	
5	Once complete, review the worksheet.	
6	The “unmarked” clients represent opportunities to whom you can market additional existing services.	
7	Determine an appropriate marketing strategy for these clients, with actions and time frames allocated.	
8	Implement the plan.	

Your clients already know you, like you and trust you. If they have been happy with the service they have received in the past, they will be open to your suggestions for additional services.

Only suggest services that are of benefit to the client. If you select wisely, present the additional service in a context that will benefit the client, and, as you have provided your current services in an accurate, timely and professional manner, it's likely that they will take up more of your services.

By focusing on your existing clients, you are broadening the relationship you have with them. This in turn increases the likelihood of referrals from these clients, who have now become advocates for you and your firm.

3.3.3b Introduce a New Service to Existing Clients

This is another successful method for increasing growth. The key question is, “What other services could the firm provide to its clients?”

Once again, the main reason this is successful is that you already have an established relationship with your client. If the past experiences with your firm have been positive, then they are highly likely to take up new services you offer them.

In fact, not only are they likely candidates, but your existing clients should be your first target segment for introducing new services. This is because of the existing relationship you have with them. They are more likely to provide you with honest feedback on the new service, and make suggestions for improvements if required. They will then be curious to see whether you have incorporated their suggestions into your final offering.

Preparation work

Some firms struggle with the idea of introducing new services, as they feel uncomfortable learning and implementing new ideas. But it doesn't have to be hard. One of the best ways to identify a new service is to do an “information and knowledge audit” on yourself and your team. Most practitioners and staff have a wealth of knowledge and experience tucked away, which they only bring out when prompted. Now is the time to draw it out.

Complete the following steps:

- Sit down with each team member and gain a full understanding of their knowledge and experience in business and in life; together assess how this might be converted into a new service offering.
- Discuss other service areas that might be of interest to you and your team. Examples might include bookkeeping services, budgets and cash flow (if not already consistently provided), succession planning, business consulting, business valuations, franchise specialization, due diligence, business coaching, payroll service, debtors follow-up and collection, financial planning or finance broking.
- Once you have identified the areas of interest, identify any knowledge gaps between your current level of knowledge and the level of knowledge you expect would be required to provide the new service.
- Undertake additional training as required.
- Decide on the new service offering.
- Decide on the price or pricing model to be used.
- Determine what marketing collateral will be required to promote the service.
- Prepare supporting materials, work papers and any required information.
- Discuss the new service offering with one or two clients with whom you have a close relationship and who are supportive of your efforts to introduce new services.
- Meet with these clients and run through the new service on a trial basis.
- Take on any feedback, and implement any changes that may be required.
- Review the listing of all your existing clients.
- Identify which clients, or client segment, to target for the new service offering.
- Determine the appropriate marketing strategy for these clients, with actions and time frames allocated.
- Implement the plan.

3.3.3c Increase Your Firm's Charge-Out Rates or Introduce a Value Pricing Model

The most straightforward way to grow your fee base is to increase your charge-out rates. While this may be a simple process to calculate, it may prove difficult to implement. Care needs to be taken that clients' expectations are managed and that they perceive an increase in value with the increase in rate.

Increase fees

The common increase to fee rates is at least the annual rate of inflation. Those firms seeking to increase rates over and above the inflation rate need to be prepared to handle inquiries from their clients as to the reasons for the increase.

A simple increase in charge-out rates in tougher economic times can often become a difficult exercise, particularly if the client perceives no corresponding increase in the value they receive.

Accordingly, discuss with your team what value-added services you could include along with your usual services, to increase your clients' perception that they are continuing to enjoy good value for their money.

It may also be useful to consider charging differential charge-out rates for different types of services and perceived value. If you do not already do so, identify the different types of work you and your staff do. Consider whether it is appropriate to charge differential rates for these different types of work. When you work through this issue, it usually becomes clear which areas of work can be charged at differential rates.

Airlines worked this out long ago. They have first class, business class and economy sections. Each section provides different levels of service, and the prices for each section differ markedly. Yet the passengers all get to the same destination. It's the level of service they receive on the journey that makes the difference.

The same thinking can be applied to your practice. Some of your clients will appreciate, and pay for, first class service. Others will prefer the economy rate. The point is, you have the opportunity to be flexible in your thinking and creative in your delivery. You can provide the level of service your clients want and appreciate. Differential charge-out rates may be quite appropriate for these levels of service your firm provides.

Consider introducing a value pricing model

Accounting firms who wish to increase revenue and productivity must establish pricing strategies that support these goals. Traditional time-based charge-out rates do not necessarily capture value. Introducing a value pricing strategy may allow you to increase revenue and client engagement.

Clients like to know what a service is going to cost and what value they will receive upfront; no one likes surprises. Professional relationships can be devalued when the client knows their accountant is charging in time-based increments and that the clock starts as soon as they pick up the phone. This is often not conducive to building trusted adviser relationships. Professional accountants need to avoid pricing models that impede and devalue the services they are providing.

Many firms use some form of time and billing software to track time and expenses. For many firms, this has also been used for billing purposes, allowing the practice to price the services based on time plus a margin. The challenge of the traditional back office systems is that they fail to capture upfront knowledge and price for client management and engagement systems.

The traditional time-for-service pricing model looks at service, cost, price and client, and rarely does it consider value. The value pricing method looks at client, value, price, cost and service.

Value pricing has proven to be most successful when products or services are sold based on emotions (fashion), in niche markets, in shortages, for indispensable add-ons, and customized or bespoke solutions. It is becoming standard pricing practice for many US CPA's (Baker, 2009)¹

A value pricing model is based on the perceived worth of services to the client, not the accountant. It is put in place before the engagement commences. It establishes a selling price on the perceived value to the client, rather than the actual cost of the service, the market price or competitor price. Value pricing recognizes the client is the ultimate arbiter of value.

A firm should already have an understanding of the cost of providing core services dealing with clients, overhead costs and profit margin. An understanding of upfront costs is the first step.

The second step, which presents a challenge, is determining how value is expressed in monetary terms. A good starting point may be asking a client some simple questions, which require the client to think of the value of the solution. Subtle but powerful questioning will allow the client to understand how the service will help them. Issues that may be of concern to the client become more clearly defined and understood, a shared understanding forms on matters of urgency to the client and the discussion becomes more focused on the solution not the cost.

It is important to recognize that the value metrics will be different for each engagement. Sometimes it will be speed and efficiency of delivery of the service, sometimes it may be the quality of the service level, and other times it may be an innovative solution. Each engagement needs to be priced for the individual

¹ Baker, Ronald J. "Pricing on Purpose: How to Implement Value Pricing In Your Firm." *Journal of Accountancy*, June 2009. www.journalofaccountancy.com/Issues/2009/Jun/20091530.html.

value drivers of the client for that particular engagement. Only by discussing with the client will the firm be able to ascertain what these value drivers might be. By having a shared understanding of the purpose of the engagement, challenges and client's vision, you can price based on the value of the solution to the client rather than the mechanics of the billable hours. As part of the conversation, you may also identify additional services the client may need.

As the objective is to increase revenue, you also want to maximize your productivity and fees. Think about your core offer, the advice and the solution. How can you reuse the advice or solution for other clients?

- **Identify a client** whose business has grown but your relationship has remained unchanged.
- **Arrange a meeting** and hold a conversation. If you have not been in contact with the client regularly, call it a "business health check"; the objectives of the first meeting are simply to listen and ask questions; you are not there to sell.
- **Inquire as to client satisfaction.** Seek feedback on the services your firm has provided. Ask questions that demonstrate a desire to understand the business, long-term goals and challenges. Be prepared and share benchmarking data on the client's industry.
- **Close the meeting.** At the end of the meeting, help the client understand how solving the problem or answering the question will help their business. Remember the value pricing model is based on the client's perception of the value of the service you have provided.

You then explore the opportunity to price and tailor your services based on the client's perceived value.

Alternative fee models include offering a yearly engagement fee, like a retainer agreement. The proposal, in addition to setting out the scope of the task to be undertaken, may include software accounting support services, unlimited phone calls and email, improved access, quarterly or half-year business planning meetings, and monthly invoicing. The focus is on offering client-focused accounting and business solutions.

Bundle services

Another way to increase your firm's effective charge-out rate is to bundle services together. This way the individual fee for each service is not separately identified on the client invoice, which allows you to increase the fees for the entire bundle of services. This may be an easier way to market the increased fees to your client and allows you to offer a broader range of services for a larger fee.

Increase recovery rates

While not strictly an increase in charge-out rates, another way to increase profits, and therefore achieve growth, is to work deliberately on increasing the firm's recovery rate. Essentially this means a reduction in write-offs.

The best way to do this is to improve the productivity management of the firm, and it is outside the scope of this module. However, in brief, the key is to hold weekly productivity meetings with staff to check on the workflow through the office, and clarify outstanding issues as they arise. Any issues with client matters can be raised in a regular and timely manner. This allows them to be addressed and resolved promptly, with less time lost on each job. This then leads to improved workflow through the office, meaning more efficient completion and invoicing of jobs. This then leads to improved profitability per job, and increased profitability for the firm overall.

3.3.4 External Growth Strategies

External growth is all about acquiring new clients for the firm. Recent [IFAC Global SMP Surveys](#) have stated the most pressing challenges facing SMPs included attracting new clients, keeping up with new standards and regulations, and differentiating from the competition. The need to attract new clients suggests

SMPs ought to consider more intensive marketing and promotion, and expanding their service offerings. A number of strategies can be implemented to acquire new clients. The most popular are outlined below. Each represents a tried and tested strategy, and some of the key strategies are examined in detail. In [Appendix 3.2](#), [Case study 3.2](#) illustrates how a firm can develop a growth plan.

The real power comes when a number of strategies are used simultaneously. This harnesses the momentum of your marketing efforts and is more likely to bring attention to your firm.

Most businesses in the market already have an accountant. In the majority of cases that means that in order to grow your firm, you will need to win clients away from other firms. And in order to do that, you must offer them a *compelling reason to change*.

External growth strategies for professional services firms include:

- Advertising;
- Seminars;
- Sponsorship;
- Newsletters (email/printed);
- Public relations, writing articles and editorials;
- Events, client functions, cocktail parties;
- Telephone directories and prospect database lists;
- Telemarketing;
- Firm promotion through marketing materials;
- Mail-out of promotional brochure;
- Leaflet letterbox drop;
- Websites, links and search-engine optimization; and
- Team members: encourage to refer. Other strategies for growth include:
 - Networking;
 - Referrals; and
 - Acquisitions and consolidation

Each of the above should be considered in light of your country's laws or professional regulations.

Guidance on networking and referrals are included in [Module 2](#). Options for consolidations, mergers and acquisitions are examined in [Module 8](#).

3.3.4a Advertising

Advertising is one of the most powerful ways of getting your name and message out in the market. But beware: it is crowded out there!

In order to get the best value from your advertising spending, there are some fundamental rules:

- **Target group:** You must identify the target group or market segment at which you will be aiming your advertisement. The shotgun approach doesn't work; you must be specific.
- **Client need:** You must identify the client want or need that your service will satisfy.

- **Client benefit:** You must make it abundantly clear how your service will benefit the client. You must appeal to their self-interest—what’s in it for them?
- **A unique benefit:** It is better to focus on one particular benefit than to use a broad-brush approach, which dilutes the impact and confuses the message.
- **Credibility and sincerity:** The advertisement must ring true and convey professional credibility and sincerity. You must avoid wild, exaggerated or unsubstantiated claims.
- **The headline:** It must capture the attention of the reader and encourage them to read on.
- **Call to action:** There must be a “call to action,” where the reader is told to take action, to call, visit or check your website.
- **“You” and “Your”:** These words give your advertisement a personal impact, particularly when used in the headline.
- **Clarity of purpose:** You must be clear in your mind as to the purpose of the advertisement. Is it to inform, persuade, remind or make the sale?
- **Choice of media:** You must research, and then use, the most appropriate media for your target audience. Advertising is expensive, so it is important to get good value for the money you spend.

3.3.4b Seminars

Seminars can be an effective form of marketing. A number of formats can be used:

- **Run your own seminars, and be the keynote speaker.** This gives you a reason to advertise and promote yourself and the firm. Taking the role of keynote speaker allows you to be seen as the “expert” on your chosen topic.
- **Run your own seminar, but use a guest speaker.** This gives you a reason to advertise and promote yourself and the firm. It allows you to run a seminar even though you may not enjoy public speaking. It allows you to be seen as proactive by associating yourself with the guest speaker.
- **Speak at seminars hosted by others.** This is where you speak at someone else’s seminar. The first step is to get yourself on the speakers’ list. It gives you the chance to promote yourself and firm, and also your technical expertise. Being the speaker allows you to be seen as the “expert” on your chosen topic.

In each case, you can follow up the seminar with an article for the local paper, or social media, with key points from your presentation. Clients can be invited and encouraged to bring a business associate (non-client). You can also use the key points from your presentation in your firm’s newsletter, post it on the website, and use it in social media.

3.3.4c Networking

“Word of mouth” is often regarded as one of the best forms of marketing and is effectively achieved through networking.

Networking is not about trying to make a “sale” to the person you meet; instead, you want them to refer others to you. Don’t feel you have to impress the people you meet with your charm, wit or technical know-how. Be yourself. This gives them the chance to get to know you and see if they are comfortable dealing with you. If they are, they are more likely to refer others to you.

Have a plan for your networking and an objective for the time you’re investing. This allows you to check that you are getting a return on your investment.

Try to meet two or three people you haven't met before, and get to know them. Understand them and what they are looking for. It's easier to stay in contact with them afterward if you feel a connection.

But how do you have a conversation with a total stranger? When you meet someone for the first time there are at least three things you can talk about:

- **The venue or occasion:** There is some common reason why you have both attended this particular event. That's an easy place to start. Ask open-ended questions, and listen to their answers. This will give you a clue as to how to respond.
- **Themselves:** Given a choice between talking about themselves or someone else, most people are more comfortable talking about themselves. Ask open-ended questions, in a light, gentle manner—don't make it an interrogation! They will answer your questions and will most likely ask you a question about yourself and what you do.
- **You:** This is the chance to let people know about you, and what you do. It's important to have a brief answer in mind, which succinctly explains what you do and the areas you like to work in. Often called the "elevator pitch" (because it takes about the same amount of time as a chat in an elevator), it's important because it also lets people know the benefits they can get from dealing with you.

Don't expect the person you meet to become your client. It might not be them, but it could well be someone they know. This takes the pressure off, and you can just relax and chat normally. You don't have to try to impress or sell to these people. Get to know them, let them get to know you and see if you can help.

3.3.4d Referrals

Word-of-mouth referral is the best form of advertising for the professional accounting firm—referrals from existing, happy clients are about as good as it can get. These should be actively sought and cultivated. The best time to ask a client for a referral is when you have just completed a job or project for them. As they are basking in the glow of another job well done, it's easy for you to say, "If you know of anyone else who may appreciate our work, we're always happy to take on referrals." This lets the client know that you are open for referrals, and that you are looking for new clients.

Another way to obtain referrals is to work through a structured program of meetings with potential referrers. Often referred to as "People of Influence," these contacts include bank managers, lawyers and people in complementary businesses such as financial planning or finance broking.

Firms that successfully follow a structured, formal approach set aside a regular time to meet with potential referrers. For example, they arrange lunch meetings with a different bank manager every Wednesday in a month; the next month they may meet with a different lawyer each Wednesday. The following month it might be financial planners or finance brokers. Then the cycle starts all over again with the bank managers.

This allows for a systematic approach to working through a contact list and also allows relationships to be built. It is from these relationships that referrals will come.

You have the flexibility to mix up the routine of whom you meet and when. You may also wish to build deeper relationships with contacts you may have met through networking, or other professional contacts you have.

There are a few points to note with this type of marketing:

- Be prepared to talk about your business. This is your chance to let people know about what you do, so be prepared with some useful information about your firm. It helps if it's something that makes you a bit different, to stand out from the crowd.

- Remember to listen, too. It's vital that you also understand what your contact is looking for. You might be paying for lunch, but referrals are a two-way street. Look to give, as well as receive. Find out about them, and what would help them with their businesses.
- It's more than just a social catch-up. There needs to be a purpose for the meeting, more than just the social component. Yes, the purpose is to build the relationship so they are comfortable in referring people to you, but you need to remember you are there for a reason, to build your firm.
- Limit alcohol consumption. It's important to stay focused on the task at hand, which is to present yourself professionally and be worthy of referrals. Over-indulgence may make this impression difficult to convey and reflect poorly on your image and reputation. Indeed, some religions and cultures do not allow or accept alcohol consumption.

The table in [Appendix 3.1](#) is an example template that provides a useful structure for setting your appointments and for contact planning.

3.3.4e Acquisition Growth Strategies

There are a number of reasons firm may consider a merger and acquisition strategy over organic growth as a way of growing the firm. These reasons include:

- **Synergies:** The combined firm can often reduce its fixed costs by removing duplicate departments or operations, thereby increasing profit margins;
- **Cross-selling:** The ability to cross-sell specialized services from each firm to clients of the other; and
- **Economies of scale:** The combined larger firm may benefit from purchasing economies due to increased order size and associated bulk-buying discounts. Also, where large volumes of specific services are processed, it's possible to maximize the investment in staff training and technology.

The typical forms of merger and acquisition activity will be discussed briefly below.

3.3.4f Purchasing a Parcel of Fees

This is where a separate and identifiable parcel of fees is purchased from a vendor. The purchaser should undertake some form of due diligence on the fees to be satisfied that the fee parcel represents good value.

The purchaser can usually reduce the risk associated with the purchase by paying the vendor in quarterly installments, with the final payment reduced for any loss of clients. They may also reduce their risk by having a "clawback" clause in the purchase contract. This allows the purchaser to "clawback" some of the purchase price if some of the clients in the fee parcel do not transfer across.

3.3.4g Merging with Another Firm

A merger is two firms combining to make one larger firm. It works best when the two firms are of similar size; otherwise it tends to be more of a takeover. The equity in the combined firm is typically based on the proportionate value of the fees going in. Key issues that typically arise tend to follow from the mix of firm cultures, workflow patterns, IT systems and leadership styles, etc.

3.3.4h Buying out Another Firm

One firm buys out the other firm, usually in the form of payments made to the principal or partners of the vendor firm. There is often a time requirement the vendor(s) are required to stay on to facilitate the handover of clients and settle staff into the new firm. The vendors typically agree to restraints of trade, where they

agree not to start a new firm in competition with the purchaser within a certain distance and within a certain time frame, or join another firm.

3.3.4i Headhunting a Partner of Another Firm, Who Brings or Attracts Own Clients

Individual partners already working in firms are identified and approached to leave their firm and join another firm. There is usually some reason they are identified, such as specialist knowledge in certain areas, or existing client base. There needs to be a strong incentive for the partner to leave the current firm and join a new firm. This incentive is usually financial, however, there can be other considerations, such as culture, work–life balance, or location.

3.3.4j Headhunting a “Rainmaker”

Similar to the above strategy, an individual with unique abilities is identified and approached to join another firm. The key difference here, irrespective of whether or not they have a client base that will move with them, is this individual has the ability to create a new client base or generate fees well in excess of the norm.

3.3.4k Using the “Tuck-In” Model

This is a strategy used by some mid-tier firms. Smaller firms (typically sole practitioners) are targeted by larger firms to “tuck in” to the larger firm. The large firm offers to look after the back office administrative tasks of the smaller firm, which frees up the practitioner to focus on servicing his or her clients. The smaller firm accesses the infrastructure and support of the larger firm, and the larger firm gains a highly motivated new partner. The clients of the smaller firm become part of the client base of the larger firm, and the principal becomes a partner in the larger firm.

3.3.4l Affiliating

Independently owned firms join together under one banner and present themselves to the market as a single firm. There are a number of benefits for each firm, including:

- Appearing bigger than each individual firm is separate from the group;
- Developing and sharing knowledge, systems and intellectual property with other firms in the group;
- Servicing larger clients with a need for multiple office locations;
- Attracting and retaining staff due to increased opportunities;
- Benefiting from economies of scale in training, purchasing, conferences and so on; and
- Access to financial and other resources.

As you can see, there is a wide range of strategies with which to grow your firm. Decide on the strategy or mix of strategies you plan to implement, and put in place a workable plan that brings it all together. The key components of the plan are:

- Your marketing objective;
- Your marketing strategies;
- Your team members (who will be responsible for action); and
- The time frames within which they will be working.

Putting your plan into operation is discussed later in this module ([Section 3.8](#)).

3.4 Strategies for Coping with Increased Regulation and Competition

3.4.1 Increased Regulation

There has been an enormous increase in the amount of regulation under which the accounting profession operates. This has come from both government and non-government regulators and shows no sign of slowing down.

On one hand, this means there will be a continued strong demand for accountants and business advisers. On the other hand, many practitioners wonder how they can stay abreast of all the changes. In addition to the pressures that come from keeping up with new regulations and requirements, there will be ongoing pressure on how to attract and retain staff.

There are internal and external strategies for coping with increased regulation.

Internal strategies

The key internal strategy is regular training for your team. This training can be done in-house, or with a third-party training organization. Many of the professional accounting bodies provide training, and some provide the option of training on-site, or lecture style at another venue.

On-site training is becoming increasingly popular. It is also becoming popular for a number of smaller firms to join together for training sessions, thus sharing the costs of the trainer and facilities. It allows the training to focus more tightly on the needs of the group, rather than the broad-based style used in lecture-type situations. Another advantage of this type of training is that it can be highlighted in job interviews when recruiting new staff as one of the benefits provided by the firm to employees.

Other in-house training strategies include online learning, where the information is webcast or downloaded to the staff member's desktop where they can learn at their own pace and at a time that suits them.

External strategies

There are a number of external strategies for dealing with increased regulation:

- **Utilize your professional association:** Most professional associations have technical departments that write technical briefing papers on most regulations as they are issued. Ensure you maximize your membership and take advantage of the resources available to you as part of your membership.
- **Form alliances with specialists:** A firm can build close relationships with other professionals who have specialist technical knowledge in certain areas. These professionals can be called on to assist with specific client matters as they arise. Typically the specialist invoices the firm for work done. The firm then can choose either to pass the fee on to the client or to absorb it in the fee they eventually charge the client.
- **Join professional networks:** A number of external professional networks operate commercially. They are typically operated and resourced by accounting firms, which use them as marketing vehicles. The information these networks provide is usually of high standard and is internally generated. It is essentially a broader-based approach to the alliance with specialists model discussed above.
- **Build "buddy networks":** Smaller firms can check with each other on issues before escalating client matters to the higher level (and costs) of specialist advisers. They tend to be based on relationships established through professional associations. They may meet regularly, or not at all, depending on the needs of the group. This is a highly effective strategy, but all participants need to contribute fairly equally; otherwise, those contributing can feel they are carrying the group.

- **Join business associations:** Business associations can provide information and support in other business-related areas, such as human resources or occupational health and safety. Examples include chambers of commerce and industry bodies. They also provide an opportunity to network and become known in another circle of business people.

3.4.2 Increased Competition

Not only are accounting firms under pressure from increasing regulations and requirements, but there is also pressure from increased competition. This competition comes from a number of sources, not just other accounting firms. More and more, firms see competition from:

- Overseas;
- Large public companies and institutions; and
- Non-professionals.

In a free marketplace you can't prevent competition. The key to your ongoing success is how well you retain your existing clients and grow your firm at the same time.

Your ability to retain clients is directly linked to your ability to serve their needs now and in the future. If your clients are growing, their requirements are also growing. This raises questions that may impact the strategic direction of your firm:

- How will you cope with your clients' increasing requirements?
- What if they outgrow you?
- What will that mean financially for your firm?

If you cannot continue to service your clients as their needs grow, you will lose them, because they will seek the assistance of others who can help them.

As for increased regulation, one way to deal with this is to become bigger. But unless you merge with another firm or take on specialist partners (in all disciplines of business), you will best be served by increasing your associations as outlined above.

Take advantage of those with specialist advice, join a professional network, or become a member of a business association. Let your clients know that you have these associations and additional resources, lest they think they have outgrown you and look elsewhere for professional advice.

3.4.3 Coping with Pricing Pressures

The recent uncertainties in global economies have increased the pressure, especially on SMPs, to reduce fees. The following eight tips can help SMPs cope with the pressure while preserving the quality of the professional services they render:

1. **Expect fee pressures to continue.** Technological advances, globalization and the benefits from outsourcing to cheaper offshore contractors may prompt clients to keep up the heightened fee pressure long after the global economy has recovered. Also, clients may be determined to keep their bills down and may feel that all professional services, including legal and accounting, may not warrant the fees they paid before the economic downturn.
2. **Adopt new approaches to pricing.** Instead of billing an hourly rate, set prices for services such as business advisory services based on their perceived or estimated value to the client. Also, packaging more desirable services with services that are essential but less desirable allows for a broader range of services for a larger fee.

3. **Stress the value of services offered.** Talk to clients regularly about the benefits of the services they receive. Communication is an important part of value pricing.
4. **Focus efforts on most valuable clients.** Evaluate clients, group them and offer different service levels to different groups, especially for non-audit services such as business advisory or tax. This technique, referred to as yield management, is used in the airline industry to price seats by the level of service in first class, business class or economy sections. Some clients will appreciate, and pay for, first class service. Others will prefer the economy rate.
5. **Leverage technology.** Maximize the use of technology to improve processes and lower costs in the face of stagnant or declining fees. Cloud computing solutions deliver the same services like payroll and bookkeeping for less cost, email costs less than regular postal services, and Skype is cheaper than telephone or in-person meetings.
6. **Re-examine service offerings.** Consider combining value with additional services for little extra cost, or provide the same for less cost. To set the practice apart in the marketplace, consider specializing in niche markets or services. For others, providing a broad range of advisory services and offering value pricing may prove profitable.
7. **Find cheaper sources of supply.** Review the practice's suppliers and look for competitors offering benefits to new clients that may warrant switching. Competitive pricing and choice of suppliers, from Internet service providers to computer hardware vendors, may have improved considerably since the practice first chose its suppliers.
8. **Tackle overhead.** Seek to minimize waste and make the most efficient use of human and environmental resources, including workspace, energy and consumables. To optimize utilization of expensive office space, practices may encourage staff to perform work at clients' premises or at home and pre-book a desk space when in the office. Similarly, practices could seek the most efficient use of staff through improved workload distribution, adequate planning and supervision of engagements and delegating work to the appropriate levels. Flexible working hours may avoid staff redundancies, which erode morale and make it difficult to recruit new staff. Shifting routine work to more junior staff can also help cut costs, but staff assignments need to be managed carefully to keep up the quality of the results and avoid damage to the practice's brand.

3.5 Creating a Culture for Your Firm

A good workplace culture means you and your team enjoy coming to work every morning. Most people overlook the fact that each firm already has a culture of its own. The question is, do you want to have some input into culture, or will you simply let it look after itself?

A supportive workplace culture has been associated with a number of benefits for the employees and the firm including:

- Higher levels of commitment;
- Lower intentions to leave;
- Higher levels of job satisfaction; and
- Lower levels of stress.

If the culture is right, you have the right platform to build the growth you are looking for.

3.5.1 *Building a Productive Culture*

There are many ways to build a productive culture in your firm. Look at your current situation and seek ways to improve the culture by changing people's attitudes to their environments, each other and themselves.

First, identify any deficiencies that cause negative attitudes. These could include favoritism, lack of recognition or different sets of standards for different employees.

Those who get the best from their teams inspire a positive workplace culture. Some positive influences include:

- Fair and equal treatment of all employees;
- Open and honest communication;
- Achievements recognized and rewarded;
- Clear goals set out;
- Regular training;
- Open management style;
- Regular feedback; and
- Equal opportunities for all employees.

So take the challenge and look to build a positive workplace culture in your firm. The results will support your initiative, and you will enjoy work so much more. ([Case study 3.3](#) in [Appendix 3.2](#) specifically illustrates workplace culture.)

3.5.2 *Customer Relationship Management Systems*

It is critical for firms to establish long-lasting relationships with their customers and to capture all interactions if they are to provide the best customer services and add value. Integrated customer relationship management (CRM) system functionality is becoming a standard feature of accounting systems. Nevertheless, it does seem that the adoption of CRM by the accountancy sector has been lagging other sectors and there is still some scepticism as to its value.

Integrated CRM systems can record all interactions with clients and set alerts for when a client needs to be contacted or an action for the client is required. A CRM system can provide greater transparency across a firm and reduce risk by ensuring key staff can access the required data and respond to customer requests in a timely, professional manner. For an accounting firm, this helps manage the risk of key staff leaving and losing the client knowledge and history. It also allows for managing client relationships during times of absence.

CRM software tools allow daily work processes to be standardized and workload to be reduced by avoiding the need for data re-entry and duplication by linking records. An integrated CRM solution can:

- Manage your customer data centrally and allow it to be accessed from anywhere, eliminating the need for email systems, accounting software or spreadsheets to manage business contacts. Cloud-based systems facilitate this;
- Manage documents and knowledge transfer efficiently, from engagement letters, contracts and quotes to documented advice;
- Increase efficiency with automated workflows;
- Manage customer relationship databases, including sending targeted emails to customers based on previous transactions;

- Save time by pushing invoices from your accounting system automatically, or establish monthly payment arrangements (this also improves cash flow);
- Enable e-business functionality by connecting your shopping cart to your software to create accounts and invoices and payments automatically;
- Reduce double entry and human keying errors; and
- Personalize emails to a group of selected contacts.

To gain the benefit of a CRM system, your firm needs to ensure that all interactions by partners and staff are captured. Many firms struggle to establish such a culture and reap the benefits. A firm needs to first consider whether it needs a CRM software tool and, if it does, then carefully analyze the different offerings.

Many will rightly argue that they do not need software since they keep track of client relationships as a matter of course. However, the real question is, are you really as client-centric as you could be? And if not, as is likely, how could technology help you? Sole practitioners and very small firms may find they can keep abreast of client relationships perfectly well without specialized software. But for larger practices, say with 30 clients or more, specialized software is likely to be the best way to help manage client relationships.

When choosing new CRM software, there are certain factors to consider, including:

- **Budget:** Money should not be the sole factor in the choice of a new system. The phrase *you get what you pay for* is completely true in many situations, and especially when considering new software.
- **Brands:** There are hundreds of applications in the market and some are more well-known than others. Avoid choosing software based on brand alone—a known brand may not be the right choice for your firm. Look for what it can do for you and your firm.
- **Advice:** If you seek advice from an adviser, be sure they have direct experience of software solutions.
- **Competitors and peers:** Ask what your peers or competitors use, especially those you most admire.
- **Assess needs:** Identify exactly what it is you need and do not restrict your search to accounts software. A slightly different solution may enable you to integrate your CRM with work in process management.
- **Scope:** Ask the software provider to show you how it will look once it is implemented. Establish a plan together so that you are both on the same page and they deliver on your expectations.

Firms that ignore one or more of these important factors risk making a costly mistake. Some firms have discarded software after less than two years because they did not evaluate properly and subsequently found it did not meet their needs.

3.6 Identifying Target Clients and New Service Opportunities

While growth is important, it is also important that you look to achieve targeted growth. This means targeting the sort of clients you wish to work with and becoming more selective with the clients you take on.

In the early stages of a firm's life, many firms take on nearly all clients. That's because the need for building the client base is most important. However, as your firm matures, you can be more selective about those you work with.

As you plan your growth strategies, you will be looking for growth that:

- Comes from a type of work you specialize in, or prefer doing;
- Produces a superior level of profitability;

- Comes from a preferred type of client; and
- Is suited to your firm and team mix.

Mature firms should be working toward refining their client base by increasing the number of clients of your preferred type. When this approach is successfully implemented, it typically produces higher levels of profitability, higher levels of work satisfaction, lower levels of stress and pressure, and the ability to increase your level of specialization.

Can you identify your firm's target client? Of course, there is no correct answer. Different firms will have target clients with different characteristics.

The questions in [Table 3.3](#) are useful when deciding on whether to accept clients into the firm. Accountants typically assess clients by their profitability potential to their firm. However, there are other non-financial criteria that should also be applied.

Table 3.3 Assessing prospective clients

	Question	Answer/Comment
1.	Do we like working with them?	
2.	Do they respect us, our opinions, our work and our team?	
3.	Do they represent a risk to our business?	
4.	Can we relate to them?	
5.	Do they relate well to us and our team?	
6.	Will they utilize a number of our services?	
7.	Will they pay their bills on time?	
8.	Will they work co-operatively with us when required?	
9.	Do they cause us stress?	
10.	Will it be a cultural good fit?	
11.	Can we add value to their business?	
12.	Will they add value to our business?	
13.	Would we be proud to introduce them as clients of our firm?	
14.	Would they be proud to introduce us as their accountants?	
15.	Do they observe ethical business principles?	
16.	Will they ask us to compromise our ethical values?	
17.	Is it just about the money?	
18.	Consider in light of ISQC 1 and ISA 220 .	

Here are some of the ways you might identify your target clients:

- **Business sector:** for example, public companies, small businesses, not-for-profit organizations, franchises, investors;

- **Industry sector:** for example, agriculture, construction, retail, real estate, health services;
- **Size of business:** for example, revenue of greater than \$2 million, or staff levels of greater than ten employees, or subcontractors;
- **Minimum fee level:** for example, minimum fee level to the firm of \$2,000 per annum; or
- **Services utilized:** for example, clients who utilize at least three of your services.

There is an almost unlimited range of possibilities. Your target client may be any business that suits your firm and adds value to it.

The key is to identify your target client and then plan your marketing around that client type. Always focus your marketing on or above your target client, never below.

You will attract clients to your firm who do not fit your target client profile. They will come because of referral, other advertising, or chance. You will need to choose whether to take them on, and that is a separate decision.

It is important that you invest your marketing dollars in areas that will attract your target client type. You don't want to invest your money, time and energy in attracting clients that are outside your area of focus.

While it is desirable to have a target client and to grow your fee base through these clients, you don't need to exclude all other clients. In fact, it is often a good idea to have a mix of clients in terms of size, complexity of work and fee levels. This spread can provide you with the scope for development of your team and newly qualified accountants.

This applies to both areas of work complexity and building client service experience.

Once you have identified your target client, your marketing should work toward building the profile of your firm within those target client communities.

3.6.1 Business Advisory Services

The IFAC SMP Committee has long recognized the growth potential of this service line and actively encouraged the global SMP constituency to seriously consider building their business advisory activities. Recent IFAC Global SMP Surveys have found that practice fee revenue from advisory and consulting services are growing faster than traditional compliance services like audit and accounting. Increasingly SMPs, like their larger counterparts, are establishing or expanding existing advisory and consulting services. Moreover, IFAC research ([*The Role of SMPs in Providing Business Support to SMEs: New Evidence*](#)) suggests that professional accountants are well placed to provide such services because of their reputation as being competent, trustworthy, and responsive. Trust is the key to success in building this service area. The client needs to believe that the accountant's advice will have positive consequences. In this context, trust has three dimensions: capability, which refers to the client's belief that the accountant has the required expertise, skills, and competences to perform the job effectively; honesty or integrity, or the client's belief that the accountant will keep his or her promises and adhere to a set of principles that the client finds acceptable; and benevolence, which pertains to the belief that the accountant is interested in the client's welfare.

Business advisory services can be used to expand the service offering of a firm beyond traditional accounting services such as tax and accounts preparation. These services are sometimes also referred to as consulting, management advisory or outsourced solutions. Business advice is considered to be significantly enhanced when provided by an accountant who has gained knowledge and insights into a client's finances and business environment, as a result of having provided traditional accounting services previously. Indeed, new advisory/consulting clients are often driven primarily by existing customer-client relationships. Recent [IFAC Global SMP Survey](#) findings identified the most frequently provided services

were tax planning, corporate advisory (including advice on mergers and acquisitions), valuations, and management accounting (including planning, performance, and risk management).

Business advisory services are becoming a growth area for firms wishing to grow their revenue either from their existing clients and/or by attracting new clients.

Previous IFAC surveys have indicated that most of the growth in fee revenue was expected to come from new clients. However, the surveys revealed various impediments to expanding services in this area, most notably, insufficient partner time and marketing services to clients.

It makes sense to a business for an accountant to consolidate existing information and develop a business or personal financial plan or strategy that can enhance business performance.

Common business advisory service models include:

- Business management and profit improvement, including business analysis and strategy; management information and control systems; cost analysis and reduction; cash flow analysis and forecasting; identifying alternative revenue streams; financing advice; debt consolidation; mergers; negotiations to buy or sell a business; and inventory management;
- Corporate restructuring and/or company rescue;
- Outsourced 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), risk assessment, disaster planning and recovery, pension planning and insurance;
- Outsourced CFO services;
- Succession planning solutions; and
- Business mentoring or coaching.

There are numerous opportunities available to firms wishing to step outside their traditional service areas and expand their service offering into business advisory services. This demand is being driven not only by firms wishing to increase profitability, but also by clients who need to compete in a globalized business environment and communities demanding higher levels of business sustainability reporting. While the concept of providing consulting services presents a challenge to practitioners, many have come to realize that clients value advice on growing their business much more than traditional accounting services.

Technology is enabling SMPs to work in a global economy where borders are no longer relevant. Outsourced or off shored compliance services can often be accessed at much lower prices meaning that there is increased pressure on some firms to expand their service offering.

A relatively new but fast growing service area for accountants is that of sustainability reporting and advising businesses on how to be more sustainable. Many organizations are keen to know how to do more with less as this may improve the bottom line. Accountants can advise on the benefits of reducing energy costs and pollution, from simple behavioral changes aimed at eliminating waste, to investment in new equipment and alternate sources of energy, to developing an environmental management system. Accountants can also assist with the preparation of sustainability and integrated reports and the provision of assurance thereon. Environment management systems (EMS), meanwhile, allow businesses to identify and control the environmental impact of their activities, products and services; set and achieve environmental targets; and demonstrative that the targets have been achieved. The [IFAC Sustainability Framework](#) (2011) provides a starting point for firms wishing to explore these services further.

The following seven tips can help SMPs build or lay the groundwork for a business advisory practice.

1. **Modify your mission statement, vision and plan:** When expanding, or changing the direction of your practice, set out a clear vision for the future and a roadmap for how to get there. You should also revisit your mission statement and adjust it as needed to reflect your practice's modified or expanded service offerings, such as "We are dedicated to adding and sustaining value for families and their businesses."
2. **Educate and train your people:** Providing high-quality business advisory services demands a different skills base than that to provide traditional accountancy-based services. You can develop the capacity for business advisory by expanding both the technical and soft skills of existing staff. Some accountants can make the transition to business adviser through experience and self-development, while others may need training or coaching.
3. **Focus on a specific industry sector or specialization:** Few SMPs will be able to gain and maintain the knowledge and skills necessary to be competent in all areas of business advisory. Therefore, SMPs should consider carving out a niche and participating in a referral network of SMPs that can provide the other services. A common model is to focus on a specific industry sector, such as hospitality, or to develop a specialization, such as sustainable business practices, in order to differentiate your practice from the competition.
4. **Develop relationships with other firms:** Referral networks offer many potential advantages, such as helping your practice increase its client base. Participating in a network is an effective way to satisfy the increasing breadth of demands from SME clients and can help demonstrate to new clients that you have the capability of a larger practice. Referral networks can extend beyond accountancy to areas such as legal, HR and IT.
5. **Promote the practice to existing and new clients:** Promoting and marketing your practice, and the value of your services, will be crucial to success. There are a number of reasons why SMEs choose SMPs to provide business advisory services including their reputation for trust, competency and responsiveness. SMPs should leverage these qualities by promoting them to potential clients, who are often unaware that their professional accountant can provide these services. As accountants often have little or no expertise or experience in promotion or marketing, you may want to hire a marketing consultant or train an existing employee to do this. Your marketing expert can help you determine if you need to change the way your services are marketed and help you explore new channels, such as social media.
6. **Change your business model:** Business advisory services may require a different business model from that of traditional accountancy-based services. For example, business advisory services may be better suited to a business model based on selling intellectual capital rather than time. This lends itself to value pricing. To supplement this, you might wish to emulate the airline industry model, which divides their client base into premium and economy and offers a different value proposition to each—for the premium clients, a high-end service, at a correspondingly high price, and for the economy clients, a basic "no frills" service that frees up time to devote to the premium clients.
7. **Embrace technology:** Advances in technology present a significant opportunity for SMPs to operate more efficiently, reduce costs, and offer additional value-added services. Cloud computing, for example, allows SMPs to more actively engage with their SME clients in a "real-time" environment and offer services such as virtual CFO cost effectively.

IFAC's [Good Practice Checklist for Small Business](#) can be used by practitioners to help them determine what type of assistance a client may need. IFAC also has a series of video interviews of practitioners, hosted on the [Global Knowledge Gateway](#), offering tips on building a business advisory practice. These short interviews provide an opportunity for accountants to compare and contrast different approaches and to inform their own thinking when contemplating expansion into the business advisory space.

3.6.2 Other Emerging Services

Given their fluency with financial matters, accountants are well placed to offer advice to high net worth individuals, who may themselves be business owners, on managing their wealth. Wealth management, or financial planning, can prove a natural extension to the services currently rendered to clients, for example, tax planning to owner-managed small businesses. Wealth management is not about sales, but rather being a trusted financial (or private client) adviser. Just as with business advisory, trust is the key to success in building this service area, arguably even more so as one is dealing with individuals rather than organizations.

Firms considering moving into wealth management will need to carefully examine any relevant regulations relating to financial services in their jurisdiction. In some jurisdictions, the most popular route chosen by accountants has been to form a joint venture with a regulated financial services company. One of the drawbacks of this approach is that the firm may lack the ability to exercise quality control over the financial services advisers put in front of its clients. An alternative, local regulations permitting, is for the regulated financial services business to be housed in a separate legal entity, which is fully owned and controlled by the firm's partners. However, this structure is not without its challenges, one being that of combining the different cultures of accountancy and financial services.

In addition, accountants may have a role to play in the provision of eldercare services, especially the financing aspect. Eldercare services meet the changing needs of an aging population and aims to help older citizens live independently. In many western countries, the elderly population as a percentage of the total population is growing fast and so the demand for these services will increase. The services aim to assure that the financial, medical and residential needs of the aging population are met.

3.7 Building a Brand, Marketing and Promotion

3.7.1 Building a Brand

Branding is an important area of marketing. To make your marketing as effective as possible, you need to be sending out clear messages. These messages need to encompass your brand. They should not only build on it, but leverage it as well.

You might think, "I'm only a small firm—is branding really that important to me? Isn't it only for big business?" Brand is important, particularly if you are planning to grow.

Many companies invest millions of dollars in brand development. If you look at some of their advertising, you will notice that they don't advertise a single product or service. They promote their brands as a whole. One reason is the cost of acquisition of business. This is a major issue for mature businesses, and the cost tends to be on the increase due to the level of competition. In building their brands, they try to establish a relationship with their client base and broader market that encourages people to deal with them. The brand and the feelings, emotions and connotations that come with it are powerful enough to influence consumer choice.

You can see this with major international companies like Coca-Cola, McDonald's, Kellogg's and Virgin. Each invests heavily in its brand. They realize that if they are successful in building their brand, it will translate into increased sales and an increase in the value of their goodwill.

Look at your own professional body. You may see that it has invested heavily in building its brand. Done well, branding can:

- Bring your market to you;
- Drive down the cost of acquisition of new clients;
- Open up business opportunities based on market perceptions;

- Reinforce the confidence and comfort levels of your existing client base; and
- Build the value of your goodwill.

Your brand is the message about your firm that you want to send to the market. It pervades all areas of your firm, and goes beyond your logo and letterhead. It covers the services you offer, the way you deal with clients, the image of the firm you want to convey. It becomes the banner that you market and sits over all the services you offer. Branding includes your communication, your presentations and your style.

Specifically, it means the way your website looks, the uniforms your team wears, the graphic design work and logos used in your communication and presentations. It also includes the way you interact with clients and staff, even down to the words used on the phone.

By building and promoting your brand, you are establishing expectations at a high level in the mind of the market. When you then deliver the actual service—for instance, the financial statements or tax returns—the accuracy, presentation, and look and feel of your material needs to be consistent with the expectations you have set. Your clients want the delivery to meet their expectations—expectations which you have set.

Once you have resolved your brand identity, you need to ensure you have absolute consistency in your brand message. Everything within your firm, and all the material that comes out of your firm, needs to have brand consistency.

The following checklist provides you with a guide to approaching the issue of brand identity.

Table 3.4 Branding checklist

	Brand Item	Answer/Comment
	Do we present our brand consistently with:	
1.	Our logo	
2.	Letterhead, business cards, “with compliments” slips, fonts	
3.	The reports we present to clients	
4.	The way we speak and engage with clients	
5.	The way we speak and engage with our team	
6.	Our office premises	
7.	Our answering machine/voicemail	
8.	Our emails and salutations	
9.	Our attire, dress standards and uniform	
10.	Our screensavers	
11.	All written communication with clients: letters, reports, proposals, quotations	
12.	All verbal communication with clients or prospects	
13.	Seminar programs and materials	
14.	Marketing and advertising material	
15.	Client functions and events	
16.	Team meetings and gatherings	

3.7.2 Marketing and Promotion

Marketing is a powerful tool that can transform businesses and significantly add to the growth of a firm. However, marketing is undergoing rapid change, with new technologies altering how firms connect with their clients. Furthermore, while the ultimate aim of marketing and promoting professional services may be to get new clients, growing a successful firm is a function of keeping a firm relevant to the changing needs of the clientele (Marcus, 2012).²

The aim of marketing is to acquire, retain, and satisfy clients. Without their clients, accounting firms don't exist! Companies that are most successful have seven key characteristics:

- A good understanding of their clients;
- Strongly defined markets;
- The ability to motivate employees to provide high-quality services for clients;
- An emphasis on the business to serve and satisfy clients;
- A strong brand focus;
- The ability to respond to client needs and drive new innovations; and
- The ability to attract and retain clients.

Marketing needs to cover all aspects of the firm. A firm with a marketing focus will concentrate on:

- **Client orientation:** attention to the needs of the client;
- **Sustainable competitive advantage:** differentiate the firm from the competition; and
- **Long-term profit:** a client-oriented company balancing the efforts to satisfy clients with the need to generate profit over the long term.

Traditionally, marketing activities were commonly referred to as the 4 Ps and were “firm-centric”/inward-looking:

- **Product;**
- **Price;**
- **Promotion;** and
- **Place.**

However, the emphasis is now changing toward a “client-centric”/outward-looking focus:

- **Client solution:** the “product” or service;
- **Client cost:** the price;
- **Convenience:** the place; and
- **Communication:** the promotion and ongoing engagement.

Differentiation

What is it that makes your firm different? Why should someone choose you?

These are two very good questions. If you don't have very good answers, then read on. This will be a very important section for you.

² Marcus, Bruce W. *Professional Services Marketing 3.0*, New York: Bay Street Group LLC, 2012).

Competition is increasing. Thousands of accountants provide similar services. Then there are all the other service providers who would like to work with your clients in the other areas where you may provide services. There are many businesses promoting themselves and competing for similar market segments.

Your clients and potential clients will need to decide whom they engage to act for them. In making this decision, they are more likely to be influenced by differences between your firm and your competitors than by similarities.

Why do you buy from the businesses you buy from? Are you influenced by price, quality, experience, relationship or novelty? It is likely to be one of these factors. Whatever the reason, it means your suppliers have managed to differentiate themselves in some way from their competitors.

So, if a potential client asks you the question, "Why should I engage you as my accountant?," what will your answer be? What makes your firm different from the other firms in your area? If there is no difference, you may struggle to secure this client. You are merely one of many firms offering similar services with similar quality standards, price and delivery.

Having a point of difference helps you stand out from other accounting firms in your area, at least in the minds of your clients. But this is not necessarily an easy task. After all, firms deliver similar services and operate under a similar code of professional ethics. Firms often price their services in a similar way, and may even brand themselves in a similar way. Many firms also pride themselves on their professionalism, confidentiality, communication style and the personalities of the principals and their team. So how do you make your firm different?

Differentiation can be achieved in a number of ways, such as through:

- The way you communicate and engage with your client;
- The range of services you provide;
- The depth of specialization you have in a particular area;
- The way in which you provide services;
- Your accessibility;
- Your price and your pricing structure;
- The appearance and feel of your offices;
- The way in which you package your work; and
- The network that you can connect your clients into.

You can probably add to this list. Yet most firms spend very little time seeking to differentiate themselves. As a result, they ignore a powerful marketing tool, one that could give them a competitive advantage when they are seeking to attract a target client.

Consider the following differentiation messages:

- "Because you are busy, we come to you."
- "Our breadth of services provides you with a one-stop shop for your accounting, taxation and financial needs."
- "We are specialists in the medical profession."
- "We are available to you twenty-four hours a day. Here are all our contact numbers. If you need us, we are only a phone call away."

- “Through our business consulting work we add real value to your business. Our aim is to work with you to help your business grow profitably.”
- “We package our fees into an agreed fixed fee, covering all of our work; you can spread the payments over the entire year.”
- “Our contacts include high-quality legal, finance, insurance and real estate advisers. When you deal with us, you have access to our network—an advisory team that works together for you.”
- “Your work will always be managed by a partner, and you will always have access to them.”
- “We communicate in down-to-earth language that you can understand and relate to.”

These messages clearly state a focus for the firm and identify its point of difference. Notice that they do not focus on the quality of the work or the price. In reality, it is very difficult for a client to recognize a difference in quality of work or advice, unless they have had a bad experience in the past.

Generally, clients expect their accountants to deliver a quality product, and price is not an area where you want to try to differentiate. Price competition requires a volume market to be profitable, and typically the delivery of professional services is not an area of high-volume transactions.

Differentiation is likely best achieved through the services you offer and the way you do it. There is ample scope to identify what you deliver that will be meaningful to your target market. Once you have done this, you can build a part of your marketing program and message around your point of differentiation.

3.7.3 Social Media Marketing

The growing popularity of social media is rapidly changing the way companies do business and how they interact and communicate with their target audiences. Businesses are leveraging social media as a successful marketing and commercial branding tool. Successful practices are embracing social media and using it to engage with clients, attract new clients, promote their services and attract staff. There are, however, reports that many firms have yet to come to embrace social media (Roxburgh, 2012).³

Social media is about building a community. Successful social media strategies reinforce that people like to deal with people to create relationships, rather than businesses. While successful strategies are often built around the individuals, it is the business that reaps the benefits. Engaging your partners and staff in your social media campaign is a great starting point.

Firms can use LinkedIn, Facebook and Twitter to invite their clients to receive updates, participate in discussions, share case studies and experiences, post testimonials, establish closed networks and allow clients to connect with other clients. Blogging is another way of sharing timely updates with clients; it can also drive new clients to your website to find out more about you and your business. Always try to include links back to something you have published on your own website: this way you drive traffic to your website.

Smart accountants are recognizing that the preferred method of getting trusted referrals is from their business networks, family and friends, and so are embedding social media into their website and business practices.

Starting a social media strategy can be fairly straightforward.

³ Roxburgh, Helen. “How do accountancy firms fare in social media.” *Economia*, July 2012. <http://economia.icaew.com/Business/July12/How-do-accountancy-firms-fare-in-social-media?>

- Monitoring social media allows you to see what clients are saying about you. Use a Google search on your name and your accounting firm's name to see what your clients are saying. Then do a similar search on competitors' websites, blogs and online communities. This provides a starting point to develop your individual strategy.
- Remember satisfied clients help you attract new clients, so encourage your clients to post testimonials or provide positive feedback on a social media site.
- Make sure your social media profiles are up to date and include a photo. You need to be engaging and make sure your social media profiles are interconnected.
- Ensure your firm has consistent branding guidelines that are applied across your website and social media platforms.
- Establish yourself as a content expert and thought leader by writing blogs or posting a video on YouTube.
- Use tools like [Social Mention track](#) and measure what people are saying about you or your firm across social media sites.

Social media should complement but not totally replace traditional marketing techniques. Remember, before new clients contact you, they typically check you out on social media sites or search for your organization using Google or other search engines.

3.8 Putting Your Plans into Operation

3.8.1 The Importance of Implementation

Once you have created your marketing program, the most important step is that you implement it.

A lot of energy and effort go into the development of a marketing plan. A real sense of achievement comes from that development, but this will count for nothing unless the plan is implemented properly and completely.

Many firms undertake their planning sessions at the beginning of the year or financial year. They set plans and goals, full of good intentions. However, as the year gets underway, the partner's time is quickly consumed with client demands and the operational requirements of the firm. As momentum builds, the easiest things to let slip are the business and marketing plans set in place earlier in the year. This highlights one key point: the implementation process requires discipline and commitment.

3.8.2 How to Implement Your Plan

If you have completed the documentation of your marketing plan, you have identified what you are going to do, who will champion the projects, how much it will cost, when it needs to be completed, and the results you anticipate. This minimum level of documentation is critical. It will provide you with a necessary reference point. It will also serve as a constant reminder of the objectives that have been set for the firm. This is part of the discipline required. If you are not prepared to document your marketing plan, and commit to it, you are not really serious about it.

[Table 3.5](#) shows how to successfully implement your marketing plan.

Table 3.5 Implementing a marketing plan

	Suggestion	Comment
1.	Don't attempt too many projects at once.	If you are using internal and external strategies, you should probably have no more than four to six running at any one time.
2.	Make sure your objectives are achievable.	Set them so they are reasonable and practical. If your expectations are unrealistic, your team is likely to lose interest before they get started.
3.	Allow time for tasks to be completed.	Allow employees time in their work program to achieve the marketing tasks you have assigned to them. If you don't allow the time, it becomes an easy excuse for non-completion.
4.	Spread strategies across the year.	When you are running multiple strategies, it works best to spread them across the year. This allows each to be focused on, and keeps the level of interest high.
5.	Allow an adequate budget.	An inadequate budget can frustrate the fulfillment process or lessen the enthusiasm of those involved.
6.	Measure the results.	You need to be able to assess the effectiveness of each program and strategy. You should also celebrate the wins you have, and learn from any mistakes. This will encourage and maintain the enthusiasm of the team.
7.	Review regularly.	Review your marketing program at every management meeting. Regular reviews will help to keep the program on track and keep the momentum moving.
8.	Set milestones.	Ensure you have milestone events within your program. This will allow you to monitor your progress as you go and check that you are on track.
9.	Allow for change.	If a program or strategy does not appear to be working, accept the fact, be prepared to adapt and change.
10.	Keep the momentum.	Once you have some momentum, keep it going, even if it means an ongoing marketing program where you add additional projects as others are completed. Momentum is the most critical factor, and will build on itself if promoted.

Someone must take the responsibility to ensure that the plan is implemented. However, this often becomes the task of the practitioner, which is difficult—especially for sole practitioners.

In some countries it is becoming popular to engage the services of a mentor or business coach to assist with the implementation process. The key word is “accountability”: having to answer to someone else for your actions, or being accountable for your lack of action.

In all of your marketing activities it is important to consider the International Organization for Standardization (ISO) Standards, which cover quality, environment, ethics, and other issues.

3.9 Financial Management

Elements of financial management for a growing firm relate to three key areas: capacity budget, financial budget, and cash flow forecast. Each is briefly discussed below.

3.9.1 The Capacity Budget

This is an estimate of the potential income generated for the firm if all available hours were billed. There are a number of factors to consider, including:

- Additional staff joining the firm;
- Salary increases;
- Available hours;
- Time off for study leave and training; and
- Increase in charge-out rates.

For a typical professional accountant, the available hours would be calculated as in [Table 3.6](#).

Table 3.6 Target billings calculator

Criteria	Weeks
Weeks in year	52
Annual leave	(4)
Public holidays	(2)
Sick leave	(1)
Training	(1)
Available weeks	44
Hours worked per week	37.5
Available hours per year	1,650
Expected productivity	80%
Target billable hours	1,320 hours
Charge-out rate per hour	\$150 per hour
Target billings	\$198,000

This target billings calculation should be applied across the firm for all productive staff. The total target of all billings is referred to as the capacity budget for the firm.

Please note this is only an example of a billings calculator tool. You should amend the figures to suit your local environment to be as relevant as possible.

3.9.2 The Financial Budget

The financial budget uses the capacity budget as expected income, and also incorporates the budgeted operating expenses of the firm. An example format is shown in [Table 3.7](#).

Table 3.7 An example format for a financial budget

Budget 20XX/XY					
	Actual Position	Budget Forecast			
	20XW/XX	20XX/XY		20XX/XY	
		+5%	+10%	-5%	-10%
	\$	\$	\$	\$	\$
Income					
Fees					
Audit					
Compliance					
Consulting					
Disbursement reconciliation					
Other income					
Total income					
Cost of sales					
Direct wages (chargeable staff)					
Disbursements					
Total cost of sales					
Gross profit					
Expenses					
Accounting fees					
Bank finance, fees & charges					
Commissions paid					
Consulting & professional fees					
Communication					
• Telephone					
• Courier costs					
• Print, postage & stationery					
General & administrative					

Budget 20XX/XY					
	Actual Position	Budget Forecast			
	20XW/XX	20XX/XY		20XX/XY	
		+5%	+10%	-5%	-10%
Insurance					
Information technology					
• Software license					
• Computer hardware & maintenance					
• Printers & photocopiers					
Marketing & promotion					
• Advertising					
• Entertainment					
Motor vehicle					
• Car maintenance					
• Parking & tolls					
Occupancy costs					
• Cleaning & trash removal					
• Electricity & utilities					
• Rent					
• Repairs & maintenance					
• Security					
Staff amenities					
Training & development					
Wages					
Total expenses					
Net profit					

3.9.3 The Cash Flow Forecast

The cash flow forecast utilizes the information in the financial budget to anticipate when the timing of the cash associated with the income and expenses will affect the bank account balance. An example format for a cash flow forecast is shown in [Table 3.8](#).

Table 3.8 An example format for a cash flow forecast

Cash flow forecast for year 20XX/XY													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Trading income													
Cash inflows*													
Cash received from clients													
Other cash receipts													
Total cash received													
Cash outflows													
(details follow)													
Surplus/(deficit)													
Cumulative position													
(add to prior month)													
* Cash inflows when the cash is actually received from invoices raised previously													
Cash outflows													
Disbursements													
Accounting fees													
Advertising													
Bank charges													
Borrowing expenses													
Capital expenditure													
Cleaning & sanitation													
Commissions paid													
Consulting fees													
Courier costs													
General & administrative expenses													
Finance charges													

Cash flow forecast for year 20XX/XY													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Insurance													
Lease payments													
Motor vehicle expenses													
Parking & tolls													
Print, postage & stationery													
Rent & outgoings													
Repairs & maintenance													
Trash removal													
Security expenses													
Staff training & welfare													
Pensions													
Telephone													
Wages													
Total cash payments													

You should have a budgeted balance sheet so that you can attempt to reconcile the financial budget with that of a cash flow forecast. A sample of the budgeted balance sheet can be seen in [Appendix 3.4](#).

3.10 Conclusion

As you can see from this module, the business of building and growing a firm is multi-faceted. Careful planning, particularly in relation to your overall business plan, and ensuring implementation are keys to your firm’s success.

Overriding factors to consider in all of your marketing endeavors include consideration of the professional, ethical and quality position you are taking with your marketing and the messages you are sending about your firm. You need know your firm is capable of fulfilling the expectations you set in the market in regard to your offering.

3.11 Further Reading and IFAC Resources

The [IFAC Global Knowledge Gateway](#) is a digital hub where professional accountants can easily access thought leadership and resources from IFAC, member organizations, and other notable groups and individuals.

The Gateway Practice Management section includes additional articles, videos, and resources to complement this module. We encourage you to review the content, provide feedback, engage with contributors, and share your own insights on contemporary practice issues.

Appendix 3.1 Relationship Management Action Plan

Contact	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

Note: For each referrer, include the activity you plan to undertake with them in the relevant month.

Appendix 3.2 Case Studies

Case study 3.1

This case study relates to [Section 3.2.3](#) (“The organization chart”) in [Module 3](#).

William and Indira agree on the importance of using the Organization Chart to assist with the internal structure of the firm. After assessing their strengths and weaknesses, William agrees to take responsibility for Marketing; Indira agrees to take Finance. Even though they are both responsible for their separate areas of work within the firm, William takes responsibility for Operations, and even though it’s currently a smaller role, Indira looks after Human Resources.

They agree that they will meet each month to discuss the firm as a business, and each of them agrees to present a report to the other at the monthly Partners Meeting for their area of responsibility.

As part of the Marketing responsibility, William drafts the marketing plan to cover the key approaches and areas he considers the firm should do business in. This plan details the important topics of target clients, key services to be offered by the firm, suggested pricing, as well as the specific methods by which the firm will market these services. At the Partners Meeting, William discusses the plan with Indira. After considering a number of changes in depth, they agree on the plan and set a specific timeline with specific actions which each of them agrees to.

As part of the Finance responsibility, Indira prepared a draft budget and cash flow forecast for the firm for the coming year. She presents this to William at the Partners Meeting and after discussion agrees to update the reports to incorporate the expected increase in fees from the marketing efforts identified in the marketing plan. She will also revise it for the new marketing expenses identified in the marketing plan.

Indira has also prepared a set of management financial statements, including Profit and Loss Statement and Balance Sheet and presents these at the Partners Meeting. She agrees to update the presentation of these reports now that she and William have agreed on the budget. Indira identifies that a cash shortfall will arise over the coming holiday period, and they discuss how best to deal with it. Their favored approach is to find new clients and raise the fees before the shortfall hits. However, they both agree to ensure there is sufficient bank financing available to help them through the short-term difficult period.

As William’s responsibility also includes Operations, before the Partners Meeting he has already obtained a status report from Indira in regard to her team’s workload. He incorporates this into his team’s workflow so that he can present a total firm workload and capacity report. This allows them both to see what capacity the firm has for new work prior to the holiday period, which in turn gives them some confidence that they may be able to avoid the upcoming cash shortfall that Indira identified. However, it highlights the importance of the marketing initiatives producing results; otherwise, they may still find themselves in a difficult position.

Indira reports on the Human Resources issues currently facing the firm. The key point raised is the need for formal performance appraisals for the staff to give them feedback on their performance. William agrees with the approach, and they both agree that Indira will draft the performance appraisal they will use and bring it to the next Partners Meeting for final approval. They also agree to set the dates for the performance appraisals for staff at the next meeting.

William and Indira then confirm the time and date for their next Partners Meeting.

Case study 3.2

This case study relates to [Section 3.3.4](#) (“External growth strategies”) in [Module 3](#).

As part of the marketing plan, William has identified seminars as one of the key marketing strategies for the firm.

He believes that seminars will allow the firm to raise its profile in the local business community and give them a reason to advertise and promote. He plans to invite existing clients and referral contacts but also considers it a good opportunity to invite prospective clients. In this way they can mingle with clients and staff in a non-threatening environment while at the same time hearing some information of interest and relevant to their business situation.

In the preparation phase for the seminar, William spoke to a number of clients to gauge their interest in attending and what topic they would like to hear about. Many clients were interested in the state of the economy and how it would affect their businesses. William decided to link a general discussion about the current economic environment to the specific effects it might have on the local business community. He discussed this with Indira, and she was supportive of the idea and the topic. William then set about preparing his presentation.

As for the logistics of the seminar, William prepared a checklist of key items that had to be addressed to ensure the seminar went well. It included:

- Compiling a list of full names and addresses of all invitees;
- Preparation of the invitation;
- Ensuring the invitations get sent to the invitees;
- Preparation of the advertisement for the local newspaper;
- Booking the room in the local function center for the time and date of the seminar;
- Paying any holding deposit required to secure the room booking;
- Sketching a layout of the seating arrangements for the room;
- Deciding on refreshments to be served before and after the seminar;
- Ensuring name tags are completed for attendees;
- Ensuring staff members are available to assist with registrations for attendees;
- Ensuring staff members are invited to the seminar
- Ensuring staff members are briefed on the importance of networking and provided with guidance on how to network appropriately with clients, potential clients, and referrers
- Providing handouts of the key points of the seminar to attendees; and
- Preparation of a follow-up letter to be sent after the seminar.
- Ensuring a follow-up letter is sent to attendees

William then set about allocating various tasks on this list to various team members within the firm to ensure the workload was spread among the team and did not rest on the shoulders of any one person.

As the day of the seminar drew closer, William was actively involved in promoting the seminar to as many clients and prospective clients as he could. He believed this would be a great way to lift the profile of the firm and also allow him to increase his personal profile in the local business community. Even though he was not that comfortable with public speaking, he was confident enough that he could get by. He practiced his presentation a number of times before the seminar as a way of building greater confidence in himself and in his material.

Two days after the seminar was held, William ensured that each attendee received a letter thanking them for attending and mentioning again the key points covered in the presentation. For those who were not

existing clients of the firm, William made a special offer: they could meet with him at no charge to discuss any specific points that were relevant and which may require further discussion.

Case study 3.3

This case study relates to [Section 3.5](#) (“Creating a culture for your firm”) in [Module 3](#).

Case study: Firm culture

Victory Accounting decided to change the culture of its firm and went through a transforming process to achieve this. The following is a snapshot of their new culture.

Victory Accounting fosters a high-performance, fun and rewarding environment through the following:

Central operating principle: sustainability

All staff are guided by our central operating principle: “To create value for Victory Accounting stakeholders by building a sustainable accounting firm through the integration of economic, social and environmental considerations into all Victory Accounting decision support systems.”

Core values

We believe that the service we provide is of value to the community and society. This is underpinned by the following core values.

- **Making sense:** Helping people to understand their accounting and taxation through education, assistance and advice.
- **Always helping:** Understanding people’s needs and helping them work through financial problems and issues.
- **Trust and integrity:** Being reliable, honest, and principled, and engendering confidence.
- **Respect and encouragement:** Valuing diversity, assisting each other and maintaining a positive outlook at all times.
- **Learning:** An ongoing search for knowledge and skills enables Victory Accounting to embrace change and continuously improve. This is vital in these times of constant change to regulations and requirements.
- **Quality:** Striving to do better as Victory Accounting benchmarks its performance against their highest standards, not against competitors’.

Commitment to learning and development

Staff members are encouraged to develop their skills and careers within Victory Accounting. The firm provides ongoing training and development, as well as financial assistance and study leave for relevant courses.

Involvement in our future direction

Each month, we hold a team meeting where the firm’s performance and future direction is outlined, and teams are given the opportunity to present their current projects.

Community involvement

Victory Accounting is committed to helping our local community and allowing staff the opportunity to participate in volunteering activities. Alliances with various charities are currently being developed to enable staff to learn more about a range of community issues and volunteer their time to help those in need.

Appendix 3.3 Summary Income Statement Budget (by Months)

Description	Monthly Budgeted Amounts													Total
	Prior Yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Revenues														
Gross revenues														
Less: billing adjustments														
Net revenue received														
% of revenues														
Expenses														
Salaries														
Professional staff														
Support staff														
Personnel expenses														
Facilities expenses														
General expenses														
Other														
Total expenses														
% of revenues														
Operating profit														
% of revenues														
Interest income														
Interest (expenses)														
Other income (expense)														
Gain (loss) on sale of assets														
Net income (expense)														
% of revenues														
Income taxes (for corporations)														
Net earnings														
% of revenues														

Appendix 3.4 Balance Sheet Budget (by Months)

Description	Monthly Budgeted Amounts													Total
	Prior Yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Current assets														
Cash and cash equivalents														
Unbilled work in progress														
Billed accounts receivable														
Prepaid expenses														
Other current assets														
Total current assets														
Non-current assets														
Property and equipment														
Less: acc'd depreciation														
Net property and equipment														
Other non-current assets														
Total non-current assets														
TOTAL ASSETS														
Memo items (for Cash Flow Forecast):														
Capital additions														
Depreciation														
Asset disposal cost														
Sales proceeds														
Current liabilities														
Accounts payable														
Accrued expenses														
Short-term debt														

Module 3: Building and Growing Your Firm

	Monthly Budgeted Amounts													
Description	Prior Yr	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Other current liabilities														
Total current liabilities														
Non-current liabilities														
Long-term debt														
Other non-current liabilities														
Total non-current liabilities														
TOTAL LIABILITIES														
Partnership equity														
Beginning balance														
Current earnings														
Total net assets/equity														
TOTAL LIABILITIES & NET ASSETS/ EQUITY														
Memo items (for Cash Flow Forecast):														
Debt proceeds														
Principal payments														
Partner drawings														
Gain (or loss) on disposal														

Appendix 3.5 Gross Revenue Analysis Worksheet

Instructions: It is useful to budget gross revenues (gross charges before billing adjustments) by work type based on comparison with prior years. The following schedule allows the firm to summarize prior year accounting and audit, tax and consulting revenues on a month-by-month basis. When preparing your budget, you should consider a number of factors in budgeting future gross revenues in addition to prior year revenue amounts. These factors include:

- Anticipated changes in charge-out rates;
- Work that will not be repeated during the upcoming year;
- New clients that will be served for the first time during the upcoming year;
- New services to be provided in the upcoming year; and
- The effect of any other known or reasonably expected differences from the prior year.

Once gross revenues for each work type are budgeted, the monthly amounts should be totaled and carried forward to the Summary income statement budget at [Appendix 3.3](#).

Gross Revenue Analysis Worksheet

Month	Accounting and Audit				Tax				Consulting and Other				Total			
	Prior Year Revenues	% of Total	Current Year Budget	% of Total	Prior Year Revenues	% of Total	Current Year Budget	% of Total	Prior Year Revenues	% of Total	Current Year Budget	% of Total	Prior Year Revenues	% of Total	Current Year Budget	% of Total
1																
2																
3																
4																
5																
6																
7																
8																
9																
10																
11																
12																
Total																