
ACCOUNTANCY BUSINESS DEVELOPMENT
OPPORTUNITIES FROM "DIGITAL DISRUPTION"!


Paper 500-074


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Paper 500-074


A. WHAT IS THE PROBLEM?

1. The Deloitte Report "Digital Disruption – Short-Fuse, Big Bang?"

The report, released in September 2012, made the following comments:

Deloitte has singled out six industries, representing approximately 1/3 of the \$1.4 trillion Australian economy, predicting they will be subject to significant digital disruption (a big bang) in the near future (the short fuse). The industries identified as 'big bang/short fuse' were:

- retail trade
- ICT and media
- finance
- professional services
- arts & recreation
- real estate

*"Digital disruption exploded the status quo and presented unprecedented challenges, while creating a range of opportunities for the innovative."*¹

The professional services category, in which accountancy businesses would be placed, was forecast to have a 32% change in business.

"Digital innovations and disrupters are powerful, pervasive and have multiple indirect impacts. They reduce barriers to entry, blur category boundaries and open doors for a new generation of entrepreneurs and smart thinkers."

"At the same time, incumbent market leaders face substantial pressures which they need to manage if they are to thrive, let alone survive".

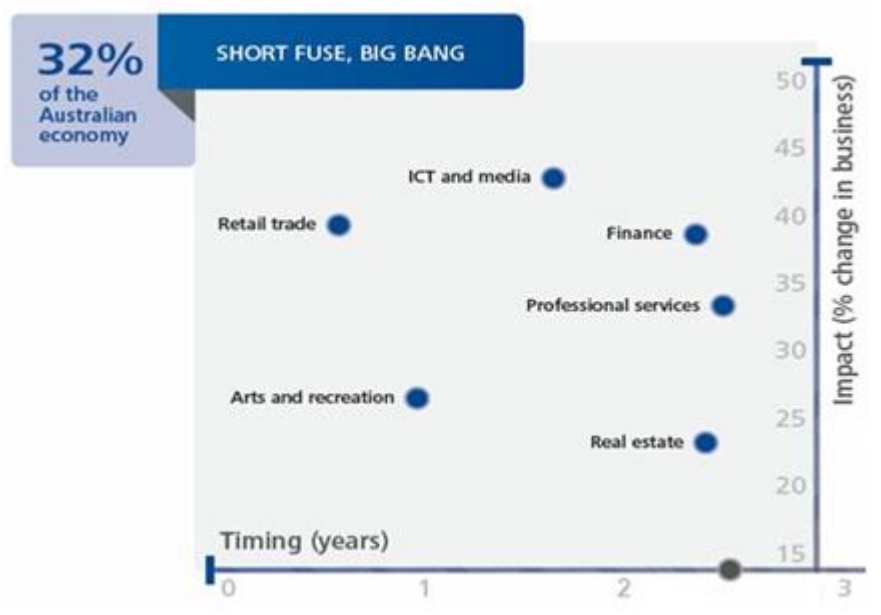
In the report, Deloitte presented three primary responses that leaders can consider, both to minimise threats posed by digital disruption and to maximise their organisation's digital potential. *"It is about insuring they are digital survivors".*²

- Recalibrating cost structures - making changes in terms of people, supply chain and overheads to radically re-think costs and compete with digitally-powered, low cost newcomers'.
- Replenishing revenue streams - building new sources of revenue across segments, geographies and business models as legacy streams dry up in the wake of digital disruption'.

¹ Dr Ric Simes, Deloitte Access Economics Direct
² Dr Ric Simes, Deloitte Access Economics Direct

- Reshaping corporate strategies - reconsidering assets, risk and corporate agility to position the organisation for success in the increasingly digital world'.
- The Deloitte report examined the 'digital disruption map, which looks at eighteen industries and compares their vulnerability to disruption from two perspectives: the size of the impact (the bang) and the imminence of change (the fuse)'.

2. The Short Fuse, Big Bang Industries Were Identified As



'Long fuse, big bang' industries can expect significant disruption, but over a longer timeframe, include those where government and large business play a greater role, such as education, health, transport and government services. The 'long fuse, smaller bang' industries have had lower levels of total digital potential and can expect to see the least digital disruption compared to the changes of recent years, such as manufacturing and mining.

The forecast time for the industries, identified as being part of the 'short fuse, big bang', which includes accountancy services, is under three years with the estimate for professional services, including accountancy services, being 2.1/2 years.

3. Not Providing Services That SMEs Want

In April 2013, CCH released a report - *"SMEs the fine line between failure and success"*. This report identified services that SMEs had stated they required:

- assistance in managing costs
- management mentoring
- development of business plans
- designing appropriate business models
- assistance in raising capital or borrowings
- advice on expansion - so expansion does not occur too quickly

4. MYOB Survey

The MYOB survey³ in 2004 asked small business operators - "*What type of advice would you like to receive from your accountant?*" The survey indicated the following answers:

- future planning
- business analysis and interpretation
- investments
- tax planning
- raising finance
- succession or exit planning
- information technology
- record keeping

5. Emergence Of Competitors

In the last decade, there has been a considerable increase in individuals and businesses offering their services as '*business coaches*'. Many of these are offering a range of services which incorporate financial management advice; work that many accountants could perform.

A small number of accountancy businesses in Australia and New Zealand have identified the opportunity for offering a wider range of non-compliance services to their clients and the clients of other accountancy businesses who are unable to secure those services from their own accountant.

6. Take Action Or Others Will

The Deloitte report "*Digital disruption - short fuse, big bang?*" has identified that there are going to be significant changes to the vast majority of Australian and New Zealand accountancy businesses over the next 2.1/2 years. This will occur because small/medium enterprises will take advantage of technologies to undertake bookkeeping and accounting assignments themselves.

A large number of surveys have identified that small/medium enterprises require accountants, or someone else, to supply a greater range of services.

Other organisations have identified an opportunity in the marketplace and are offering business coaching and consulting services, much of it of a financial nature, however the advisers might not have the requisite knowledge and experience to be giving that advice.

7. Summary Of CCH Survey

In summarising the CCH survey of small/medium enterprises, Russell Evans, CEO of CCH, stated - "*Accountants are the best equipped profession to assist SMEs when they play the role of the trusted adviser*". The challenge for accountancy businesses is to supply the wider range of services the SME market is indicating they require, survey after survey.

³ MYOB Australian Small Business Survey, August 2013 – <http://bit.ly/myob04report>

B. GRASP THE OPPORTUNITIES

8. Meet The Challenge

One of the comments, made by many accountants over the last decade, is that the reason they have not been fully committed to offering non-compliance services to small/medium enterprises is they've been too busy servicing the compliance market.

The Deloitte report has identified there is going to be great turmoil in the traditional markets for accountants. This turmoil presents a great opportunity to turn the 'digital disruption' into a challenge to proactively supply the range of services that SMEs are seeking.

9. Provide Services That SMEs Want

SMEs have identified they desire a wider range of services from their accountants, in addition to income tax. This would incorporate the services that the CCH and MYOB surveys have identified.

10. Offer A Comprehensive Business Advisory Service To Add Value To Your SME Clients

If you're going to grasp the opportunity, you need to get started now. The Deloitte report doesn't say that suddenly, in 2.1/2 years' time, a 32% change will occur. The report implies that the change will progressively occur from now over the next 2.1/2 to 3 years. Unless you've been planning the introduction of non-compliance services for some time, it will take a significant amount of time to develop the necessary skills so your accounting business can offer a "chief financial officer" service to your SME clients.

A common saying from small/medium enterprise operators, when they're interviewed, as to what they require from their accountants, is *"I want my accountant to understand more about my business than the profit and loss account"*. I believe this means small/medium enterprise clients want their accountants to think, and act, as if they were employed, on a full time basis, as the accountant/chief financial officer for an individual SME client.

The broader knowledge that will be required includes:

- industry knowledge;
- key performance indicators that relate to this business;
- understanding the physical limitations of how the business operates;
- exchange rates (especially if the client is an exporter or importer);
- changes in government regulations;
- market conditions for this type of business; and
- government grants and assistance available for this type of business.

11. Preparation Essential

To prepare to offer these types of services, it will be necessary for training to be undertaken in:

- Debtors' Management:
 - understanding debtors' days outstanding; and
 - implementing appropriate debtors' systems to reduce debtors' days outstanding and bad debts.
- Cashflow Management:
 - not just punching the figures into a computer program, but clearly understanding the key issues at stake;
 - debtor's payment history;

-
- stock turn rate;
 - creditors' terms;
 - taxation liabilities; and
 - cost management control.
 - Succession Planning:
 - Not just for the owner or CEO, but at every level within the business, including job descriptions, appropriate training and obviously for the owner - succession planning of the control of the business.
 - Selling a Business:
 - In the coming decade, thousands of Australian and New Zealand businesses will be offered for sale, as many of the 'baby-boomers' set about trying to sell their businesses, so they can retire. Many of them will be disappointed because they haven't been adequately advised on getting their businesses ready for sale.
 - Buying a Business:
 - A great opportunity is emerging for business buyers. They will still need plenty of assistance to select the right business, which can be operated without the guidance of the business' founder.
 - Business Plans:
 - Because of the difficult financial conditions, banks are going to be harder to deal with, therefore, a well prepared, well thought out business plan is vital for the success of the business. A business plan for a business is like a 'map for tourists'...you need to know where you're planning to go and you need to be able to determine where you are each week and know when you achieve your initial target.
 - Business Health Checks:
 - This relates to the development of key performance indicators that relate to that particular business and advising the client on the frequency of the preparation of various KPIs, either daily, weekly or monthly.
 - Benchmarking is very important. Accountants should be playing a far more proactive role in benchmarking clients' performances.
 - Asset Protection:
 - Are assets being acquired in the most appropriate business structure? Are appropriate agreements being implemented for the utilisation of those assets?
 - Are clients effectively using the Personal Property Securities' Register to protect their assets?
 - Personal Property Securities Register Due Diligence System:
 - Very few small/medium enterprises have got any appreciation of the ramifications of the Personal Property Securities Act (PPSA) and understand how they could protect themselves by registering on the Personal Property Securities Register (PPSR).
 - Millions of dollars have already been lost by Australian businesses, through no fault of their own, other than they didn't register on the PPSR.
 - The PPSR Due Diligence System guides an accountant through the process of reviewing the small/medium enterprise client's systems, to ensure a proper review is made of transactions to decide whether it's prudent to register particular transactions, location of stock, location of plant and equipment, etc, on the PPSR.

12. Train Your Team So You Can Offer The Services That SMEs Want

- Create a skill development plan for each team member, concentrating on the 'soft skill' areas.
- Improve your leadership skills at all levels of your accountancy business.
- Develop 'product champions' and 'industry champions'.
- Invest in marketing and professional selling skills. The new services will have to be marketed to clients. (Accountants are not known for marketing and many clients are unaware of the type of commercial services that accountants could offer).
- Selling skills will have to be developed by accountancy businesses. Your clients will not be as 'tied' to you as they are for tax return and compliance work. You need to 'sell' your ability, commitment and empathy to your clients, as well as the range of services you're going to offer. You don't have to do all this yourself, ESS BIZTOOLS can assist.

C. BUILDING THE FOUNDATIONS

13. ESS BIZTOOLS

ESS BIZTOOLS offers assistance to help accountancy businesses prepare to offer business advisory services. The preparation includes:

- Firm review to determine the current state of readiness to embark on a wide range of new services.
- Partners' thoughts and input.
- Team member comments - who wants to be retrained to offer business advisory services?
- Client interviews - it's a great idea to obtain feedback from your clients as to the types of services they'd like you to supply.
- Team training - once the accountants, and other team members, involved in the presentation of business advisory services are identified, it will be necessary for team training to be undertaken in the products/services to be offered and in soft skills', such as:
 - public speaking;
 - networking;
 - webinar presentations; and
 - seminar presentations.
- Developing knowledge on your clients' industries.
- Leadership - leadership strategies are very important, at both the partner level and at all other levels, throughout the accountancy business. Therefore, the team members, who are going to be involved in the presentation of business advisory services, should be aware of their responsibilities as leaders to mentor and coach other team members in the various facets of the business advisory service products in which they're involved.

14. Product Selection

It is not desirable to launch business advisory services with an offering of a wide range of products, unless your team is very skilled in the presentation of those products. Why not pick three, become experts in those and, in six months' time, after further training, introduce a further three.

15. Industry Champions

Do you know the number of businesses your accountancy business has in the various industry classifications? If not, why not develop an industry summary, showing to which industries your clients would relate and then appoint team members to become 'experts' in those industries. This will mean:

- reading articles and books on particular industries;
- identifying the appropriate industry associations;
- asking clients if the appointed team member can accompany them to industry meetings;
- being proactive in the preparation of reports and articles which could be submitted to industry forums; and
- send the articles to your clients and prospects in that industry and place the articles on your website.

16. Marketing Strategy

Traditionally, accountancy businesses have not had to worry too much about marketing, however, marketing and professional selling will be required to promote to the marketplace (that has not been accustomed to the majority of accountancy businesses offering any services other than compliance) that you're able to offer a range of non-compliance services.

17. Use Of SME Needs' Analysis

The SME Needs' Analysis is a comprehensive 'menu' of services you could supply to your clients. You can use the needs' analysis as a prompt to promote a conversation with a client on the types of issues that are concerning your client and the types of services the client would like you to perform for them.

18. Seminar To Launch Business Advisory Services

We believe that one of the key marketing initiatives is to conduct a number of small seminars (no more than twenty clients at a time) to brief your small/medium enterprise clients on the types of services that your accountancy business is able to offer.

19. Selling Business Advisory Services

The non-compliance market is different to the compliance market. Business consultants have established a process that quotations are given and written engagement proposals are submitted. Quotations should be followed-up and you should 'ask for the order'. Many professional accountancy firms will have to get over any inhibitions they have towards the concept of 'selling'.

20. ESS BIZGRANTS

ESS BIZGRANTS assists in the identification of government grants for which small/medium enterprises might be eligible. The Australian state and territory governments pay approximately \$5 billion per annum in grants and business incentives and assistance. Are your clients receiving their share of these grants?

One of the easiest ways to embark on the opportunities to be presented is being proactive in seeking grants for your clients.

21. Implementation To Achieve Business Advisory Services Readiness

The implementation program that's contained within ESS BIZTOOLS supports members with:

- New Members' Webinars
- Monthly Members' Webinars:
 - Featuring a key note speaker.
- Monthly Members Alert:
 - To keep members aware of new articles and new developments.
- A Training Module:
 - To prepare the team to deliver business advisory services.
 - This program envisages that the team will meet for 2 hours per week for 3 months and that the facilitator ensures all team members have been adequately trained in the business advisory services process.
- Make it Happen Program:
 - Some firms will require additional assistance because they don't source a facilitator.
 - To assist with the process, ESS BIZTOOLS has entered into an arrangement with Training Beyond Accounting, who has developed the Make it Happen Program, to assist accountancy businesses to get ready to deliver business advisory services.

Full details of business advisory services readiness are contained in [Paper 550-060 Business Advisory Services Readiness](#).

D. DELIVERING THE DREAM - CFO SERVICES FOR SMEs

22. Business Advisory Services

ESS BIZTOOLS' Business Advisory Services product modules contain the templates, forms, articles, papers, spreadsheets, quotation forms and proposal letters to cover fourteen services including:

- Debtors' Management
- SME Debtors' System Manual
- Cashflow Management
- Business Evaluation
- Business Health Check
- Budget/Cashflow Forecasts
- Chief Financial Officer (CFO) Services
- Strategic Business Mentoring
- Business Planning
- Buying a Business
- Selling a Business
- Survival in Difficult Times
- Identifying Grants and Incentives for SMEs
- Succession Planning

During the next twelve months, the following modules will be produced:

- Risk Management
- Investment Readiness
- Family Businesses
- Estate Planning

23. ESS BIZGRANTS

ESS BIZGRANTS will assist in the preparation of a report, highlighting the identified grants for which individual SMEs may be eligible, which you can submit to your clients.

E. TURN THE DISRUPTION INTO A MAJOR OPPORTUNITY

24. Deloitte Report

Based on the Deloitte report, over the next 2.1/2 years, there is an expectation of an approximate \$4 billion disruption to the Australian accountancy market. There is a significant opportunity to reduce the impact of the disruption and, for many firms, to actually profit by being able to increase their overall fee income by being proactive in meeting the market challenge for accountancy businesses to retain their status as the 'trusted adviser' to SMEs.

25. Not An Option

No action is not an option, for it will lead to a significant reduction in fee income (based on the Deloitte report). If accountancy businesses are not geared up to offer a broader range of business advisory services, then others, both accountants and business coaches, will grab the opportunities.

26. Grasp Opportunities

ESS BIZTOOLS and ESS BIZGRANTS are passionate about assisting accountants to grasp these exciting opportunities.

500-074a Ten ways that ESS BIZTOOLS can assist accountants develop opportunities for the 'digital disruption'⁴

1. Fourteen individual 'Business Advisory Modules' are prepared ready for you to use immediately with your SME clients.
2. Resources to assist you to 'educate' your clients that you can offer business advisory services, which will assist with adding value to their businesses.
3. 'Leadership Tools' to assist in the development of leadership skills within your accountancy business and with your SME clients.
4. The 'Introduction to Business Advisory Services Modules' will assist your accountancy business to prepare a proper foundation for the delivery of commercial solutions to your SME clients.
5. Ready-to-use 'Seminars/Webinars' to assist in communicating with your clients and prospects.
6. Access to our business grants identification product ('ESS BIZGRANTS') to assist in advising clients on government grants for which they might be eligible.
7. A monthly newsletter, 'Business Plus+', with SME business advice (not just taxation articles) for you to badge and send to your clients, prospects and affiliates.
8. ESS BIZTOOLS will assist you to 'retain your good team members' and attract outstanding accountants who want to do 'real accountancy work', not just tax.
9. Information to assist your accounting business to restructure your offerings so you're 'delivering services your clients want'⁵.
10. You do not have to do this on your own. ESS BIZTOOLS has developed an implementation program to help prepare accountancy firms to deliver business advisory services, including:
 - Members' Webinars;
 - Members Alert;
 - Training Module; and
 - Make it Happen Program.

ESS BIZTOOLS is passionate about assisting accountants to deliver an outstanding package of business advisory services, to assist you to gain opportunities from the 'digital disruption' and to help your SME clients prosper and grow.

⁴ Digital disruption, short-fuse, big bang?, Deloitte, September 2012 – <http://goo.gl/ZUXKX>

⁵ SMEs – the fine line between failure and success, CCH Report, April 2013 – <http://www.cch.com.au/au/MediaRelease/MediaReleaseDetail.aspx?MediaID=433>

AN IMPORTANT MESSAGE

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