

James Solomons

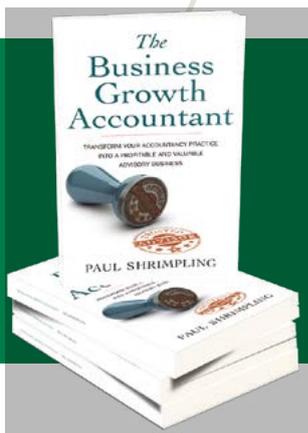
Director & Co-founder of Aptus
Accounting and Advisory
Head of Xero Accounting, CFO at Xref



James is a passionate accountant and recognised industry leader. His varied & extensive portfolio of roles give him a unique perspective on the direction of the accounting industry. As an advocate, entrepreneur & educator that leads by example he is committed to supporting the profession & business community globally.

'At Aptus we believe in connection, we believe in developing strong relationships with our clients, we believe in working with you in your business to help you achieve your goals.'

In this interview James shares with Paul his wealth of experience wearing different hats supporting and advising business owners as a business growth accountant.



James Solomon Interview

Paul Hi James. Can I just run through what I'm doing and why I'm doing it and then that tees up the call for the pair of us? Is that okay?

James Yes, no problem.

Paul Okay. I know Amy introduced us which is fantastic, very kind of her. Very generous of you to share your time this evening. What I'm doing is just hunting around the profession for those people who are genuine trusted business advisors who are doing the work and getting the results for their business owners.

Would it make sense to begin with, James...? Would you just give the background around Actus? How it got going? What you were doing before, because looking at your LinkedIn profile I can see you were a business owner before Actus, but I don't know the background. Would you just give me a little bit of an overview please?

James Yes, sure. So our business founded 1 January 2015, so almost two years now. Founder with my business partner, Rebecca Maharlick, and in previous accounting wide...both of us actually had worked at firms for long periods and myself 14 years with one practice. Started there as a junior, finished my qualifications, became an owner in 2008 which is quite young at 27 years old, and sort of progressed the firm through technology changes that started to occur in 2009/10. Found Xero in 2011. That sort of kicked off a lot of change in our business and then in 2014 I got tapped on the shoulder to take up a role with Xero as their Head of Accounting in Australia, which was a bit of recognition for my specialisation in the technology side of the profession and using technology to drive different outcomes for quite... and using the technology to do it differently to the way it had been done for the past 15 years. So I started in 2011.

And so I joined Xero and took a step out of the firm that I was with, that I'd been 14 years, and just decided that the path that firm was on was no longer sitting squarely with the way that I wanted to run a firm. So I spoke to my other business partners and decided that it was time to go, and it was all amicable and I parted ways and took my client base and connected with Rebecca who had been at a firm for 12 years herself, and at the start of 2014 had left not under as nice circumstances as me. She'd been there for a long time and was basically running the firm but had never been made a partner.

Paul Right.

James She was told that she'd never become a partner, so she decided that it was time to leave. And then we connected not long after I joined Xero and then we hit it off and we had very, very clear alignment and how we wanted to run a firm and what we wanted to do as advisors as opposed to just accountants. And that was how Actus was born.

Paul Right. Brilliant. And so two years on, how many business owner clients are you actually with now, James, as a firm?

James We probably have active business clients... I mean, you always have the groups and things like that, but individual client groups... There's about 100 individual client groups that we're working with. And also I'd say it's the old 80:20 rule. There's about 20 to 30 of those that are business owners that really do... are really on the growth path. Not to say the other 70, 80 aren't, but there's always that group that are really high performing businesses. And so we work really closely with that core group.

We still do a lot of advisory work for the other ones, but that 80:20 rule certainly always holds true in the real deep and nitty gritty stuff that's the 20 or 30 clients. And they probably make up a good 50 to 60 per cent of the revenue base in terms of the advisory work that we do.

Paul Yeah. And that's split between you and Rebecca, is it?

James Yes. I obviously with my multiple hats that I wear, working for Xero and working in Actus and also I floated a little bit closer to one client who's a Listed company on the Australian Stock Exchange. I tend to spend my time spread amongst one or two, maybe three, key clients and the Rebecca's managing the rest as well as running the practice.

Paul Brilliant. So in essence then you can describe and share with me your approach and to a degree Rebecca's as well on that.

My challenge, James, is I've been working with accountancy firms for 14 and a bit years now as an external advisor and non-exec, awkward so and so to get accounting firms to do things in such a way that they... as much as anything enjoy themselves, but actually deep down to make a difference to their business owner clients. That's always been my... That's when my juice flows. When I get on stage to present, that's what I'm presenting about because in my view the accountancy profession accountants can, if they choose to, make a hell of a difference to business owners if they drop genuinely into that trusted business advisory space as opposed to just looking backwards at annual accounts and so forth.

I started a business with my father, built it up to a... It would be a modest million pound turnover business, but only saw my accountant once a year and didn't realise it at the time but since I've got into the profession realised that actually if I'd worked with a different accountants with a different approach, who knows what I could have done with that business?

Now it's no one's fault but my own because I chose that accountant, but that's where my juice comes from.

So what I'm really, really interested is in – with the likes of you and Rebecca and a number of the other accountants that I'm talking to on this project – is understanding the nitty gritty as to what makes for a good trusted business advisor accountant? You've already shared a story which is similar to others in terms of it tends to be a 80:20 split or something of that ilk and there are certain clients who really want that support.

Now it could be, couldn't it, that that's the same for every accountancy firm? They've got a 20:80 split. They're just not necessarily doing what they could do be doing for those 50 business owners. What is it you do? How do you get going on a project which is genuinely trusted business advisory work with a business owner?

James

I think, you know, it's no different to business generally. I mean, I'm probably much like yourself. As you know, I'm a qualified accountant and Rebecca's the same. **We see ourselves as business people.** When accountants take themselves out of that... and it's no disrespect to any of my colleagues – when they take themselves out of that sort of position of... how do you put it? They just deserve to be rewarded for having joined the brethren and done their training. When they take themselves out of that, then the expectation is they should be more... they become true business partners. They can really, really start to have what you need for conversations with clients. I treat my clients like business partners and we have grown up conversations with them about their business and about how we need to help them.

We don't charge by the hour of course, like modern accountants, and so because we're not charging by the hour we're working then based on outcomes, just like any other business. You know, when you engage a business there's a value exchange and if they decide it isn't seeing value then we'd look to see a change in the way it's running, or we disengage.

And I think as we're particularly at the moment, as a firm, we're starting to go back to our client base and go **"Well, can we add value to this client? Does this client add value to us?"** And if it's a no on both sides, then we essentially... We're going to start letting them go to go and with other accountants. That old firing the client thing.

So I think what we try to do initially when we're meeting with new clients and it's always a challenge. We're very clear about how we work and if they're just after tax advice then... Not just tax advice, but tax compliance and doing their tax returns at the end of the year, then we're probably not that they want to

be working with because... not that our fees would be too expensive, we just won't be giving the service that they want because we offer a lot more.

So we try to be clear within clients, existing or new, about how we want to work with them. And now that we're two years' in, we're about to go through and start pulling together a lot of really, really good case studies about problems we've solved and how we've helped grow businesses and that will showcase what we do. At the moment we've had to rely upon just building a great relationship with that client to trust us and then obviously that doesn't happen straightway. Sometimes just like anything it can be just working with great people. So immediately... We've seen it often. We know it's going to be a great relationship because we like the person. It just so happens that they're running a business that needs help.

That sometimes becomes really the first filter that we use because as we get to know the business then we can apply more filters as we go along and actually understand what they need. But ultimately we're starting off with the person's a good person and they're coming to us for something other than tax returns and they're not querying enough what our fees are. So it's a conversation and it's a tick in the box.

Paul Yeah, it's a good starting point. In those early conversations with a new or prospective client, how are you establishing what outcomes and what value there is that you can deliver... because ultimately it's the business owner that's going to make the decision, isn't it? Are you going to make your decision as well as to whether to work with them if it is outcome based?

James Yeah, that's right.

Paul So how do you establish that? How does the conversation...?

James We ask a lot of questions. My train of thought and my school of thought when I talk about me, you know, Rebecca and I are almost identical in the way we think. So take it as Actus and Rebecca and I... not just myself. We're quite... Coming to us whether they're a new client, whether it's a referral or whether

they've found us on a website or somehow, they've probably already done their research. So we don't sit down and tell them about all the things that we can do because 95 per cent of those things they probably don't need or they can get from anyone else.

I have a question about... Initially it's what problems are you having with your business? It sounds cliché, but, you know...

Paul Yeah.

James The services that we offer are fairly standard across the board but when we ask a question and find out what is troubling them, keeping them up at night, what they're growth pains are, we then are able to tailor our response to end that question or the problem that they're having. So the way that we would apply a budget and forecast to a start-up business might be very different to a business that's just lost a major contract, but we're still going to be doing a budget and forecast to understand the way it is. But the way that we deliver the solution piece when we're pitching to them and putting a price on it, is key to solving their problems.

So much like working for Xero has been a great experience because I start now... We've just started doing this with our team. We start with the client experience first now. So we're constantly looking at – not that we didn't do this before – but we're articulating it more when the client is sitting across from us. What are they hearing? What are they understanding? What are they seeing from us? And if they're then talking about everything that we do, that's not a good experience. And we give away so much information to clients in that first meeting where we're asking them about their business and what the problems are. We offering not solutions on the spot, but we're offering like the users, you know, how they could solve that because if you're sort of going to... maybe you hear everything that you need to hear and go "Yeah, I'll go away and think about what solutions you need." If you give them nothing in that meeting, they still haven't been impressed by what your capabilities are.

Paul Yeah.

James So when we talk, we're offering them up free advice and hey, if they will go to that meeting and decide we're not the right person for whatever reason – three or four bits and pieces from our conversation that they actually can go and use, I might go and speak to their accountant and he can do that and they can get it right, great because it comes down to people.

Paul Yeah.

James So they might not have liked me as a person, but the advice I might have given them in that free meeting might have actually been of value. So, you know, we give away certainly a lot in that first meeting and we offer up ideas and suggestions. Where that translates into later on, the piece that we... how we work with clients, particularly Futrli, we give clients... You know, we'll go and prepare forecasts in 10, 20, 30 minutes for a client using their data. We'll go and give them boards and set them up and analyse it and we'll give the cost where we're trying to pitch for some more work. If you **give the client something rather than tell them about what you can do. If you show them what you can do.**

Paul Yeah.

James It's a compelling piece. Again, it's probably one of those things that, you know, you win some, you lose some, but as I said if you lose some and that person... that type of person anyway that's going to take your advice for free and not go with you, it's not really the client I want to work with.

Paul Yeah.

James So we answer the question and we give advice in that first meeting.

Paul Yeah.

James It's not structured advice. It's not written advice. We just have a brainstorming session and we find out how we can help them and that generally is a good starting point for going down that path of understanding what their needs are.

Paul Yeah. So when you're a prospect, James, are you on your own or are you with Rebecca or one of your other team members? How does that work? What's your starting point with that?

James Yes, so we've just started... generally with the big clients because Rebecca and I had sort of our own small client bases to start with. So those clients that were larger certainly Rebecca and I would go in together. If it's a client that's been referred to both of us, then we certainly go and see that client together. If the client has been referred by someone that doesn't know Rebecca, then I would generally see them.

What we've just started doing is we've built our team over the six to eight months with some senior accountants. They're now coming into those meetings. So we do like to have two in the meeting because it allows one person to watch the client. It allows one person to take notes and one person to talk. So if we can it's always two, but it doesn't have to be Rebecca and I now. We're bringing our sort of senior team members in so that they can learn from how we're operating.

Paul Yeah, brilliant. So I think if I summarise things, what you're saying is you demonstrate your ability as a trusted advisor through the quality of the questions you ask in the meeting and then hence the quality of the conversation that you end up having with that client. Have you got standard questions you use or do you prepare specific questions in advance of that meeting or are you winging it in the meeting? How does that work?

James Look, you know, it's probably a combination of both. If we can, if we're meeting a client and they're on Xero, we often ask to have a look around their Xero file before we meet with them.

Paul They're up for that, are they?

James Yeah, some of them do. Some of them are quite happy to invite us in to have a look around even if they've got another accountant. I mean, the reason

they're coming to us is because they're not happy with their current accountant anyway.

Paul Sure.

James So they're not worried... Sometimes they do, sometimes they don't. It just depends on the business owner. Not that that's ever a filter that we use. If they say no, or they go "Oh, come and have a chat firstly," that's fine. We've never gone down the path of like a... I know some firms send out questionnaires – tell me about your business.

Paul Yeah.

James We know that business owners are time poor, so sometimes that's a bit hard.

Paul Yeah.

James Generally we're always asking the same questions around **what are your pain points? What are your great plans? What sort of data are you trying? What sort of data do you need or have you tried to extract out of your business to help make decisions?**

Paul Yeah.

James What we're trying to get to the bottom of is where are the problems in the business? What are their aspirations? I ask this question. I go **"If resources and money weren't an issue, what would you do with your business if you didn't have to worry about cost and you could spend as much money on advertising and staff."** Yeah, those types of questions.

What tends to happen then it starts to free flow. We always do come back to what's the problem and then once we've extracted that, what I'm always trying to get to is what does success look like? Some can articulate it. When I say 'success' it might be just to solve that problem.

Paul Yeah.

James So they're having a problem with x, and they can get... The solution is y. Sometimes it's a bit more general about what success is. Sometimes they don't

know. So that then helps us to understand where we're going to be slotting into that advice mechanism because they... They're in business. They've got a good business. They've got a good idea, but sometimes they don't actually know where they could be. So our role starts to then become more of a coach and a mentor, a business advisor versus a business advisor helping a client achieve some very strategic goals that they've already set. We might have to tweak them but our role is very different. We might be there rather than being a coach and a mentor to help them get where they want to be. It might be, as you say, that external awkward person challenging them and keeping them accountable. So that's where it tends to switch around a bit. But it's always those types of questions.

Paul Yeah. So what are the... I guess it's the resistance that I get from some firms around this business advisory piece is that well, we might be able to work out what questions to ask, but we don't necessarily know what the fix is, and so we don't want to open a can of worms that we can't help. What do you draw on, James, in terms of your knowledge and experience? What is that you're using as your tool kit or armoury or whatever in order to...? Once you've asked the questions and you've created the conversation, free flowing or otherwise, what is it you're drawing on that puts you in that – well I can now advise? I've asked the questions, I can now contribute.

James Yes. Spot on. I mean, in my work at Xero a lot of that questioning is all... I get that I've got to do advisory and I get that the way the profession's going. Firstly, where do I start? Secondly, who's going to train me to be an advisor? And it's a bit of the unfortunate situation that particularly in Australia our profession has been in that it's a very compliance based profession with rare carrying revenue. And to be honest, you know, I've sort of been really pushing... I've been on the advisor journey my entire career but particularly since about 2006, even with a [inaudible 0:24:11.7], we were constantly as a firm taking ourselves out of our comfort zone, and so we would have those conversations with clients and go "Okay, they do want our help. Now how do we fix it?" So obviously we'd be working out how we can do that.

Then secondly we would be... and this is how I am now as well. We should actually be honest with ourselves and go "This is actually quite a specific piece of advice." We would go and we would engage. We then start to build networks around people that we trust to deliver that advice.

Paul Yeah.

James So in terms of where we are now, a lot of the advisory stuff... and this is one of the challenges is that a lot of accountants, even myself, are constantly retraining, particularly with this role that I'm in with a listed company working very close with them, I've had to step up the learning around a lot more compliance, around the way that listed companies have to operate.

Paul Yeah.

James Nothing hard, but I've had to really knuckle down to it.

Paul Yeah, do the leg work.

James Exactly, put the industry in. So just like advisory is another business division, so you can't sort of just turn on all the taps and expect that overnight you're going to have this one [inaudible 0:25:46.2] that is free for all. Secondly, how are you going to be able to solve the problem? So we do invest in time but we're also very open and honest with the client. If they throw up a challenge and it's not something that we do, then I'll go and see the experts.

A perfect example is pricing for this listed company. It's got an office in the UK and an office in Canada. I know enough about it to have a conversation. I am not an expert and so fortunately one of the other Xero partners that I work very closely with, that's one of her areas of expertise after ten years in the Big Four. And so I've just engaged her to come on board and offer that service to my client. And I know some accountants get a little bit scared about introducing experts into... or bringing in other accountants, but, you know, if they're in a position of expertise then they're obviously not interested in your bread and butter accounting work because they make more money being an expert.

Secondly, I always believe in acting in my clients' best interests. So if I am not helping a client get the best advice they can get because I'm trying to do it all myself, that's bad.

Thirdly, you know, I consider I'm the [inaudible 0:27:09.9] comes down to relationships and if for some reason that particular client, you know, even if you've got a relationship stuff, to build a better relationship with the other accountant, even if you've got some sort of agreement they want to do with clients. Then, you know, again, straightaway you start to get all... Can you actually service that client? I haven't had it happen often in the past but a couple of times in 15 years I've had clients move on to bigger accounting firms because they've just been able to service them better.

Paul Yeah.

James But you know, I've never burnt a bridge, so, you know, who knows what will happen in the future. I have had some clients that have been in exactly the same situation but have come back because I didn't burn a bridge.

Paul Yeah.

James So I think that tool kit though comes down to firstly really having the tools, the crunch boards and the Xero and those great tools.

Paul Right.

James I think then investing the time. Again, I think having the ability to bring in experts, to have your A team of experts across the profession does help and particularly as the level of demands of clients is getting higher. You can't fake being an expert because you get shown up pretty quickly if you don't know what you're talking about.

Paul Yeah, that's for sure. That's a thing that's coming through actually in the interviews that I'm doing, James. That authenticity piece, you've got to be real. One practice owner said to me that "I can't have a conversation about marketing with someone if I'm not successful in marketing my own business." And I just thought, "Well, you know, [inaudible 0:28:58.3]. The question then

comes up "Well, how do you best manage your own firm?" That's my next question.

I talk a lot to firms of accountants about moving from... you know, looking backwards to looking forwards and the KPI conversation which could be key performance indicators and the work that I've been doing with Amy. Crunch boards have been around. Let's consider that. I'm talking about the key predictive indicators, the numbers that if we drive them forward, drive a huge success of the business. What sort of conversations are you having with clients around KPIs and then I want to ask, if I can, about your KPIs in your firm? So how important a role does the KPI conversation have in the conversations you have with your business advisory clients?

James I mean, that's a funny one because, you know, obviously there's a couple of angles to it, but I've never been a massive believer in KPIs and targets and budgets. They're important. You've got to set them, but, you know, the speed in data trends for these days is so fast and setting a strategic structured budget is great as a base line, but I can tell you that most of my clients, particularly the bigger ones, the budget we set two months ago is now completely irrelevant because something's happened or it's moving faster than we expected.

Paul Sure.

James So we're using that key performance indicator as a base line of what was the goal we set 12 months ago and how do we go about achieving it?

Paul Yeah.

James No, we didn't get there. What are the reasons or whatever? Or if we did achieve it, how do we replicate that every single month if we achieved it one month out of 11? We use it as a base line. I think that predictive thing is... We're sitting down with clients now. It comes back to that initial meeting we had and we then obviously want to engage clients and we start to have the structured meetings around setting goals and targets. Maybe that's the point I just raised a second ago about we're looking at all... What was your best

month? If that was your best month, what did you do in that month and how can we replicate that month eleven times over? Obviously [inaudible 0:31:33.9] sometimes throws that out a bit, but what levers do we need to move or pull up and down to drive revenue in this part of the business or increase the frontier?

Paul Yeah, the drivers.

James Yeah, the drivers. Even at Actus, sort of it being your next question around it is we've got some very basic KPIs around revenue targets but that's about it.

Paul Right.

James Even in my old firms we never had proactivity goals and things like that because I think sometimes people get too focused on achieving that goal and that's it. So we tend to sit down with clients and we'll set some revenue targets and we'll set some profit targets and cash targets and then we're looking at monitoring this stuff so closely now for some of these clients.

You tend to find that, as I say, that structured approach tends to fall away because the KPIs there as a goal or a target and as I say you find out at the end of the month whether you've achieved it or not, but we can pretty much determine straightaway one week in based on previous history, whether that target's going to get reached or not.

Paul Sure.

James As I say, I've never been a big person for those, only because I think that sort of becomes... As I said, it's good for a base line, but not the be all and end all. I've had some clients get very hung up on it. I go "Well, okay, there's a budget and what are you going to change if you don't achieve it?" They go "No, I don't want that problem." You know, you're tracking to budget but if you don't meet budget two months in a row what are you actually going to do to change or are you just going to do a report that says...

And what happens is... and we still have some clients like this, you know, registered clubs, things like that, where we do a report at the end of the month

and go "The reason we didn't reach budget this month was X,Y and Z." And that's it. There's no sort of...

Paul I don't disagree with that at all. Your point there, if it's not driving action, it's just a reporting mechanism and what's the point of that if it's not driving action? I think you're absolutely on the ball with that.

James Okay.

Paul So if you could tell me a story now. Without using a client's name in order to preserve confidentiality and what have you, I'd like to get an appreciation as to the difference that you've made to one of your clients based on their customer journey, their experience of working with you or Rebecca, the firm. So anyone that picks up on the information I'm going to share as a consequence to this call can get a sense of what's possible because of this approach, this trusted business advisory Q&A, strong relationship, partnership approach to work with a business owner.

Would you be good enough to share a situation before you started working them, how you started working and then ultimately what the outcomes were?

James I think actually we shared this same story when we did our recording with Amy but I like to use this one because it shows a bit of a journey with the client.

I met this particular client through another board of a charity. I met him through there as someone that I'd been introduced to by the CEO of the charity. And so we met up and he started doing a bit of work for the charity and he had another accountant and we just sort of hit it off, and he'd been with his accountant for quite a while as a family friend. He and his business partner... So he had a business partner who was actually his brother in law. Had a successful business but had come to a point where they were using Xero. Xero was always out of date. He never knew where things were and he was basically his bad case business by his bank account.

Paul Yeah.

James So I started doing... Again, I started working with them in early 2014 not as their accountant but as their business advisor. So they still had their other accountant.

Paul Yeah.

James And I was coming in and I was running some strategic workshops with them, helping them understand their goals, what the challenges were. At the time it was more of that external role. I wasn't actively helping them solve the problems. I was helping them identify the problems. They didn't want to engage us on the revenue side... They didn't want to engage us. I think that was because they felt they couldn't afford it. So we went along this sort of process for a good six months and each time we'd catch up and the problems weren't solved. And then when I started the new firm...

Paul Were you getting paid for this stage?

James Yeah, I was getting paid to sort of be their external board member, to challenge them on their thinking and they would happily come in to that meeting once a meeting and sit down and say "Yeah, we just didn't have the time to do it, whatever..." and we'd go through the motions. I then sort of said and I started getting on obviously quite well with this particular client. I said, "Look, it's been six months and nothing's changed. Either you need to ship up or we're going to disengage because I'm not adding value to you any more and you're paying me and it's not sharing the cost because you're not growing." And so he sort of... He goes, "No, no, we'll get it sorted."

So then Rebecca and I then went into business. We both went to see him and something had changed in his family life and he decided that he needed to part with his business partner.

Paul Yeah.

James He decided that he was going to do that at the end of the year, but at this point now he was going to engage us as his accountant as well. So we got him on board, got all his tax up to date, solved that problem because it was

not working well. And he'd never done a budget or a cash flow. So the first thing we do is do a budget and cash flow, but immediately we put crunch boards in to help him start to see the numbers in a more positive way rather than just what was in his bank account.

Paul Yeah.

James So we did the forecast and the cash flow and we did a lot of that forecast probably not at market rate. We were interested with working with him but we could see the potential. He had a very good business. He just needed some guidance. So we invested a bit of time and at the time Rebecca and I were sort of feeling out our advisory model of how it was going to work. So we sort of used a little bit of [inaudible 0:38:52.3]. Long story short, we then helped him through separation with his business partner which as your brother in law is not an easy task.

Paul Not easy. No, it's not easy.

James A lot of stress there and helped him sort of go through that process. Once he exited out his business partner and this was now his business which he could no longer blame anyone else for because obviously he could always use "Oh my brother in law this, my brother in law that." It was holding him back. If you want to stop saying that as your excuse, you need to get rid of him.

So we helped him get through that process and then we sat down and we really looked at structured goals. We then got comfortable to go into the point where he was looking at usefully on a daily basis. Managing his cash flow, building the business, meeting with him once a month to go over the numbers, helping him understand where he needed to be cutting costs or where he wasn't going. What we started to identify very quickly was that his work was getting out too slow and so the billing side was slowed down, so therefore the cash flow was slowing down. So we had to challenge him to make things work faster.

Things then started to get very, very good and then unfortunately he went through a... He's just been through a marital divorce and he turned to us obviously straightaway to try and get through that. I've never been through it, so I can't imagine what he was going through but the business started to suffer.

Paul Yeah.

James So rather than have sort of negative conversations around your business is getting affected and not have any proof, I would have again used these tools that we had to show him that "Hey, you've dropped off. You've lost some clients. This is now the impact." And only just recently, because it's still ongoing. Only just recently, we had to have the hard conversations with him about letting go of staff or in the end he sort of pretty much moved all his staff to part time.

Paul Yeah.

James Some of them will leave to go and get other jobs.

Paul Of course.

James I think the crux of this is that we've built up that good relationship. He trusted my advice and Rebecca's advice. He then came across as a tax client but that was really secondary. It was just sort of like a "Oh, well, you're doing everything else now for my business. You might as well do the tax as well." And then we helped him through a number of challenges, got the business to a really good point and then he's gone through another set back and it took him a little while to come around, probably two months earlier would have been good because he did lose a few big clients as a result of not delivering. But I think – and this is only just last week, but he's let go of his staff that he doesn't need. He's realised where it's at and we're about to have new conversations with him about how he's going to run his business and rather than being a one-stop shop and doing everything, he may just go back to specialising in what he's really good at which is a consultant rather than the whole shebang.

Paul Sure.

James That there is so much more than doing forecasts and putting in crunch boards.

Paul Absolutely. How do you price for that sort of service?

James Essentially in the early days it was per engagement we were doing with him, meeting with him, the business...

Paul The meeting focused.

James It was meeting focused. Then when he came on as a client we started charging a monitoring fee, so basically a fixed fee and I think it was a thousand dollars a month just to be managing crunch boards, keeping him up to date with reports, tracking cash flow wires because he was quite existing... He wanted us to build crunch boards in such a way to give him certain information that he felt was important.

I can tell you that what he would say is completely different to the other 20 or 30 clients that we do similar services for at varying price levels, and so the reason why we have a crunch board is because it allows us to show data in so many different ways. So we sort of charged him a fee to get crunch boards set up in the way he wanted and then we put him onto a monitoring fee and he's paid... He's dropped off the last two but for us it was more important to help him get through this next period of challenge.

Paul Yeah, of course. How big a business are we talking about here, James?

James Well, he was turning over £1.5 mill. That had grown significantly from £700,000 two years before because he was picking up a lot of big clients but then what was happening was as his business model wasn't the same, we had to start charging on that business model. That's where his next big challenge is. He's lost some big revenue. He's in scale back. He's got to start again, but that will be our next stage with him is to go "You need to rethink how you're going to deliver your services in that respect."

That is a good story because, well, it's continuing.

Paul Yeah. Evolving all the time.

James And the monitoring a problem we stop in terms of the dollar value that we've got now. It might get halved to help him out. We'll probably start moving back to project basis so daily rates and things like that.

Paul Sure.

James It will be now "Hey, we need to help you redefine the way you're going with your business." Again, to be able to come with this, help you with your new chain. Work flow chain, whatever, and we'll charge this for that." Helping him grow back up and then go back to monitoring.

Paul Yeah.

James So I think the challenge for a lot of accountants then is, as you said, how do you price that? It's not just someone turning up at the door to do tax returns. We've gone from piecemeal meeting approach, some set up costs. We've then moved to monitoring, probably going to drop off the monitoring now because he can't afford it and go back to piecemeal and project based. And that's a challenge for any business to manage how you derive revenue on that, but what the challenge for us is we've got to continually go and feed that sort of work.

Paul Yes.

James As opposed to just relying upon that being recurring revenue that we're getting...

Paul Yeah, you can't [inaudible 0:46:22.6], can you?

James No, that's right.

Paul Yeah. So how typical is clients paying you a thousand dollars a month? Is that the high end, the mid end, the low end? I'm talking about your 20 or 30 trusted business advisory clients here, James.

James It's probably the top end, the average we're probably getting is somewhere between five hundred to seven hundred. So for clients on sort of a thousand bucks a month or more, it's probably including their compliance because

compliance might be fairly straightforward with the company, whereas if it's say they've got a group of companies where there might be three or four entities to do, the advisory component might be a little bit smaller because it's a lot more... There's a lot more compliance to do. We sort of trade it off a bit, but, you know, to be honest we like to try and set a base line for those clients that are on a monthly basis. Our sort of base line is a thousand dollars a month where we're looking at advisory because that encourages us as advisors to get out of bed in terms of helping them. We're never going to take our advisory client who wants to pay us a hundred dollars a month because there's no incentive to give them the service they need.

Paul Yeah, you can't deliver...

James at a minimum, I'd say that five hundred dollars a month is the minimal we'll do for any advisory client and they'll have their compliance on top which might be three thousand dollars a year. So the client then is about somewhere around the ten thousand dollar a year mark, which we like to see and again allows us to work properly with that client and also spend enough time with them to source new opportunities, so one-offs.

Paul Yeah.

James Updating forecasts, clearly strategic planning, maybe some things like that. It's constantly evolving. We're still trying to get that right, but I don't think there'll ever be a right period. I think it's constantly going to be based on what the market is willing to bear.

Paul Yeah, and also what the client needs based on the story you've just told, isn't it?

James Yeah, that's right. Exactly.

Paul Brilliant. James, I'm conscious that you're about to shoot off and play your game of football. Last question which can lead us to others, but what I find is when I'm advising, consulting and when I unpick other people doing similar – and actually in any walk of life, you could apply it to football as well. I do

coaching - is what are the one or two or three rules of thumb that you think underpin the success of the work you do as a trusted business advisor? You know, some might call them secrets. I don't think there's anything particularly secretive about it, but the things you rely on, those rules of thumb that underpin what you're doing and what Rebecca's doing as well.

James Yeah, there's a couple. I think the first one is you've got to be knowledgeable and you've got to know what you're talking about. I think that's that authenticity piece. That also is being knowledgeable not to know whether it's outside of your domain and when you need someone else. So a lot of accountants don't go into advisory because... maybe not even a case of they don't want to open a can of worms when it comes to delivering services. They're just too scared of putting that compliance revenue at risk.

Paul Yeah.

James So they go "Oh, well I'll just do nothing and just keep them as a compliance client." And that's, to be honest, I mean that's not a wrong option because they're making that decision as knowledgeable people that I can't deliver that service so I'm not going to offer it. So I think if you want to do that stuff you've just got to know what you're talking about. I think in this space and this puts it into the client experience side, the client's entrusted you to help them do their budget and monitor their business. And this is probably the next point I'm moving onto. They entrust you to do that and they're paying you to do that and you don't deliver, then you've really... This is someone else's financial affairs, so much like that client example I gave before, because we are those trusted business advisors it goes beyond that because we know everything about them. When you know someone's financial affairs, you know a lot about that person and you probably have [inaudible 0:51:29.1] where somebody on the outside looks ridiculously wealthy and has got everything in order, but then when you actually... They engage you because they trust you and you look at their financials and it's just a mess.

Paul Yes.

James And because you know that... And because they know you and they trust you know, they tell you everything, like there's no holding back. It's one of those things that when they get you at that point then you'll never call them a friend as such because you know that it's a platonic professional relationship, but you know stuff about them that sometimes even their partners don't know and their friends don't know. And so if someone's paying you that money, my rule of thumb is then you've got to deliver. So unless you tell the client it's a pilot service and it's a new offering and you're giving it to them for free and there's going to be ups and downs in your service delivery. Once you start charging proper money for that you've got to know what you're talking about and you've got to deliver. So if you agree to the client that the minute they go out of scope based on an alert that comes through crunch boards and the KPI or the GP margin is bad, you're on the phone to them so you've got to have the scale to deliver it.

Quite often, particularly in the last... probably in the last six months, Rebecca and I have probably haven't chased as much in terms of opportunities because we haven't had the team we needed to deliver it.

Paul Yes.

James So we've been really conscious of making sure that we have the capability to not only have the skills to deliver it, but the resource and the capability.

Paul Yeah.

James So there's three and I've got another one. That three is – you've got to be knowledgeable about it. You've actually got to have the scale to do it and then if you say you're going to do it, you've got to do it.

I think the last one though is that it's much like entrepreneurs. The rule of thumb for a business advisor is there's never going to be a right time to start offering it so you've actually got to take yourself out of your comfort zone and keep challenging yourself and I suppose that's the learnings part.

Paul Yeah.

James And it might contradict a little bit about having the scope and also I think the scale to deliver, but you're never going to have that scale from day one. That's the pilot process, so the rule of thumb is you pilot it on your worst clients or your friends. And the reason I do it on my friends is because they don't pay me market rates anyway, so I may as well give them something for free and use them as guinea pigs because I have had some of those clients, some of those friends refer real clients to me, and suddenly then say "You owe me a beer," and I go "No, I don't. I don't owe you anything."

The other thing is a few times I've given my new pilot services to my worst clients because I figure if I can turn them around, [inaudible 0:54:37.3] good clients. And if they're my worst clients anyway, I've got nothing to lose. I think that pilot approach of testing it and getting it right is like getting new business. You've got to go through all those steps and then go to market plans and treat like a new business. It's just something you can do on the side.

Paul It sounds, James, as though actually what you're advocating there is there is no right time so you've got to be brave. You've got to get out your comfort zone. Apply a bit of guts to the process, if you think it's the right thing for you and your firm to do and then if you're going to do that, well test it. Well, why would you test it on your best clients? Test it on the others.

James Yeah, or pick your best client because you want to give them... We have given a few of those three things to best clients because of the reason that they are the best client and you want to add more value. But you'd be very... You don't charge them for it.

Paul Yeah, there's a [inaudible 0:55:41.2] attached to it, isn't there? Yeah.

James Yeah, that's right. I do agree that there is no right time. You've got to be bit brave and I think that if I think about... If I think about most accountants that enter the profession, they don't go into business just to do data entry and to fill in forms. They went to university and did their chartered accountancy degree in post-graduate studies to be advisors.

Paul Let's do that.

James Yeah, exactly right. Yeah, get on with it. I've been in the industry... The last three years there's never ever been a time like this in this profession's history. Get out and do it. There's going to be a lot of new entrants to our market that are not accountants over the next five to ten years, so now is the time to leverage the tactic. Not only can you do a tax return, you can also give financial business advice. That will then become your point of difference because you'd end up as a full stack firm with all those offerings as opposed to someone that's much like they are now – business coaches that have hardly ever had a failed business in their own right but do a weekend course and now they're fully qualified to help other businesses. They're my favourite.

Paul Yeah. There's definitely an opportunity there and it's for accountants to grab the mettle or grab the baton and run with it, isn't it?

James That's it, otherwise someone else is going to fill it.

Paul Correct.

James That's our history works.

Paul Brilliant. James, this has been a brilliant hour for me. I've really enjoyed the conversation. I much appreciate you sharing an hour of your evening with me. I hope you have a good match.

James Thanks, Paul. No, it's been good to speak to you as well.

Paul I wish you every success. Thank you for your time.

James Thanks mate. Speak to you soon.