

## Ric Payne / Paul Shrimpling – part 1

Ric Hello?

Paul Hello.

Ric Oh hi Paul, how are you?

Paul I'm marvellous. Thank you, Ric, for asking. And how are you doing?

Ric I'm very well, thank you.

Paul Good.

Ric I'm in Paul Kennedy's office with Paul, he's here at the moment.

Paul Paul's there with you now at this instant, is he?

Ric Sorry?

Paul Paul's with you this instant, is he?

Ric He is, yes.

Paul All right. I now feel as though I'm interrupting you, Ric.

Ric I'm sorry?

Paul I now feel as though I'm interrupting you guys.

Ric Oh, that's good.

Paul [Laughs.] So, just wondering whether this is actually the best time to do this for you guys.

Ric Yes, well it works for me. I think it works for Paul, yes.

Paul Brilliant, brilliant. So my goal on the call I guess with you, Ric, is to just have a check in and make sure that you're comfortable sharing some of your insights so that I can quote you in the book I'm writing, so I can dig down deep into your knowledge, your insight and your expertise in this wonderful profession that we service.

And then Paul, my goal with Paul is somewhat different, because that's about digging into his specific experience because he's doing it day in, day out as a trusted business advisory accountant. So I guess in an ideal world

for me, Ric, it's me having a conversation with you singularly and then Paul afterwards, but I guess if we're being creative we could do it all at the same time if we can get everyone on the call.

Ric Well, we could. Paul has just gone out to get coffee.

Paul Right, okay.

Ric But he will be back. But at the moment, I'm just talking to him [inaudible 00:01:55], but...

Paul Okay, great stuff.

Ric But [inaudible 00:01:56] speaking.

Paul All right, okay. All right. Shall I give you some background as to what I'm doing and why I'm doing it, Ric, and then we can unpick it from there?

Ric Sure.

Paul Okay. So for the last 15 years, 5 of it when I was working with Steve Pipe and Mark and the team at AVN, and the last 10 years running Remarkable Practice, I've been working with exclusively accountants, as you probably

know, and very much working with firms who see themselves and do the trusted business advisory work, not just the accountancy work. They're the ones that excite me, and I think the profession has been on a slow but inexorable journey towards getting better and better at the business advisory piece.

So all I've been doing is the business advisory piece, the accountants that I've been working with have been primarily business advisory focused. So I thought it was about time that I actually captured the stuff that, essentially, genuine wholehearted trusted business advisory accountants do, the way they think, and where they're coming from, so that other firms, other accountants who want to go down this avenue, can access that information.

So far I've interviewed 11 different people, mostly accountants delivering trusted business advisory accountancy work or other trusted business advisory work, and a few commentators, of which you are one of the valued ones that I wanted to get access to, to get their views. So with your permission, what I'd like to do is record what we talk about, and for me to dig into your knowledge, if that's okay, Ric.

Ric            Sure.

Paul           Okay.

Ric            Can we get a copy of the trans- of the recording?

Paul Yes, you do. So you can have both the transcript and the recording. This would be a higher standard recording if we perhaps shifted from this call onto Zoom, but I'm happy to live here for the time being if you're okay with that.

Ric Oh yes, that's fine.

Paul All right, cool.

Ric What, in your opinion – let me ask you a leading question – what percentage of accountants, in your opinion, are proactively, consciously moving into the advisor space? Not just doing a little bit here and there, and not confusing advising with telling people what...

Paul What to do, yes.

Ric What, you know, software they should use, but they're actually sitting down and helping people map out a business plan and design a business model and so on. What percentage do you think is taking it seriously, and seeing the writing on the wall?

Paul I think there's a lot who see the writing on the wall, Ric, but I think there's a few who are already delivering substantial trusted advisory work, and billing appropriately for it. So if you-

Ric           What did you say? Substantial?

Paul           Well, because of making tax digital in the UK, you know, I think the profession in the UK all of a sudden is waking up to the fact that, you know, the machines are coming. Quarterly reporting through making tax digital is going to be an absolute necessity, and maybe, just maybe, their traditional work is under threat.

And as much as, you know, yourself, the AVN team, Paul Dunn and Ron Baker and however many commentators have been suggesting that they should move up the value chain, there hasn't been enough [paying/pain 00:05:38] for them to do that. So if you were to ask me to put a number on how many firms are genuinely delivering a coherent business advisory service, I'd say it would be less than 10%.

Ric           Yes.

Paul           Those that are conscious that they need to move there, I think is a bigger number, Ric.

Ric           Yes.

Paul           ...In the UK. I think in Australia, they've moved further forward faster, partly because they've already gone down the quarterly reporting piece, and

digitally they're further advanced than everyone in the UK certainly is. I'm not overly familiar with the US, but I get the impression they're further advanced in the US too.

So I think the appetite is now greater than it's ever been, that's my view. Partly because the [pain 00:06:24] is more obvious than it's ever been, which isn't necessarily the best reason for moving into it. But you know, I was with an accountant last week – or rather, the week before – who was expressing their frustration at the lack of movement in their firm towards higher-value advisory-type work.

And I suggested, well, your best bet is to leave and set your own business up. But she was saying that all of a sudden, with cloud accounting, making tax digital, that the partners were actually listening to what other people in their firm were saying, and guiding what they should be doing. So there's someone who is...

Ric            You're saying... is their income under threat at the moment, is that declining? Is it...

Paul           No. No, it's not under threat at all. It's interesting, there's a research study just come out in Australia, the Good, the Bad and the Ugly report, about 300 firms contributing to it.

Ric            Yes, I know about that.

Paul Right, so that report, I think the headline in that report is... you know, advisory fees as a percentage of total fees is going up, i.e. compliance fees as a percentage of total fees is going down. However, total compliance fees is on the up.

Ric Yes.

Paul So I don't think compliancy is, in the short term, under threat. I think as AI and all the rest of it comes more on stream, then that's certainly going to be the case. You know, I'm on stage this week and next with the same message, which is look, you've got to get your acts together sooner rather than later. In an ideal world, you'd do it for the right reasons.

The reason I'm in this space is because as a business owner, I never got that trusted business advisory which would have helped me do something different with my modest million-pound manufacturing business. So I think the appetite is growing, necessity is growing.

There's more and more examples, Ric, of you know, like Paul Kennedy and Luke Smith in Jersey and Rob Walsh at Clear Vision, and I can reel a number off that are showing just how big an impact, how big a difference an accountant can make when they're having regular, meaningful, worthwhile discussions with their business owner accountant- their business owner client. So the percentages [inaudible 00:08:48] now, do they fit with your view of the world, Ric?



Ric I'd say so. I think I often sort of preface my comments about this when I'm doing presentations, to quote Jim Collins and say "good is the enemy of great". Most people in practices are pretty good, but there are very few that are great.

The ones that are great are the ones that we should, you know, if you listen to people like Jim Rohn and Tony Robbins talk about a successful [inaudible 00:09:20], and it's interesting to take a look at what these people do differently from the rest of the pack. And usually it comes down to the [leverage], and get better quality clients, and you know, products [inaudible 00:09:34] selling, marketing, all of these kinds of things. Rarely do you ever see an accountant being great because they're technically good.

Paul At the accountancy, I agree. I agree. I mean, there's a piece of research which shows that something like 50% of the CEOs of the FTSE 100 have come from an accountancy background. So clearly, the accountancy background provides some skill level, some knowledge, some insight level, that enables you to run a profoundly large, potentially successful business. And then you look at what Paul does there, and what the other deep advisory firms do. They make a massive difference to their clients.

So I'd like to quiz you on, you know... It's interesting the way this conversation started, because the appetite for considering advisory, I think, has certainly gone up. However, the reason for it is because they're afraid of losing the compliance fees, rather than because they want to be a trusted advisor.

So I'm curious, Ric, in your experience of working with firms like Paul and others around the world, what are the fundamental... Less behavioural, I guess, but you might point to behaviours... It's more, you know, their reason being... Picking up on Simon Sinek's Reason Why stuff, or purpose, or whatever language you want to use, why is it that the really, really great business advisory firms do what they do?

Ric            You're talking about accounting advisory firms?

Paul           Yes, I am.

Ric            Well, I don't know whether you could ask me that question. I think you'd need to ask them, but that's an interesting- I don't think there are any... When you say big advisory firms, I don't think there are any big advisory firms in the accounting profession.

Paul           Yes, perhaps I've misled you. I don't mean big advisory firms, I mean that are really into – they're big into doing advisory, because that's, you know... For their reasons, I just...

Ric            Oh, I see what you're saying. I think [inaudible 00:12:00], they have a very clear business model. It says, this is the type of work we're going to do, and this will appeal to these types of clients. In my opinion, it's really that simple, Paul.

Paul Do you think it's financially driven, Ric, or do you think there's more to it than that?

Ric Well, it may or may not be. I'm not sure that too many business decisions in the final analysis are driven by financial goals. And that might sound rather weird to say that. I think if you look at a classic life cycle of a business, and let's say it's an accounting business... Let's suppose, hypothetically, it's a guy who used to...

Paul's with me now, do you think it would be useful if I actually put this on a loudspeaker?

Paul Sure.

Ric So I'll put it on loudspeaker so we can each just [make new 00:12:52]... And Paul might have to have all the...

Paul The technology, yes.

Ric Ah, there you go.

**Ric Payne / Paul Kennedy / Paul Shrimpling**

Shrimpling     Okay.

Kennedy        Okay, can you hear us?

Shrimpling     I can hear you, Paul. Okay, so Paul, Ric and – it's good to speak to you, by the way, Paul, and I can hardly hear you. Wherever you've gone, I can hardly hear you now.

Kennedy        [inaudible 00:00:45] fine...

Shrimpling     I'm just wondering if you've got a screen there, whether... if we flip to a Zoom call, this would work better.

Kennedy        No, I haven't got voice over IP on this website, the speakers on the computer [inaudible 00:01:03] so sorry, we're stuck with [inaudible], but we'll be close to the phone and hopefully [inaudible] work. The other thing is we can, while we're speaking to you, we can actually pick up and use the handset.

Shrimpling Okay, cool, cool. All right. So Paul, Ric and I were just trying to unravel the... why is it that business advisory accountants actually do business advisory work?

Kennedy Oh, okay.

Shrimpling And Ric was making the point that he doesn't think there's any large firms doing that, they tend to be the smaller firms, and we were just digging down into – well, I was asking Ric, in his experience of working with multiple firms, what he believed was the reason accountants get into the business advisory piece more than they really want to continue... Well, not necessarily continue, but you know, be dominated by the compliance piece.

Kennedy Yes. I think my view on this is that I think, in professional terms, business advisory work went up. So generally speaking, people are going to ask their accountant. And at that point, I suppose they're doing business advisory work. So I think what you mean is [inaudible 00:02:15] business advisory work where they are taking people back to the [inaudible] process.

Shrimpling Yes, whether that's a quarterly meeting off the back of management accounts that ends up digging down deeper into the stuff that's going to drive the business forward, or something even deeper than that.

Kennedy So the answer... The question is, why don't they do it?

Shrimpling No, I'm saying why do they do it.

Kennedy Oh, why do they do it?

Shrimpling Yes, the ones that do do it, what's their justification? What are their reasons? What gets them out of bed to do it, do you think? Well, Paul – with you on the call, it's like, what gets you out of bed to do it? Why is it you doing it, as opposed to doing the compliance piece?

Kennedy Yes, I suppose it interests me, really. It's intellectual stimulation for [inaudible 00:02:57] very personal level, I just enjoy it more.

Shrimpling So the intellectual stimulation, and the fact it's more enjoyable?

Kennedy Yes, I don't think I could go any further than that, in my case.

Shrimpling Right.

Kennedy I don't, you know, I'd like to tell you that we moved from compliance because we strategically analysed our options and decided that our best business model was to do that, but the truth is, Paul O'Byrne just got very

bored doing compliance work and wanted to go and find something more interesting, and I was lucky enough to be hanging onto his coat tails at the time.

Ric            So I think we're [inaudible 00:03:39] I don't say, in my company [inaudible].

Shrimpling    Forgive me, Ric, I can hardly hear what you're saying. In fact, I can't hear what you're saying.

Ric            Can you hear when I talk in [inaudible 00:04:05]?

Shrimpling    Oh, that's so much better. Yes.

Ric            So what I was saying was, when someone decides to go and start their own firm, the cost of setting up an accounting practice is incredibly low. As a result, they tend to engage in the profession in what I would call being seriously undercapitalised to create an appropriate business model. They therefore pursue the lowest hanging fruit, and the lowest hanging fruit is doing compliance work. So they build up a piece of business built around doing tax returns and accounts and, you know, that kind of stuff.

Now, as that business develops, they hire one or two people, they start to pay rent... So they might start on the kitchen table, but they start to pay a little bit of rent, incur some insurances, and they hire one or two people. Because they have a limited amount of money, they tend to hire pretty

untalented people, so all they do is find that they've got to do more and more work because they've now got somebody else who's reverse delegating work up to them.

Now, as their practice gets bigger, and they might have, you know, a hundred thousand pound practice and so on, the kids are at school, they have just got a mortgage on their house, they're renting or leasing their car and so on, and the pressure just to keep doing what they know they can do – in other words, the low-hanging fruit – is what gets them to get out of bed in the morning. And it's not... If you said to them, what's your why, the why is really quite simply to make some money so I can put some food on the table for my kids and pay my mortgage and so on.

Then all of a sudden somebody, and this I think is where Paul was going, through at least my observation of the Pauls in the world, is that they say wait a minute, this is not what I want to do. I have a higher life purpose. I don't like coming and doing tax returns and dealing with people who've got bad breath and don't pay me. So they then turn round and say, I want to do some business advisory work. Now that takes a lot of courage, for somebody to turn around and say the business model I've got is not where I want to be, I can't see myself doing this for the next 30 or 40 years.

It does take a lot of courage, because it evidently means that they have to fire either all or a significant percentage of their clients, because the reality is the vast majority of people in business do not know it, but they don't want any business advice. They believe that their destiny is driven by circumstance, it's not something over which they have control, and so they don't readily take to the idea that somebody can help them run a better



business, because they don't have confidence in themselves, let alone somebody else.

And in particular, let alone someone who's an accountant and has been doing their taxes and audits and preparing financial statements, and for the most part has never talked to them about business. And so it's a pretty tough call. The fact is, though, that in order to become a qualified accountant, to be a chartered accountant, you've actually got to be pretty smart. And if you do a little bit of homework, it doesn't take you long to become a very effective advisor. I think the trusting side of it is already there.

I mean, people for the most part would have no reason not to trust their accountant, and in fact they share with them some of their most intimate family and financial detail. So clearly I think there's a trust there, and unless it is betrayed by the individual, I think that that's a given. But the real question is, do they have the confidence to go out and help people run a better business by asking them some [inaudible 00:08:23] more of them than not, some pretty simple questions. Does that make sense?

Shrimpling Yes, it does, it does. Something that's been fired at me on a number of occasions is that yes, I agree that the trust equation's there, you know, the trust between the personalities, the business owners and the advisory accountants there, or the accountants there. And you know, I'm picking up on the Stephen Covey, the [inaudible 00:08:49] stuff around trust, where there's two components – character and competence.

Because of the long standing relationship with the accountant, the business owner's got the character trust, and the competence trust around

tax accounts, management accounts and so forth, but... And there's a question here which is, in the business owner's mind and/or the accountant's mind, do they believe and have the trust in the competence of the accountant as an advisor? I think there's a big question mark there.

Kennedy Yes, that's the point I was going to make, Paul, I think. Plenty of times people come to me and say, my accountant wouldn't understand this stuff. They have great trust in the relationship and their integrity, but not in their competence. No, I don't think that that is true in that profession, I think the truth is that [inaudible 00:09:39] literally nobody else to talk to. If there was anybody else, they would, I think. And I think there is this whole issue with competence.

I think the other thing that Ric was saying is so true, I think positioning is what we've found. When we made a transition from being a compliance practice into... In fact, we described ourselves as consultants for many years. But literally, our clients looked at us, you know, disbelieving, frankly. You know, you're the guy who does my tax return, what are you talking to me about? How do you know anything about my business?

And we had a real issue with that, in fact, which is why we wound up replacing most of our clients. But in those days, it was a relatively easy thing to, we found, at least. We were quite confident about going to find new work. All we did was run a series of seminars, and we picked up a load of clients. And of course, birds of a feather, then you get people referring you, and all the rest of it. But it was... Yes, I think as always, if you knew what the whole journey involves, you might as well have started in the first place.

But we did it because... As I say, I can't emphasise enough the role that Paul had in this, Paul [inaudible 00:10:47], because not only was he bored, but he always had this whole idea that life was, you know, you get one shot at life, and what I think Ric said at the boot camp we went on, he pretty much said that we were the scorekeepers. And we had a terribly low opinion of ourselves post-boot camp, but also a very high opinion or a very high expectation of what we could do for people.

It was that contrast between dissatisfaction with what we'd been doing hitherto and the possibility of doing something significantly more that made us take those steps. Most people, I don't think, experience those things. Therein lies the reason why very few people make that transition.

I was talking to [inaudible 00:11:34] accountant not many miles away from here, but many years ago we talked about the idea of collaborating, and they had I think it was seven or eight partners at the time, and they had a partner who would do tax, a partner who would do audit, a partner who would do financial services. But the one thing they couldn't find any – none of the partners wanted to do anything towards business advisory work.

And of course, you know, [inaudible 00:11:59] did at that time which is have two partners that only wanted to do business advisory work, so we thought it was extraordinary. But that's played out now at numerous firms over the years, and that seems to be the case. There's very, very few people who want to do this work, so your question about why you would want to do it I thought was a good one.

Shrimpling Right. Something you said there, Paul, around that difference in terms of the self-belief bit, so what question do I want to ask... Is it ultimately – and

Ric's hinted at it as well – is it all about client selection? I.e. choose a client who believes that you are competent to do a business advisory role, or do you build your skills as a business advisor and the competence comes, and then you'll find the right clients? So I'm just wondering which one's the chicken and which one's the egg there.

Kennedy Well, I think it's iterative. First of all, I think that if you position yourself as being an expert on [inaudible 00:12:57] work, I think the client selection has to be quite broad. I think we came off boot camp, Ric came up with a list we should look at and we've pretty much stuck to it. These are businesses that weren't start-ups, they weren't undercapitalised, more often than not – and this has [slowly/only 00:13:13] been borne out in the last 10 years, we work better with better businesses. The more successful the business, the more we're able to contribute.

So in other words, if they're already struggling, they're on their knees, very rarely are you able to help, because they're on their knees for a reason. It's normally because they don't take kindly to advice, and they ignore it if they're given it. So we've found, and I love it when [inaudible 00:13:35] a potential client are already doing well, because you know they are the sort of people who invest properly in taking a business [inaudible]. But you know, we have this idea, we work for business owners who are serious about their business. People who genuinely believe that their destiny isn't driven by circumstance, that they're totally in control of the outcome of their life.

And that's what we choose, and we look for that when we meet potential clients. Then, if you've positioned yourself in the right way, then the

assumption is that you know what you're doing rather than the other way around. So I think... And you know, Paul and I did this even before we went to boot camp, we had a go at doing this, and we were doing extremely badly. And again, the Paul O'Byrne philosophy of life is do it badly until you get good.

Shrimpling Well. That's just the way of the world, I think, Paul, isn't it?

Kennedy Well, except I think in a profession that is steeped in the idea of quality assurance and competence, it probably wouldn't sit very well today, but literally Paul would have a go at doing things with no idea how to do them, because he had that philosophy of life. He was never afraid to fail at something. And his idea was that, unless we started failing at consulting, we were never going to get good at it. And again, that's a very unusual mindset in our profession. You know, people want to be totally competent before they do anything. If you take that approach with business advisory work, you'll never get good at it.

Shrimpling Yes, so there's that courage and I think you hinted at that earlier, there's that need for bravery in order to make the leap from compliance to asking the right questions.

Kennedy But the bravery is in relation to the failure. I think Paul had a positive view of failure, that you know, fed the outcome. All part of the learning process. And he really believed that, in such a way that it made him feel it.

Shrimpling Yes, yes. Paul, I'd like both yours and Ric's views on the next one, which... Ric brought it up, actually, because one of the things that's come through the other interviews is the quality of the questions you, we as advisors, ask, determine the outcome of the meeting, on the grounds that that unpicks the lumpy stuff that needs to be talked about and then steers the conversation towards the actions that need to be taken, which then generates the future results. But something Ric said then was, it was, they're not fancy questions, they're not difficult questions, actually. They're the simple questions. What's your thoughts on that, Paul?

Kennedy Yes, well, Ric taught me most of what I know, you understand.

Shrimpling Indeed.

Kennedy So no,

Shrimpling The smart ones, yes.

Kennedy But there isn't – it's simple stuff, it's always simple stuff. You know, your own experience, you just ask big questions, and then you get more and

more granular once you start to understand the landscape. But to start off with, it's just you know, what are you trying to... Begin with the end in mind is the [inaudible 00:16:48] questions around that to start with, and then you start to hone in on the detail.

Shrimpling      Across businesses that don't have those goals, that sort of vision outlook?

Kennedy          They may not have documented them, but very rarely do people not have some idea of what they're trying to achieve. They just may never have articulated it, and maybe nobody's ever asked them the question. But it's simple stuff, you know. In five years' time, where do you see yourself, what would you like to have achieved? What's stopping you getting there?

Shrimpling      Yes, what's in the way?

Kennedy          All that sort of stuff. And again, none of it's rocket science. Just really, really ask... And keep asking more questions about, you know, what does it take to do that? Or what fundamentally needs to change for that to happen? Why do you think doing it the way you're doing it now means you're going to get there? All consulting type questions that you could learn from a consulting manual. So [inaudible 00:17:53], I don't think that the secret of the consulting world is to come up with questions that nobody's ever...

Shrimpling     Asked before, yes. So you hinted at, Paul, digging down to a more granular level. Does the tone and the type of question change there? How's it different once you're getting into the granular stuff? You know, is there a level of expertise, do you think? Because I think that's something that goes on in accountants' minds, they feel as though they need to be the expert before they can ask the question, because they want to almost know the answer before they've asked the question.

Kennedy       Well, I think what you need to do consulting, I think you need a framework in your head of a business that works. You need to be comparing the business you're looking at with what you know is working out there. I think that all the stuff I've done over the last 10 or 15 years is just that. Just studying what works and what doesn't work. Not that you'd tell them what works and doesn't work, but that then guides your question. You're comparing the way they think with ways that are more successful than [inaudible 00:18:53], and that's steering the questions. But having some sort of mental framework...

Shrimpling     Yes, a mental map.

Kennedy       A mental map of what works in business and what doesn't work in business is what I think you need, and then from there you pull out the questions that compare that successful model with the model that is in front of you, coming out of the lips of the person that you're speaking to.



Shrimpling     So where do accountants get that mental model from then, Paul? Where did you and Paul get yours from, when you kick-started what you were doing and making the mistakes you were making at the beginning?

Kennedy        By going to Ric's boot camp.

Shrimpling     Right, cool.

Kennedy        No, seriously. I mean, that's exactly where it came from, because we were trying this stuff, you know. Paul and I were experimenting – I mean, our history goes back pre-boot camp when Paul managed to get hold of the tapes of a Jay Abraham seminar and we both worked our way through the audio tapes in our cars, and for whatever reason we read *The E-Myth* and we read a few other books.

So we were out there consulting and doing it all wrong, but we were having a go. We went to boot camp and for the first time, they provided us with a framework of how to actually analyse a business, how to present... you know, how to do the consulting work, so those little tips like those, people don't value that which they get for free, and all the little things we picked up in boot camp on [inaudible 00:20:16] on how you do it, but also the framework for understanding a business.

I mean, before I went to boot camp, I thought profit was a quantitative measure. You know, it's a number, it must be quantitative. And Ric stood up on stage and said well, it's not about the quantity of profit, it's about the quality of profit. And it opened up a completely new world for me,

because now we can start to say, well, what chance have we got of replicating this profit?

And when you start thinking like that, it opens up all sorts of questions in a consulting framework. But again, it's that mental framework of thinking of quality not quantity that I learnt at boot camp that probably set me on numerous journeys with numerous clients. But again, it's the mental framework, so education is everything. If I can slightly hijack your questions for a moment, the reason Ric is here with me at the moment for a few months is that I don't know if you know, but I run the [inaudible 00:21:11] group...

Shrimpling Yes.

Kennedy Great, yes. But one of the values of running the [inaudible 00:21:16] group is that it's constantly reinforced this mental model of a successful business.

Shrimpling In your head.

Kennedy In my head, yes. So if you like, it's helped me position myself in my own head in terms of what I know and what I know works. And of course, there's no better way of learning anything than by teaching it.

Shrimpling Absolutely.

Kennedy        So it's been a really significant part of how we have made the transition from compliance to consulting-type work, because you know, we are... Well, it's obviously numbers, number-wise, first of all we've had to learn stuff, secondly we've positioned ourselves in the marketplace because we're standing up and speaking about this. And also, what we're doing is we're taking this mental framework and we are giving it to our business clients. And that mental framework is then serving them well. And then, of course, they've got nowhere else to go because no other accountant thinks like they do.

So one of my clients put it... I overheard him talking to one of my other clients on a [inaudible 00:22:17] seminar, and he said [inaudible] just asked the question, have you been [OBKed] yet? And to me, I remember Paul [inaudible] at the time saying, that's what we're trying to do. We're trying to... Brainwash might be an unfair phrase, but we are trying to give people a mental framework of how to run a business. And that all started with the boot camp, and then was developed as we developed this [inaudible 00:22:41] course.

The reason Ric's over here, well, there's all sorts of reasons why Ric's over here, but one of the things he's doing with helping over here at the moment is he and I are going to try and take this [inaudible 00:22:53] concept and put it into, you know, put it into a replicable format for other firms of accountants, in the hope that this will be a catalyst for them to make the same transition. So anyway, I'll let you go back to your questions.

Shrimpling     Yes, yes. So the insight here is – or one of them is – big obvious questions, degree of courage, i.e. don't be frightened of cocking it up, making a

mistake, and you as a trusted business advisory accountant have to be a learning junkie, almost. Does that fit?

Kennedy All of the above fits. If I could just zero in on a couple of things, you mentioned earlier on chicken and eggs and what comes first – what has to come first for anybody who wants to get into the advisory space is to realise that you've got to focus on the things that you can control. And what you can control are not – whether or not a great client is going to walk through the door and whatever. What you can control is what you're going to do if a prospect comes in, or what you're going to do in order to get those prospects.

And if more firms took a page out of the [inaudible] book, they would start to see why this [inaudible 00:24:21] program – [inaudible] for example, but not just that – is what leads to a positive spiral of advisory services, because if you agree with the proposition that birds of a feather flock together, then the last thing you want is a constant stream of referrals from 80% of your clients that you're good on taxes. Because if you're doing 80% of your work on taxes, that's what you're going to get, and so it just sucks you into this vortex of compliance.

It staggers me when I hear firms, for example, saying, we want to get into the advisory space. I say to them, show me your newsletter. And there's not a single reference in their newsletter or their website or in any other form of communication that says we do anything other than tax and accounts and [inaudible 00:25:09] law. So it's like somebody saying, I feel like Kentucky Fried Chicken, let's go to Pizza Hut and get some. It just doesn't make any sense.

One of the things that you can control is your learning experience, and realising that if you want to get into a new space, you need to put as much effort into getting into that and positioning yourself in that space, not just the business model but the intellectual wherewithal that comes with it. And the point that you made earlier on is something that I've seen for years, and that is that accountants have always had a relationship to their clients defined by the word expert. And they see themselves as experts, and quite rightly so.

If a client comes to them with a tax or [inaudible 00:26:07] question or an accounts question, they expect their accountant to give them an expert answer. And importantly, they wouldn't know whether they did get an expert answer or not, you know? They don't know enough about our trade to make that judgement. But accountants have become very conscious of the fact that, I always want to give the right answer.

And so put them in a consulting environment where it's arguable that there are no right answers, and even if there were, perhaps neither party – neither the client nor the accountant actually knows what it is. The object of the exercise, through trial and error, through testing, through you know, thinking about the business model and the stuff that Paul was talking about before, ultimately that's going to lead to a better business.

And one of the points that I like to make to people is in life, in all actions that you take in life, there are only two outcomes – successes and learning experiences. And I think that if you adopt that mindset, and Paul [inaudible 00:27:17] is a classic example of a guy who embraced that philosophy, and so life really is a learning experience.

Unfortunately, so many people that go to university, get an accounting profession, do their professional year, meet all of the requirements, think that their learning's stopped. And they don't read another book again. They might read a Danielle Steel novel or something, but they don't read another book again. And it just seems to me that this wonderful, rich knowledge universe that is out there, that for less than £20 you can go and tap into the brains of some of those who've spent 30 or 40 years working on some of this stuff, and yet people don't do it.

The final point that I want to make was just in relation to the questioning. You talk about granular questions – I think the granular stuff comes out of the big questions, but I think one of the best opening questions that I've ever heard is what's known as, you may have heard of this called a Dan Sullivan question. Dan Sullivan is the founder and principal of [inaudible 00:28:29] teaching coach, and it's a fantastic opening question for anybody, and that is – in the conversation, when somebody has goals or visions for their business, in the fullness of time they will get that.

But the Dan Sullivan question is something along the following lines, and that is that if we were having this conversation in let's say three years' time, what would need to happen between now and then for you to feel good about the outcome? And then there's silence. You don't follow that with a whole bunch of granular questions and clarifications and so on, you just wait for the response. You will be utterly amazed at what comes out of that, because one of the big points of questioning is not to get answers, but to get an empathic relationship with the client, with the prospect.

And that type of question really simply says, I am deeply interested in you and what you want from your life. Now, tell me what that is. And that really

gets people to dig deep. That's when I think trust gets to another level. Empathy is really the ultimate measure of a trusting relationship. One people feel that, sense that relationship, you can do wonders with and for them. It's really that simple.

Kennedy Can I just say one other thing in terms of the questions, coming back to the questions. There's two things. First of all, I think we had a go years ago at trying to script questions, or you know, learn certain questions we can ask [inaudible 00:30:24] meetings. I'm not sure any of that works, but what we did do, and we had a girl working for us called Philippa from KPMG, actually, she came from. When she came, she said, the one thing I don't want to do is sell. Don't ask me to do any selling.

And we said, oh, that's fine. We used to send her out to clients saying look, whatever you do, don't sell anything to them, but just take a genuine interest in their business. She's a really bright girl anyway, and she [said 00:30:47] if you're really curious, you really [would] like to know what works and what doesn't work, just be really curious and ask as many questions that stimulate your own curiosity. And of course, she used to come back to work – nobody had ever asked these questions before, nobody else had taken an interest in this way.

But that's the thing. If you've got a genuine interest in the person in front of you and their business, if you really are a student of success, and Ric and I have just been talking about, you know – what did you say, Ric? About the business world becomes your laboratory in the end, doesn't it? Every time you go into a business, you're thinking, how does this work? Why does it work? Ric was in a restaurant chain over the weekend, and

we've spent half an hour talking about it this morning because it was just such an interesting thing.

Now, you know, we both genuinely have an interest in terms of what works and what doesn't work. And I think if you have that mindset, I think the questioning tends to be quite natural. You tend to start pushing... You tend to naturally steer a course, and it's the mindset that's critical, and how you articulate the questions I think [inaudible 00:31:49] less important.

Shrimpling Yes, that makes eminent sense. One of the things that, again, has come through from other discussions is the curiosity piece certainly – you know, be deeply, genuinely, authentically interested in them as people and their business, and the people within their business. And it connects with your point about your Philippa not wanting to sell, Paul, is... A number of firms have said, I really want to make a difference. I really, really, really want to help the business owners that I'm working with. How valuable, how important, do you feel that aspect is, of achieving genuine trusted business advisory accountancy type work?

Ric Could I respond to that?

Shrimpling Yes.

Ric I think ever since Simon Sinek published his book, everybody's been running around talking about why, and businesses only want to deal with you when they have the same view of the world.



Shrimpling Yes, same values and that stuff. Same purpose, yes.

Ric And, you know, I really do believe that there is some substance in that, but I think there's also a bit of bullshit associated with it.

Shrimpling Great, yes, yes.

Ric In my opinion, and my opinion is perhaps not as valuable as Sinek's, but in my view, I seriously question whether people get up in the morning in order to change the world. However, what I also believe, because this is my own manifest experience, and that is that you go into business in the first instance to put some food on the table. You make a few bucks, and you find that finance is a pretty attractive lifestyle. Then you find, and these are progressions...

Shrimpling Sure.

Ric Then you find, all of a sudden, and this is like moving up sort of Maslow's hierarchy, then all of a sudden you find that like a client will come in in tears and say you've saved their marriage. And you start to realise that there is a higher purpose. And then all of a sudden you get up in the morning, not to go and save marriages and so on, but to go and do things that result in that type of feedback. And that, I think, is when you get to

that higher level. I honestly believe that if accountants start off, or any advisors, starts off by saying to people, what is your purpose? Do you want to make the world a better place?

It's just going to go nowhere. I think it's a self-discovery thing, it's almost an evolutionary thing that happens to the person. And when that happens, it can be profound. The challenge, [oft-times 00:34:58], though, is to... How do you get an organisation to operate [inaudible]? I know a couple of people, when I was living in California working with Apple, and they didn't share Steve Jobs' views of the world.

They were in it because they were making a bucketload of money, and they would jump out of Apple into Microsoft or into Google in any way if they could make more money. And so I really think we've got to be... I honestly believe that we've got to sort of back off some of the popular rhetoric here and just realise that there is a progression to us. Having said all of that, one thing I know, I had the pleasure several years ago of attending a Bernard Kennedy celebration of... 20 years, it might have been 21 years. And there were about 120-something of their clients and spouses and so on [inaudible 00:36:02].

And I have never been at a gathering of clients of an accounting practice where so many people have said, these guys have changed my life. It just doesn't happen elsewhere. Now, and Paul might be able to respond to this, but I would be surprised if when they came away from boot camp and when they started to redesign their business model, they said, oh, we want to make a difference. I was hearing Paul [inaudible] say, I just don't want to do taxes. I want to do business advisory work. But as a consequence of

them making that decision, they have changed people's lives. And there's a difference.

Shrimpling      So are you saying, Ric, that in our advisory role, in the accountant's advisory role, when they're going into their business [inaudible 00:36:56] clients, that ultimately, actually, the focus is to help them make more money?

Ric                I think that's probably a fair assumption. I'm not saying that would necessarily apply to all of them. But what's interesting, and this is really the critical thing... At the end of the day, Paul, no-one is ever going to feel that they made a difference by doing someone's taxes. But if they pursue a professional focus on helping run a better business, then all of those people will realise that they've made a difference.

Kennedy        The way I would put it is that, and I think probably in Paul [inaudible 00:37:40]'s case, he was... As a young man, he was going to change the world, and he gradually realised that his world was the people he came in contact with. But he did have high ambitions in that area, but he was also, and I think he was more... The dominant factor was he was intellectually curious, and tax and accounting was never going to do it for him. But he was either going to get out of the profession or he was going to completely change direction. I think it's a little unusual.

I think, and I was telling Ric about this the other day, we used to... When we were post-boot camp, I think, we were sent audio tapes of people

being interviewed who had made a successful transition. And I remember the question that people who... Before they go into this sort of work, the question is always, how much money do you make out of this? And yet, quite often... I remember Paul Dunn interviewing some guy in Wales, I can't remember his name, but he was saying, you know. It has helped us financially, but that's not the point.

And I never understood that at the time, I thought no, no, surely it is the point. The whole point of doing all of this is that it's a commercial venture. But the more we've been successful with this stuff, the less money becomes relevant, and I think it is probably Maslow's hierarchy. As you start to move up the hierarchy, you start to aim for higher things. I always thought that what you want to do is change people's lives to leave that legacy, but when you're at the bottom, when you're a compliance practice, I don't think that's the motivation at all.

But coming back to this point about the mental and mindset of a business, one of the things that had a profound effect on my view of business was the Drucker idea that, you know, financial rewards are [inaudible 00:39:13] outcomes. They're a byproduct of what you do for other people. And I know you've heard some of my talks before, but I rarely do a talk without introducing this concept, because it is fundamental to how you approach your business.

And you've got to have a... It's almost a leap of faith that if you go out and [inaudible 00:39:31] other people, somewhere or another you're going to be rewarded for it. But to me, if you think about the reward before you think about what you do for other people, it's the wrong way around. So if Paul and I, if we were... A, Paul had very high ideals, and he was bored, but

also we fundamentally bought into this whole idea that if we can earn a living doing compliance work, we can definitely earn a much better living doing advisory work, which is going to make a bigger difference.

The bigger difference we can make, then the more money, the more value we can capture for ourselves. And we had faith in that, and it manifested itself. But it was a bit of a... and I think, and I have spoken to many firms over the years who would like to do what we've done, and they often start off with, what has it done for your bottom line? And I always think, that's the wrong place to start. Ask about what's it done to our quality of life, what's it done to our clients. They're the first questions. Ultimately, these other things are just a reward for what you're doing. But as I say, that means you've gone through that transition, but again, it comes back to your view of... Your mental framework, looking at what a business does and what its purpose is. And as I say, money is just a byproduct.

Shrimpling Yes. Kate, my wife, and I, were having a conversation this morning. We've just written a piece tapping into the psychological research into what motivates an individual, and you know, just tapping into writings by Daniel Pink and Lencioni and a few others, pointing to the fact that actually the drive is our relatedness, mastery, autonomy and that sense of purpose. So what, Paul, you've just been talking about is that sense of purpose and I guess that's the Sinek stuff as well.

We've also already touched on the mastery, you know, we constantly need to be getting better at what we're doing, learning more about this mental map, this business map that enables us to ask the better questions and influence the business owners that we're working with. Autonomy, Ric, I

guess, has touched on that, in that you know, to begin with it's about putting bread on the table, and the house, and then the car, and then we advance up the hierarchy of needs, so we become more, you know... Masters of our own universe, I guess, is one way of describing it.

And then there's the relatedness, which is you know, that deeper empathetic connectedness with clients. So this advisory piece ticks an awful lot of boxes, in that sense.

Ric Yes. I think, you know, Dan... I would be thinking of the stuff that Dan Pink was talking about, in terms of providing an environment in which people are motivated. And when you introduce advisory services, and I know this from in our own firm [inaudible 00:42:27], that our youngsters are much more engaged with the idea of helping firms run a better business. Not necessarily because they thought we were making a difference, but because they could see that we were making a difference to the bottom line of these people by, you know, pulling some of the levers in their business.

And when we started giving our team members, or the more senior of our team members, responsibility for running training – learning programs, we used to run a thing called an advanced financial management programme, more recently we'd call it a practical financial management programme. We get our senior people to present it.

That gave them a sense of autonomy, it gave them a sense that we trusted them and gave them responsibility for client contact. But Paul was talking about sending Philippa out to visit with clients, there are many accounting practices who won't even let their non-partners face to face with their

clients. And they wonder why they're faced with incredibly low levels of engagement, and a high turnover of team members.

Shrimpling Yes, and the high quality team members, Ric, I'd say.

Ric Absolutely. And we used to run a programme in the mornings once a month, we called it consulting group, where we would share war stories within the practice so that the people who were doing taxes and [inaudible 00:43:58] returns or we call them [inaudible] stuff in Australia, were exposed to the work we were doing from a consulting point of view. And that enabled them to see opportunities, and we had, we had the structures in place to identify opportunities to provide business advisory with our clients.

And when you started to do that, before you know it, you've built a million-dollar business in advisory practices, giving everyone in the firm this perspective, this mindset, that that's what this firm does. And you know, we would look for clients who were seeking advisory services, not just to get their taxes or their accounts done.

Kennedy [Inaudible 00:44:46] it's just occurred to me, actually. The other big issue that a lot of accounting practices have, and this is me talking to the local firms, really – is that if you want to land, if you're landing a compliance client, there's probably not a lot of up-front work to do, really. And it's quite easy to move it from one accountant to another, there's a tried-and-tested path, you know, you'd maybe have one meeting with a client,

possibly two, you'd send them a quote or a proposal or something, but it's not a big exercise.

It's not a huge investment in time landing a new client, normally, for compliance services. If you're trying to land a client to do business development work, or any sort of advisory work, I think my experience of it is there's quite a lot of up-front investment you need to do. And I think that our profession are not good at doing that sort of thing, you know. They see that as lost time rather than as an investment, but you've [got 00:45:43] people prepared to do that sort of work, and you've also got to be prepared to walk away from it having put a lot of time into it because it's not right for you. These are the things that the accounting profession really struggle with, generally.

Shrimpling Yes, I would agree with that, Paul. I would. One of the issues that's been flagged up as well which I'd like both of your views on is the... How can you actually be a business advisory firm, and asking the big obvious questions around sales and marketing and HR, and goals, strategy and so forth, if actually you aren't doing it yourselves? I.e. you don't really, to be authentic in this space, you've got to be walking the talk. Which almost contradicts, Paul, what you were talking about is, well, you know, we perhaps weren't, and Paul was just brave and bored and got on with it. What are your views on accountants' need to walk the talk before they can actually be the business advisor?

Kennedy Well, we were quite keen to walk the talk. I mean, we came back from boot camp and we took everything very seriously, and one of the things Ric



talked about was customer selection and we went back and we re-selected our clients, we fired a lot of clients. We went from, you know, we talked about getting our average fee up, working with fewer clients doing a higher level of work, we talked about... All the sorts of stuff that we've since taken...

I think just about everything that we've done is proof to us that it is the right thing to do, and it's part of our mental framework of how you run a business. So I think... I don't think we've ever had an issue with... I don't think we've ever done anything that makes us look like hypocrites. Not in recent times, at least. I think when we first started, when we didn't know what we were doing, I think that's probably true.

Shrimpling Right. And I guess that's what I'm hinting at, Paul, you know. If people are going to get into this content that I'm creating, they may well be on that first step, and they'll look at their marketing and go, our marketing's not great, and now they're in front of a business advisory client asking them some deep questions, some obvious questions around lead generation, and yet they haven't quite cracked it themselves, so there's an inauthenticity there.

Kennedy That doesn't stop you doing it, does it? I mean, you can say, don't do as I do, do as I say, and crack on with it. I mean, I know people who do this sort of work who... They're the business advisory element within a firm, the rest of the firm they're almost ashamed of, frankly. But that doesn't stop them from getting on and doing it, I think it's an excuse to say... a poor excuse to say, well, we've got to be perfect before we start telling other

people what to do. I mean, the thing about business advisory work is you're asking questions, really.

And you're not trying to aim for perfection, you're aiming for success. And you know, I [stood 00:48:29] on a board of a company who has... one of his [non-execs] is a top lawyer in London who's a partner in one of the big firms, and he is scathing about the way his partners run the firm. But almost because of the... That doesn't alter the fact that he's not necessarily in control of that. What he's in control of is how he can help my client run his business.

Shrimpling Yes, in the moment.

Kennedy Now, I don't think... I think if you're a sole practitioner, and you're not walking the talk, that might be one thing. If your boss partner is [inaudible 00:49:01] of an accounting practice, and you're not necessarily agreeing with everything that's happening, then that's another thing. I think it's much more of a point of view to set up and run... Like this [inaudible 00:49:13] course we've run, I think is very difficult to paint a picture of what works in the world and then explain you do just the opposite. I mean that, I think, is a bit more difficult. But anyway, they're all things to get over, really. If you're committed to doing this sort of work, none of these things will [inaudible 00:49:28].

Shrimpling Yes. And I think you said, you know, you said you were keen to become that authentic successful practice, Paul, and you committed to it, so you're

on that journey. You've not necessarily done it all yet, but because you're both enthusiastic about it and committed to it, you've earned the right to then talk about it.

Kennedy Yes. I mean, there's plenty of stuff that we tell other people about and that we don't do ourselves, still. I mean, we as a firm, we have never been entrepreneurial, particularly. We don't look to recruit a whole load of people to do the work and become [inaudible 00:49:57] shareholders. It's not the E-Myth view of the world at all, but we still tell people about the E-Myth and building a business that works without you, we still talk about all that stuff. But we made a decision many times- many years ago that we wanted to enjoy doing the technical work of the business, and not become entrepreneurs. To me, that's a personal choice. I understand the difference, and I understand what the implications are for businesses, but it is still a personal choice.

Shrimpling Yes, yes. And you've got references from, you know, the learning, that you can point clients to as well, I guess.

Kennedy Well, yes, exactly. I mean, there's plenty of people who go either route, really. But there's always a limit on how much you can earn. But what are your goals? Are your goals to earn money, or enjoy the experience, or what are you going to do? I mean, I was telling Ric the other day that one night, when we were on boot camp, Paul [inaudible 00:50:52] and I met up one evening, and he clearly had something to get off his chest.

But he said, because we'd been learning about entrepreneurial leverage and all the rest of it, that you need to understand that I have no intention of ever becoming an entrepreneur. You know, this is stuff I want to do – I want to work with the clients, I don't want to leverage this [inaudible 00:51:16] accounting or a business advisory business, that's not what I want to do.

Shrimpling Yes, he wants you on the coal-face, as it were.

Kennedy That's what interests him, that was the intellectual stimulation he was going to get from it. He also was actually quite left-wing in his politics, so it didn't sit comfortably with him, the idea of being an entrepreneur. But nonetheless, he sort of said to me look, does that mean we have to go our separate ways? On an evening in a pub at the boot camp. And I said, well, I'm going where you're going. And that's the way it went. It was a fundamental choice, and I say this to clients all the time. And again, it's part of the framework you've got to decide. Are you going to be an entrepreneur, or a technician? At very low levels, for small businesses, you've got to decide what you really want to get out of life. But if the overall goal isn't financial wealth, and it's more of a personal wellbeing, then [inaudible 00:52:05].

Shrimpling Yes, and a general- a wider richness.

Kennedy Yes.

Shrimpling Yes, very good. Ric, what's your views on this do we need to walk the talk before we do it type stuff?

Ric No, I don't think so. I think that the nature of humanity is that we've been learners since we were born. In fact, by the time we were two, we'd learnt how to speak a foreign language and we'd learnt how to walk. Had we not done those two things, we'd be still crawling on all fours crying. And quite frankly, I think one of the things that differentiates humans from all other animals is this ability and willingness to learn, and [inaudible 00:52:47].

When I got into practice after teaching for [inaudible 00:52:56] years in some form or other at the university and I had a view then that I would be able to, you know, sell business planning advisory, entrepreneurial services and so on from an accounting practice, and I hit a number of bRic walls and had... It was a pretty big learning curve.

I think that if I was starting out today, I would be able to do what I'd managed to accomplish in practice in a fraction of the time because of the availability of learned experience that is readily out there for anybody who wants to get into this space. On any given day, Paul, you would be the same, I'm sure. I would get 50 pieces in my inbox of telling me how I could run a better business, hire better people, make more money, you know, whatever.

In the days when I was doing it, you didn't get any of that kind of stuff. And quite frankly, I think one of the things that we recommend to clients very early on, if you want to start this advisory thing, is just find a client or a prospect... Which, incidentally, oft-times it's a lot easier to sell this stuff

to prospects than it is to clients, because they have a preconceived view of what you do and where your confidence levels lie. But having said that, when you find somebody who, you know, is interested in this stuff, you ask something like the Dan Sullivan questions, and you engage them in a planning session.

I can say, without hesitation, that I don't know of anybody who has ever run a planning session who has come away from it feeling that they underperformed. It is an amazing experience for an accountant to just spend a day with their client just looking at their business. Obviously, they need some sort of framework to do that, and once again that's where they've got to partner with someone to provide them with a questionnaire or whatever that gives them the discussion points, but the clients so rarely have an opportunity to bare themselves and bare their business for, you know, critical review. For questioning and so on, and that's a hugely enlightening process for them. And that alone is the catalyst that can start a long-term relationship with the client. And the more of those things you do, the better you get at it.

The other point that I would make for rookies in this business is that your clients are amazingly forgiving. You will come out of some of those sessions and say oh, gee, I didn't do very well there, but I have never heard a client say that it wasn't a transformational experience for them to think about their business.

The challenge, more often than not, is that people will engage a client or a prospect in one of those meetings and then not do anything, not follow it up, because they're reluctant to sell or they don't know what they can do down the track or they don't have confidence in... Let's suppose one of the

outcomes of that meeting is that we need to tighten up your customer service strategy.

The average accountant, who will know exactly what the depreciation rate is going to be on [some of these 00:56:23] will say oh, I don't know anything about customer service strategies. What I say to them is, go onto Amazon, buy a book on it and just read the book the night before you have the meeting with the client. And you'll be amazed at the outcome. In this business, all you have to do is read the notes an hour before the meeting. Now, you can't be a good tax advisor by doing that. Does that make sense?

Shrimpling It does, I've just written a note which is... It's almost as if this statement, cultural statement that a little bit of knowledge is dangerous, actually in this instance it's the other way around. A little bit of knowledge is very valuable here, as long as it stimulates the right question, the right conversation, so that the client can get the value from it.

Kennedy I agree, I think that's right.

Shrimpling So the value in this work, there, in the client's eyes... It's got to have a monetary element to it, obviously, a return on investment. Clearly, some of that's going to come from the connectedness, the empathy, the quality of the questions and the insights, and just the time out, Ric, to pick up on your point. Business owners obviously just don't take enough time out to chew the fat and unpick and unravel one or two issues in the business and

then... And I'm guessing another part of it's going to be action planning and the accountability to that. But I'm putting words in you guys' mouths. Where does the value lie, the measurable value, if indeed it needs to be-?

Ric I think it's a good point, Paul, and I think it's a point missed by so many people in this game. And that is that one of the things I learned very early on is that there has to be a financial outcome.

Shrimpling Yes, there's a payoff.

Ric And that's the outcome has to be at least a three times improvement over where they're at at the moment. And what was interesting in more recent times is, [inaudible 00:58:18] got a Nobel prize for this... What we find is that the people are looking for a positive outcome that is at least three times their assessment of the potential negative outcome. And I've found that number works. So I would never work with clients in respect of whom I could not quite easily see at least the doubling of their current profit, and when I say double their profit, I'm not say going for the \$1,000 or the £1,000 [inaudible 00:58:52] into 2,000, I'm saying going from 50,000 to 100,000.

In other words, they're already doing okay, but there's room for them to do a lot better. And I would always have the conversation with the client in relation to value [inaudible 00:59:07] that the duality of a profit improvement strategy, and that is that it also impacts the value of the business. And so then I was easily able to show a 3 to 10 times ROI on the



sort of fees that we were... Because we knew we would have to charge more doing this type of work over a 4-month or a [inaudible 00:59:25] period. And that is a given.

The question then becomes, how do we accomplish that? And that's where we need to focus on people, on processes, on their strategy, on their, you know, their customer service strategy, developing their team members, productivity issues and so on. And all of that just comes from asking the right questions, and doing a Philippa on the business. You will never do that from your office. In fact, if you want to set up an advisory business, lock your office. Don't go in it. Just make your car and your phone your office, go out and visit with clients. People might say oh, that's ridiculous, but it isn't.

Shrimpling No.

Ric That's where you're going to get the insight. I would say 8 out of 10 consulting engagements that I have with my clients, the answers to profound issues within their practice came from their team members. The people who were customer-facing or machine-facing. They didn't come from the owners of the business, they can't see the forest for the trees. And they have so many limiting beliefs to pick up on, you know, the [Tony Robinsons 01:00:49] and so on, but so many beliefs about why their business is not doing as well, and it's almost always externally-focused, because of their customers, their creditors, their bankers, their competitors, you know, the inappropriate team members and so on. None of the

members stop and say, it's me. But their team members, their employees, will have the answer. And they were the first people I wanted to talk to.

Shrimpling Yes. Ric, I love the... you know, if you want to get into the advisory world, just lock your office. That stimulated... I did an event towards the end of last year to a bunch of accountants from all over the world, actually, and I was quizzed hard on whether the advisory piece happens face to face or whether we can actually do it through Skype or Zoom, or... You know, where does it go? I'd value your input and thoughts on that.

Ric Well, I think it's a combination of both.

Shrimpling Right, well, that was my answer, too.

Ric You need to use technology to the max, but I don't think you can replace a face-to-face visit with the client. You see stuff. I mean, when you walk into somebody's office, you see the papers lying around the floor. You see the pot plant dying in the corner. You see the grass that's getting two feet high out the front, and that tells you more about the business than the [inaudible 01:02:13] financial statements will ever tell you. All the statements will tell you is, because of all of those things, that's why this business is heading south. Does that make sense?

Shrimpling Yes, absolutely. I'm with you all the way on that one. I think there's a blend and a balance, you know, and I've got too many stories across too many firms where they've got a trusting relationship and they speak to them often, but actually they don't get to eyeball them often enough, and as a consequence that client goes and works with someone else.

Ric Exactly.

Shrimpling You know, you've got to eyeball people, and you've got to eyeball where they work and how they work, not just listen to what they tell you. It's deeper...

Ric I think also that's one of the important things, one of the reasons I'm over here, is that there's a significant educational role that we've got to play into, because the average small business punter, and I'll call them a punter, has never really been schooled in some of the fundamentals of creating a great business. The ones who do, do it by accident more than anything else, and when you look back in retrospect with the benefit of 20/20 vision, you can see what wonderful decisions they took. But if you take sort of high fliers, guys like Richard Branson, for example... The key to Branson's success was his drive, his vision, his persistence, and importantly, hiring some really talented...

Shrimpling Smart people, yes. Absolutely.

Ric ...early on. I mean, he's the first to admit he's not the smartest guy in the street. Well, actually, he probably is the smartest guy on the street. But he's not... He certainly doesn't have the same sort of [inaudible 01:04:08] smarts that the average punter has, except that he's got this uncanny ability to identify talent, and bring it on board. And that I think stands him out alone. But the bottom line is, the type of people we're working with in the accounting [inaudible 01:04:32], it's not the Bransons of the world. I mean, it's the ordinary guy on the industrial estate. The plumber, the contractor, the... You know.

Shrimpling Yes, yes. The upholsterer, whatever.

Ric Yes, but they're the people. And for the most part, they haven't been exposed to management leadership principles. The difference in leadership and management, for example, is critical. Of teambuilding, of concepts of motivation, of the ideas that Dan Pink or Lencioni talk about. You know, for £100 or less, you can have a library of resources that could stand you out in front of all other accounting practices as a business advisor. And how much money do people spend getting their qualifications?

Shrimpling Yes, indeed. Indeed. So one last topic and then we'll wrap this up – this has been brilliant, gentlemen, thank you – is this... Scaling advisory within the firm. What I've found with the interviews I've done, it's been the principal or a partner, director, whatever, that's driven the business advisory work. But the next layer down, they struggle to get the next layer of people – the managers in the firm – to do a really strong, worthwhile, billable business

advisory job with clients. What's been your experiences of seeing firms who have actually done that, Ric?

Ric Well, it's a sad story. Unfortunately, the principals think that they're the only people who can do it. Secondly, they're concerned that if they expose their team members to this type of thing, the team members will pick up clients and go and leave them, and so all they're doing is creating an opportunity for leaving. The advice I generally give to people is, if you're going to go down this route, set up a business advisory division within your firm. Probably capitalise it, develop a business plan around that with some very specific three-year goals, bring your youngsters who you believe have the talent – fast-track them into that role.

Don't try and drive them with timesheets and hold them accountable for every hour of the day, in fact, if you're going to do the debits and credits on this, instead of debiting their wages to the profit and loss account, put it to the balance sheet. And then at the end of three years, have a look at the return you got on that asset investment, rather than the expense you incur by having those people not out there. And those are your future partners.

But then you've got to have an overall strategy within the firm that says, X percentage of our fees in accounting come from exclusively management services, or business advisory services, by the end of three years. And this is how we're going to do it. You need to have all the partners buy in, you need to implement a structure as well as strategy within your practice.

Shrimpling So that you execute properly, yes.

Ric            You have to execute properly. You need appropriate key performance indicators, you need to give your youngsters... And quite frankly, I wouldn't put partners in charge of this. I would say they're already doing a good job doing what they're doing. But you know, that's probably with [inaudible 01:08:05] years for the most part. But you can only scale it if you bring on board these young people. Now, the fact of the matter is, talented individuals who will be engaged with this type of thing will leave you, in the fullness of time, whether you do this or not, but if you give them that opportunity and they can see a future in the firm in this area, and they have an inclination to do it, they won't be going anywhere. They'll be staying with you, and they will help you transition the firm. That's how you scale it.

Shrimpling    Yes. And have you seen that done, Ric?

Ric            Rarely, but I have seen it done. In fact, I happen to be meeting with one of our members in [inaudible 01:08:54] in Tasmania a couple of weeks ago, I was telling Paul about it. And he said the beautiful thing about this whole deal is, I don't hire accountants any more. Because, you know, I don't need to. My best business advisors don't come with an accounting background. But I happen to think that young, talented millennial people who have an accounting background understand the numbers, or they should do. And if you understand the numbers, you've already got out in front. You can pick up on all of the other stuff that's involved through experience, and that will provide a very well-rounded packet that will enable you to seriously

differentiate yourself from the rest of the pack. I think Paul has some views on this, too.

Kennedy

I think we're probably coming in very differently, though. I mean, we try not to have a distinctly different offering of compliance and advisory. What we're trying to do here is, we've got a very clear target market, and we're trying to meet the needs of a very focused market. And when we do compliance services, as far as we're concerned, we're validating the assumptions on which we did our planning. So it sort of finishes this circle, as it were. So we see it as one continuous process of helping people look to the future, helping them define the future, helping them take control of the future.

Then periodically, we validate where we are in that process, and that's how we position compliance services. It's a byproduct – so for example, we are doing year-end accounts, we're going to be updating their business model with a view to re-planning and comparing where we said we would be this time last year. And if we're doing a tax return, we're actually only inking in what we said was going to happen, because we planned it last year. And then we're going to look at next year's at the same time. So if we have a meeting with a client and it involves some sort of compliance service, then our rule is that it will be less than a third of the meeting that we'll be looking back, two thirds of the meeting we must be looking forward.

So rather than going and recruiting business advisory people, I try to integrate all of my people into this whole idea of meeting the needs of our target market. So we're deliberately trying to blur the difference between advisory and more traditional accounting, and trying to... So, for example,

all of my accountants downstairs are very comfortable with their own forecasting. Now, is that advisory, or is that compliance? I don't know. It depends on what you're doing, I suppose.

If you're doing a forecast with a whole load of sensitivity analysis and that's linking into some of the plans and scenarios you've been looking at, then I would call that business advisory work. And to me, that's what we're doing. We've always taken the view that we are the accountants on the clients' side. You know, we are effectively their internal accountants. If we were internal accountants, how would we service this client?

And I think you can blur the edges – we have done – and that then wraps everybody in the practice up into this main idea of what we're really trying to do is create better lives for our clients. And if we have to file accounts every so often because it's a byproduct of what we're doing, we can file a tax return or we can file a set of accounts, then we will. But the emphasis has always been... And a lot of our clients still have their compliance accountants, as well, which sort of bears this out.

And we're happy for that, you know. When I talk to other accountants about this, they find it very, very strange, but to me it's part of what has been successful about our business model. You know, we're very comfortable with people [inaudible 01:12:31] their accountants to do things that they're comfortable with. But if we are going to do compliance work, it has to fit into this overall circle of helping the client, and it has to make sense overall.

Shrimpling      Yes, which we'll have a financial bottom line for.



Kennedy Say again, sorry?

Shrimpling Which we'll have a financial ROI at some point.

Kennedy Yes, I was going to come back to that thing about you were talking about compliance. I mean what we would do, for example, on... First thing we do when we meet a potential client is we – and we tell them this – we say well, our first job is to try and assess what sort of potential you have for this business. If your potential's not big enough, we don't really want to be involved. Or rather, they shouldn't want us to be involved, because it wouldn't justify the costs.

So we look at it with them – the way we approach it, we look at it with them. If you got this business right, what could it do? So we'll look at it from the same side of the table, we're looking at the potential of this business. By the time you've done that, they've already bought into the idea that you're not only the person who understands the right questions, you're also associated with the solution. So we would always do that, but we always let the clients do the contemplation. We want them to conclude what it's worth to them. We won't ever tell them, for example, we can make three times your current profit. We always let the clients come back and tell us that sort of thing.

Shrimpling How do you get them to do that, Paul?

Kennedy We just present the numbers. We play around with the scenarios, and we do business models, we play around with numbers, and I ask them to say what they think could happen if we did this or if we achieved this... And they come up with... And I say well, you know, if we're optimistic about this, what could we do? So this is a stage when we perhaps don't even know what the actual solutions are, but we just get them to talk through the numbers to us. And they do, normally.

Shrimpling Yes, yes, very good.

Kennedy They say well, look, this makes perfect sense to us. Quite often, businesses come to us who want to sell, so the exit plan is part of what the [inaudible 01:14:24] is designed to calculate. And of course, when you're talking about multiples, then obviously you can be putting millions back into their pocket eventually. So that cost, at that point, will be irrelevant.

Shrimpling Yes, yes, absolutely. Absolutely. Fab. Guys, I could continue asking questions for the next hour, but I don't think it would be fair on you guys. If you were to recommend three books that you believe would deliver massive value to an accountant starting out, or wanting to augment their business advisory work, which three books would you pick out?

Ric I'll submit a couple. Number one, Seven Habits of Highly Effective People.

Shrimpling Mr. Covey, right. Yes.

Ric No question. And when you get into that, these aren't going to be my three, but I think The Eighth Habit is brilliant. I think Principle Centred Leadership is a must-read, but not as well-known.

Shrimpling Yes, I love that book, Ric. Had a massive impact on me, that did.

Ric And the others... The second one is, if somebody's interested in consulting, you can't go past Getting Naked by Lencioni.

Shrimpling Lencioni, yes.

Ric And you can take your pick for the third one. I read 50 books a year, so...

Shrimpling Yes. I knew it would be a hard question, Ric.

Ric I'm going to defer to Paul while I think about the third one, but I would definitely... Seven Habits is a book I read every second year. It's amazing. And every time I read it, I take something out of it... Something about that, Paul, is every time I do a seminar where this kind of thing comes up, I will ask people, have you read the Seven Habits? And I'd say 70% of people

put it up. And I'd say, keep your hand up if you can tell me what they are.  
And all the hands...

Shrimpling     Go down, yes, yes.

Ric                So...

Shrimpling     Ric, you might like... You might have seen it already, knowing you... The teenage version. Seven Habits for Highly Effective Teenagers.

Ric                Yes, I have seen that, but I prefer to go to the root cause.

Shrimpling     Sure, sure. I just – I gifted it to a close friend of mine's son recently, and before I gave it to him, I started flicking through it and just got completely absorbed again in the whole piece. I just thought it was brilliantly constructed.

Ric                Right. Well, I'm going to put you on to Paul...

Kennedy        I think Seven Habits is the first thing I wrote down, so I don't think we've got any disagreement on that one. The other thing I think that if you're an accountant wanting to get into this sort of thing, I think The E-Myth is an absolute must. Most people you'd like to think would have read it, but

you'd be surprised. But it's so fundamental to the whole mindset issue. I'm a huge fan of Michael Porter, but I wouldn't put it on my book list because it's so difficult to read.

Having said that, [inaudible 01:17:31] business review articles I think are absolute genius, and I use them all the time. And when we get clients who actually understand them, it really does change something inside [inaudible 01:17:43]. Couple of other books on the list... Peter Block's Flawless Consulting is good, I quite like Peter Block's stuff. And the other one is... Jeff Olson's The Slight Edge. Have you come across that one?

Shrimpling Yes, it's on my Kindle at the moment, actually.

Kennedy Again, for accountants who perhaps [are 01:18:07] new to this sort of thing, that's always [inaudible]. It's really simple stuff in there, I think that's what accountants often need. That's why I wouldn't put Michael Porter on the list, it would just put them off. But if they can read something like Slight Edge, you know, it's so simple, the concepts in there that they can immediately use. And then you've got Good to Great, Jim Collins, I've used a lot...

Shrimpling Yes, me too.

Kennedy His framework is very easy to use with clients. And then, what's the other one... [inaudible 01:18:45]

Shrimpling Don't worry, Paul, you've given us more than three there already.

Kennedy Okay. Well, I mean, I've got a library full of these.

Shrimpling I know, I know. They're never-ending, and for me there's that blend of the classics you keep turning to, and then the most recent one that's, you know, giving you an insight.

Kennedy The other thing, again, you're talking about accountants who are trying to make a transition... What they might find easier to read [inaudible 01:19:12] is the Loyalty Effect, was it called? The Loyalty Effect, which is... yes, that's right. So again, accountants, something to relate to in that, because it's all about [inaudible 01:19:23] where profit [inaudible]. I think that's an easier read, I started giving that to accountants who are [inaudible].

Shrimpling That's The Loyalty Effect, is it, Paul?

Kennedy It's called The Loyalty Effect. Reichheld's written a few good things, but this one was just all about... Again, it comes down to quality of profit, not quantity. Or how quality drives quantity.

Shrimpling Sure, sure. Brilliant. Gentlemen, I really, really appreciate your time and your enthusiasm for this discussion. I've really enjoyed it, got some great

comments and thoughts and insights. Can't thank you enough, really appreciate it.

Kennedy Thank you, Paul. I'll no doubt run into you at an ICAW conference, or...

Shrimpling Indeed, or if you can get down to [inaudible 01:20:08] or whatever, I'll be down there actually on Friday.

Kennedy Oh, you're speaking down there, are you?

Shrimpling Actually, connected with this discussion, because it's that virtual financial director type stuff. Which is what we've been talking about, which is you know, this space, so... I'm just drawing from the interviews that I've conducted over the last three or four months.

And gentlemen, it just remains – in fact, if there's anything I can do for you guys to reflect the contribution you've given to me today, then please, all you have to do is ask.

Kennedy Okay, that's very kind. Thank you, Paul.

Shrimpling Good to speak to you again, Ric, as well.

Ric Thank you, Paul.

Shrimpling Warmest regards to all of you. Enjoy the rest of your day.