

Remarkable Practice

inspiring remarkable results
in your accountancy firm

Steve Major

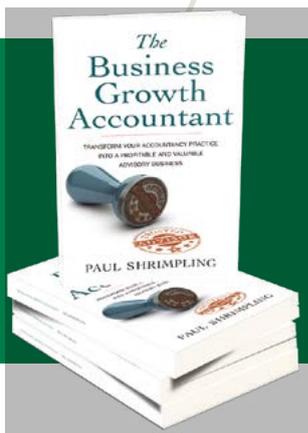
Co-Founder at Decisionhq



With over 25 years experience in various aspect of business and finance Steve assists knowledge businesses, professional services firms, consultants, coaches and other service businesses to achieve Pricing Power.

Small & medium business owners are desperate for help in making informed decisions to grow their business. Accounting professionals can help them make sense of the numbers, achieve free cash flow, understand the story of the numbers, make informed decisions.

In this interview Steve Major shares with Paul the approaches he has taken with accountancy firms to help them as they guide small business owners on a journey of transformation.



Steve Major

Paul Okay. So Steve, thanks for joining me on this call, this podcast. To kick off with, so that the listeners and the readers can fully understand who you are, what you do and what your background is, would you share with us a relatively brief and concise overview of who you are, your background and how you fit into this trusted business advisory space?

Steve Yes, well. Steve Major, as you said, of Pricing Power, based here in Brisbane Australia. My background is I ran my own accounting firm, I'm a chartered accountant by profession for a number of years, and in that firm, we made it 100% business-focused. And within that, the advisory work was first, and then you nearly could say 'and by the way we also did compliance work'.

Then in 2007, end of 2007, I sold that business to focus on working with accountants around the world on helping them achieve what I call pricing power, which is in other words being able to command the price you deserve for the value you create. So in other words, to be able to **deliver those true high-value services and be able to price them properly and attract the right sort of customers**, and that's basically what I've been doing for the last two years, and having great times to boot on the way.

Paul Yes. So a decade of that, Steve, if it was 2007, so...

Steve Yes, the end of 2007, so yes. As we record this at the beginning of 2017, yes it is getting up a decade.

Paul Steve, I know we've had another conversation, and that's available to the people listening to this as well, and that focuses specifically on the approach to pricing that you advocate and have proved that works so brilliantly well.

In this conversation, what I'm keen to focus on is your insights and your knowledge into the accountants who've been successful at being trusted business advisory accountants. Would you just run us through the number of accounting firms and the type of accounting firms you've been exposed to work with, and how you've worked with them, just so that people listening to this or reading this can fully appreciate the credibility you've got talking about this?

Steve Well, I have presented in front of hundreds of accountants over nearly 10 years, as you've reminded me, in workshops and speeches. But in the one-on-one consulting work, it's up... I have 200 firms that I've worked with now where we have implemented these types of approaches where we're building firms and trying to be all things to all people, but I'd rather determine exactly how they want to help small business and are creating them. I think accountants have a phenomenal opportunity to have a huge impact on small business the world over, and we just need to be able to design our businesses to be able to do that. It's not without its challenges, and we know that there's been so many changes that have impacted on the profession over the last 10, 20 years, but the opportunity is... to me, is... larger than it ever has been. And the demand from small business the

world over is also larger than it ever has been, so I think it's an incredibly ripe time for accountants to be focused on business advisory.

Paul Brilliant. So if you've... As you say, you've worked with 200 firms during that decade, in a relatively intimate way. What do you think separates the firms who master this trusted business advisory approach? And we'll get into the detail of what we think, and the definition of that, in a little while. But what is it that distinguishes, say, the top 5 or 10% from the rest of the firms that you've been exposed to, Steve?

Steve It's **mindset**. And within that mindset, it's **a very distinct approach**, and I'll explain what I mean. So we use the term in the accounting profession, or the accounting industry, 'value added services'. And I actually think that is where the problem is. Because **the firms that are that top 5 or 10%, the firms that really crack the code on business advisory, make it business advisory first.**

And it's that mindset to small business of, how can we help that small business grow, change, transform, whatever that small business owner wants to achieve out of that business. That needs to be the primary focus, and then yes, we are still accountants, so we still do all the compliance and tax obligations etc. that is the core service of the accountant.

But **it's having that mindset first and foremost that everything revolves around that business transformation service that we can put together, rather than going where accountants equals compliance services, and then**

we try to sell them some added-on services. I think it's flipping that equation and making it business advisory first.

Paul So at a strategic level, you're suggesting that the most effective firms at this have gone, right, well, we were accountants, now we're business advisors. But, by the way, we still do the accountancy services. So it's a big strategic shift for someone who's looking at this fresh, Steve, and wondering whether business advisory is the right way to go, as opposed to suggesting, well, build a bit of the skill, and get stuck in with one or two clients. **What we're saying here is, actually, you need to be all in. Not half in. You know, you can only be... A friend of mine, Steve, suggested you can never be half pregnant.** You know, you're either in or you're not.

Steve Yes, I 100% agree. I think you need to be all in. I don't think you can dabble in this, I think you either commit to it or you don't. Just... a point that you made, instead of being accountants be business advisors... I'm a card-carrying member of the Institute of Chartered Accountants, so you know, my biases are crystal clear. I remember the days – it might sound like I'm old, but – when a chartered accountant actually meant business advisor. And that's what I like to see, where the word accountant is actually meaning business advisor. I appreciate that in the general market, that is not always currently the case, but it's where... you know, absolutely full-on, fully committed, we are focused on how we help business.

Now, we can't be all things to all people, and every firm will have some variations on what they do and who they work with and how they work with them. It's not as if it's a cookie-cutter solution that you just apply right

across the industry, it's nothing like that at all. So you need to be very clear about who you want to work with and how you want to work with them, but it's that principle, the general overarching principle is that we're about business transformation. That must come through first.

Because then, all the systems inside the firm, all the processes inside the firm, need to reflect that. That we're designing everything that we're working with the client in that manner. That permeates everything. And that's why I'm saying it's the number one factor. It's also probably the most confronting, in a sense, that if we're a traditional old-school accountant now, to be looking at changing this, it's sounding like... We can't take baby steps. What I'm saying is that we need to launch a hundred mile at it. Absolutely, the [inaudible 00:08:41], I know as challenging as that is, but that's where the success lies.

Paul Okay. So you call it mindset, we might call it position, but it's business advisory first, is the dominant, pre-eminent role of the firm, of the accountant, to be that business-transforming accountant. I get that. So on top of that mindset or positioning, what else differentiates the top-flight business advisory accountancy firms from the others, Steve?

Steve Well, I think... I'll just go into positioning, because I think it might be the next layer down, so to speak, of the word positioning that I would like to cover off. The top-flight firms know exactly who they want to work with and how they want to work with them. They're very, very precise about that. And then, they are able to say no to people who don't fit within that.

So it's that next layer of having that precision around, we've made the decision to be in business transformation, but now we need to make a set of decisions about exactly what does that require, what are our services looking like or what are our products looking like in that regard. And who does that suit, or who do we want to work with? And there's a whole host of strategic decisions that come up in that conversation. And that's one that the firm can take some time to transition fully through to as they work out those different layers. But it must be that they can get to the point where they're able and willing to say no to somebody, and I think that's where those top-flight firms have really nailed that next layer of positioning.

Paul Are you talking niching here then, Steve?

Steve Well yes, I am talking niching or specialising, whichever word you want to utilise. But I want to be crystal clear about my view of **niching and specialising. It does not have to be industry-focused.**

It's the one that we automatically run to whenever the word niching is thrown up in a conversation, that you know, you specialise on the construction industry or you specialise on optometrists or something. That's quite viable and there are very successful firms out there that are specialising on industry niches, but it doesn't have to be that you focus on an industry per se.

There is a very successful firm that has quite a great approach on businesses that have **inventories**. Now, any business that has inventory, which can cut across a multitude of sectors...

Paul Yes, retail, manufacturing, whatever.

Steve ...But they really understand the process of inventory management, and the cash flow consequences, all the things that come out of that. And that's their focus. There's another firm who are really big on **cash flow management**, and have created a whole seven-step programme around cash flow management, and that's their focus. So it doesn't have to be industry, I want to be very clear. But you do have to know exactly who you are targeting, or how you are targeting them. That has to be clear.

Paul Okay. So whether it be cash flow specialist, industry specialist, dental or optometrist specialist, what that niche or specialism is giving you is that additional layer of credibility, knowledge, insight into that particular sector or that particular niche. Is that absolutely necessary, or have you got firms that you've seen who are really just general accounting practitioners across a wide portfolio of clients, who've put business advisory first and made it work brilliantly? Are there any firms who've done that that you've seen, Steve?

Steve So there's firms who are doing it, but I wouldn't say they were in the top 10% or even 20% of those that I work with, because the next level or the next aspect that I'll probably talk about is what I'd call demonstrate expertise. You need to be able to get out into your chosen marketplace your expertise, whether it's in industry or whether it's cash flow or whatever

it might be. And the problem with being across so many types or whatever is that then your marketing gets diffused. And as soon as that happens, it becomes a bit harder to attract clients.

That's why I think that is absolutely necessary. If you really want to grow a fantastic business, I think it's imperative in this modern era. I think it goes all the way back to the fact that... You know, you and I are talking across the world, and we think nothing of that nowadays. People, clients, are seeking advisors across the world, and they're thinking nothing of that now. And as a result of that, so much information is at our fingertips.

We therefore have to be the answer to somebody's problem, and thus we need to know what problem we are solving. So I think yes, you can achieve success in business advisory, but I think the excellency is achieved when you've got a lot of clarity around that positioning aspect.

Paul Interesting statement, that, the business advisory accountant must know what problem they are there to solve. Which therefore may be easier if they've got a specific specialism, is the point you're making, isn't it.

Steve Absolutely.

Paul Yes, I think that's brilliant. So we've got 5% of the top echelons of the firms you're with who are genuinely getting the results in that trusted business advisory accounting field, who have made a strategic decision and have got the mindset to be a business advisor first. They've got a specialism of

some description. What third thing would you add as part of the makeup of those top-flight business accountancy firms?

Steve There's quite a number of topics. I'm going to go in a couple of different directions at once here. Excuse my trying not to confuse you, but...

Paul No, you go for it, Steve.

Steve One is that they don't have timesheets. Now why I make that as such a big deal is not that timesheets are the be-all, or that the lack of timesheets are the be-all or end-all. But what it is is that I've adopted a set of processes around that relationship of working on a business advisory level. And to do that, you need to have a different approach to managing a firm than the traditional timesheet approach is. So it's having that understanding that we're in a relationship business, but coupled with that, that our systems and processes are tailored to that fact that we're in a relationship business.

That's why I said I was going in two different directions. I think they're so intertwined, those two comments. But ironically, accountants... somewhere along the line, we **have forgotten that we're in a relationship business, and yet we're in probably one of the ultimate relationship businesses.** You use the word trusted advisor quite a bit in conversation, and if you go back to where that comes from originally, of David Maister's fantastic book, The Trusted Advisor, one of the aspects that he talks about of trust is intimacy.

And we forget that **the relationship the advisor has with the small business owner is a very intimate relationship. We might not necessarily be**

comfortable with that word, but that's the reality. We understand their lives so much because we understand what's going on with their money, in essence. And given that we are thus in this ultimate relationship business, then our systems and our processes of our firm need to reflect that that is what we are in. That we're not just pumping out some sort of product, or we're not trying to be a quasi-software company, or something like that. That we are actually building a relationship.

Paul Yes to Xero and Quickbooks and Futrli and so on but we aren't a quasi-software company – it's not about the technology just as it's not about the accountancy services – Steve is saying it's about the relationship, the intimate relationship between business owner and accountant.

Steve And it's a topic I know we both probably could go on forever about, but I just want to make that link between the systems and processes and that it's a relationship business. I know they're both very important points, but you just can't have that timesheet approach when you're building a relationship business.

Paul So if there's... And I know this is potentially Pandora's box, isn't it, opening up the timesheets discussion, but I absolutely agree with you, Steve. In terms of the relationship approach, it doesn't lend itself particularly well to timesheet-driven processes. Because you can't get intimate enough, and that's picking up on David Maister's CRIS model. You know, that intimacy part, which has a profound effect on whether you genuinely establish yourself as a trusted business advisor. So the intimacy isn't going to happen if you're watching the clock. It just isn't, is it? So if you're not watching the clock, what one or two processes underpin the successful

relationship management that you're talking about, then? If it's not timesheets?

Steve Yes, so... and you're dead right, it's a Pandora's box, but...

Paul Indeed.

Steve But, so... What we need to be focusing on is what matters to the client. And that might sound obvious, and every accountant goes yes, of course we are, but think about it in the next level down. So just take the compliance work for the minute, so not even the trusted advisory work. **What matters to the client is the turnaround time of that work. It doesn't matter whether you took 10 hours or 100 hours, they don't care. It's whether it was done by the end of December as was promised, or whether it wasn't done by the end of December and how long after December it was done.**

That's what actually matters to the client, so our systems need to measure and focus on velocity or turnaround time. On the advisory aspect, we need to be focusing on... I know you talk about this, Paul, as well as I do, that **we need to be focusing on the profit improvement, or the cash flow improvement, or something like that that actually really matters to the client.** And measuring how we have impacted those sort of variables, and measure that, and that be the focus of our conversation.

So I think the little example that I'd just like to give, the timesheet doesn't allow anybody in the firm to make a five-minute phone call to the client.

It's not within our budget, it's not within the scope of the timesheet system yet. Those little five-minute phone calls, or a Facebook message, whatever might be the appropriate medium that you utilise... Those are the things that can build the relationship so much, even though there might've only been... Yes, there was a potential need to ring them about something, but if we go five minutes checking how they are, having a chat about how the business is going, that could lead to so much other stuff.

But it more importantly deepens that relationship, which I think... What we like, as accountants, is precision. And the timesheet gives us the illusion that we're measuring something precise. **But when we're in a business advisory, we actually have to get used to being not as precise. And that is really confronting to those of us who've come up with the system and been trained as an accountant, but we actually need to be measuring some of these intangible aspects, these things that are based on conversations and on comments rather than that are based on precise numbers.**

And whilst that might be hard, it's just the reality of we're in a relationship business. So I know it's a huge topic to talk about, but it all stems all the way back to that first comment I made about the mindset that everything permeates then all the way through, and that includes what we're measuring internally.

Paul

Yes, no I think that's so relevant, so valuable. Something you said there, Steve, that's just resonated with me is that... because I spend a lot of time talking about marketing for accounting firms, and we can talk about the

functional benefits that an accountant will deliver or that a business advisor will deliver.

And accountants have a tendency, not just accountants, I think most business owners have a tendency to want to look through the functional or tangible upside benefits that a business owner will get from working with you the accountant or advisor. But actually, there's arguably more value, or as valuable a payoff in that emotional territory, which is full of ambiguity and I think that's what you're suggesting. Accountants want precision, not ambiguity, and think their accountants want that precision too. When actually yes, I think, and my argument is one of the emotional payoffs that business owners want is a sense of certainty that they're on the right track, doing the right stuff, making the right decisions, taking the right actions around – to pick up on your point – what really matters to them at that moment in time in their business. But for the accountants – sorry, go on?

Steve No, I was just going to underscore that and say I couldn't agree more.

Paul Right, and it's almost a case of – and I've not thought of it in this light before, until your comment – in order for the accountant to deliver certainty in the hearts and minds of the clients, they've got to be comfortable in that ambiguous, uncertain world of emotional payoff as well as functional payoff. Which is harder to track and measure than the precision of a compliance project or a tax return.

Steve

Absolutely, and I think that brings it on to the next point that I'd like to make, which is really a continuation of that point. **The true business advisor knows the questions to ask. May not know the answers.** Whereas, as an accountant, we are trained with... My journey is a fairly traditional journey, come out of uni, go into a big firm, work for a number of years, qualify, I then have a period off where I go to your country for a while but come back to a firm here in Australia, then I set up my own firm. So that's a fairly traditional journey up through the hierarchy of the division. And in that, you're always constantly the expert. Effectively, you're trained on the tax, on the accounting knowledge. When a client rings up or sends you an email or whatever, you must know the answer to that accounting or tax question.

But when you're a business advisor, the skill that we need to have – which is an extension of that emotional versus functional conversation – is that we need to be willing to swap hats, and go well, actually as a business advisor we aren't the expert per se on that business. We aren't the entrepreneur running it. We're the accountant who can bring an outside perspective, and therefore an outside perspective means... Well, look. We're looking at these numbers, and I was just wondering about... And you start asking questions. And it's those questions that provoke a conversation.

You know, it's that ambiguity again, where we're used to having all the knowledge. Now **we're back into that ambiguity conversation, and all we're armed with is the questions, not necessarily with the knowledge.** And it's not dissimilar to that emotional ambiguity issue, and I think that's... You know, these are skills that take some time for us to develop in our firms, but the critical skills to have as a true business advisor firm.

Paul Yes, and I know in our previous conversation, you made a big play, and I agree with you. I make a big play of the ability and the skill around asking the right question at the right time, or the right series of questions. Because **it's never just one question, is it? It's the right series of questions on the thing that matters most to the client**, to pick up on your earlier comment. Is it the nub of the advisory work that delivers value to the client, therefore earns the right for the accountant to charge the appropriate fees that reflect the value that the clients receive?

Steve Absolutely.

Paul So what have you seen... I'm thinking of a scenario where we've got someone who's reading this or listening to this, and they're a compliance accounting firm. And they've tinkered with advisory with a few clients, and they want to go whole hog. What do you think the one or two or three key challenges are on that journey from compliance to advisory? If they're ambitious enough to be in the top echelons of the trusted business advisory accountancy world, they need to be all in. But what are the one, two or three challenges or steps – and I guess those things are linked – that the firms need to take deadly seriously?

Steve I'll deal with the challenges first. They are linked, obviously, but there's one challenge that is... One that's like a hidden challenge. There will be a percentage of clients that you have now that you shouldn't have.

Now whether it's 5% or 50%, that will vary, and yes I have seen a firm where it was over 50%. But **there will be a percentage, and it's usually not as low as 5% – wish it was, in a way – but there's usually a percentage of clients that you shouldn't have.**

And that's probably one of the biggest challenges, because it's the most confronting, it's the scariest anybody in their firm presently [is facing 00:28:50]. In essence, what I'm saying, at the same time as working out who we're going to serve and some of the other steps that I'll come to in a minute, is this aspect of... **hang on a minute, he's saying we need to get rid of some clients.** And I'm saying you need to seriously look at going through your current client list. And there will be potentially 10, 20%, maybe more of your clients that you need to deal with.

Why it's so important, why I bring that up as one of the big challenges is because **they will take your time away from being able to do this business advisory work with your existing clients or attracting new clients of the type you want. They will distract. Bad clients drive out good clients,** that's just emphatic in any business. And there will be some that are good... maybe good, I'll put maybe because they're usually not all that great anyhow, as accounting clients, but they're horrendous, really, for trying to grow the firm.

So firstly, one of the big challenges that will be there is this aspect of understanding that there's going to be a percentage of clients we probably shouldn't deal with.

Another challenge that is there is that it's really hard to change internal processes. So sometimes we get, very good, that we're going to do business advisory, we've worked out our positioning, some of the other

steps I'll come to in a tick, but then we don't want to change anything inside the firm. Or we want to do it so dreadfully slow. And the reality is, that will stymie the development of... We can't just do it outside if we're not also doing it inside. So I think that's the other big challenge that I wanted to talk about.

So one of the first steps is, do a proper analysis of your own business. And that may sound a little confronting, you know, I'm telling the accountants to do business advisory on themselves. And the answer is absolutely, because so many accountants don't truly know their own numbers. They might know their top line numbers but they haven't actually gone and done that true breakup of the clients, real analysis of where the clients fit in any sort of... where, you know, the old 80/20 rule, and then the next layer of 80/20 which is the full 64.

But do a real analysis of your own business, and then the next step is to **think long and hard about who you want to serve and how you want to serve them**. It's not an easy conversation, but also, for anybody who's listening to this... Make certain you ask your team members. Get their opinion. I'm not saying you have to do exactly what they tell you, but they'll have some great insight. They'll be able to tell you where some strengths and weaknesses potentially are, and they'll be able to at least help you make those decisions about who you want to serve and how you want to serve them.

And then **the third step is, demonstrate your expertise**. So work out where your market is, and demonstrate that expertise. But do start with analysis on your own business. I think it will be quite revealing for a lot of people if

they actually really analyse their own business as if it was one of their clients that they're going to do this business advisory work for.

Paul And that analysis is... client breakdown, they usually call it. Client categorisation, I'd call it, in terms of some methodology of grading clients. For example, the potential unlikelihood of taking up and accepting advisory services on the firm. They could categorise all the clients against that grading, couldn't they?

Steve Absolutely.

Paul That might be something as simple as red-amber-green around that, you know, the reds are a definite no-no and the greens are a definite yes and the ambers are the maybes, and they might want to break down those ambers a bit further because that's likely to be the biggest bunch. And then there's the services the clients are already buying, so it's actually properly understanding the detail around which...

Because for example I ask the question a lot, of firms, around what percentage of your clients are buying management accounts from you, where you have a meeting to guide them and advise them through the meaning of their management accounts? And everyone's guessing. People are mostly guessing because they've not isolated and identified that those are the genuine jewels, potentially, in the crown of that accountancy firm.

Steve Yes, absolutely.

Paul Just to give you some guidance as to how that breakdown, that analysis might work. Steve, it's dead easy to say 'demonstrate expertise', what exactly do you mean by that?

Steve Yes, that certainly deserves a more complete answer. So the idea is, as we talked about, there's so much information at our fingertips. We can search whatever we want, and we can find blogs, we can find podcasts, we can find articles, newsletters, whatever. So my point is, work out where your market is, and then be in front of them with the content that works for that market.

So if you want to focus on... Industry's easy to use for this conversation so I will, but please remember my previous point that it doesn't have to be industry. You want to focus on optometrists, well then where do they get together? Do they have a conference, can you speak at the conference? Okay, you don't like speaking? Well, can you write an article for the industry journal? Can you write a newsletter that's dedicated for optometrists that they'll share around? What social media do optometrists get on, is it LinkedIn, is it Facebook, etc.? There'll be Facebook groups, maybe, of optometrists... I don't know, I've not investigated optometrists in that context.

But my point is that you do the homework and know who you want to serve, and work out what that appropriate forum is, or where they are. There's usually more than one, of course. And then have your content in front of them in that way. And every firm must have a newsletter, I think

that's a given. But in addition to your newsletter, where else are you writing content?

So I just want to pick up on a couple of points that I can probably hear as objections now on this. One is that we don't have time to write content, and the other one is that, hang on a minute, we're accountants, Steve, we're not content writers. Now, I reckon accountants just underappreciate how many stories they actually have.

They've got clients now that are asking questions. Just think of those questions that you so commonly get, every week, every month, from your target group of clients, and write the answers to those. There's your content probably for the next five years. But just the questions you're getting.

The next is the stories and case studies of working with clients and being able to improve their cash flow, or improve their business, whatever it might be. Tell the story of that, tell the case study of it. Sometimes there'll be case studies where the name is available, there'll be others where you just talk about how you worked with Client X and did ABC etc. But put those stories together of what you've actually done.

The other thing about creating this content, it doesn't have to be just one person in the firm. If you've got other people working for you, utilise the fact that they've got [experience 00:36:56] and they can put together quick articles. And then to write this content quickly, there's so many tools and techniques nowadays which I know are a little bit out of the scope of our

conversation, but it doesn't always mean you have to sit in front of a computer and bash it out, type it out etc. You can use Speak It, which is an application...

Paul Yes, yes. Whole host of... Transcribe it, yes. Whatever.

Steve ...But I think the overarching theme here is that we're demonstrating our expertise. So what I mean there is, these aren't articles on the tax things or the digital tax or the latest change from the government on tax. There might be the odd one of those, because you are still an accounting firm.

But they're dominated by articles about business improvement. You know, it's maybe a four or five to one ratio that you've got, where most of the content is around that business transformation. And in that process, you're putting out to the market that you are the answer to their problem. You know, if you're focused on cash flow and you're writing articles about different aspects of managing cash flow, well, then if somebody's wanting to know more about how to improve their cash flow, then you're going to be the firm that they want to talk to.

So it's a huge topic, demonstrating expertise, but it's a really simple theme, if you get what I mean. In the sense of... All we have to do in our central marketing is show what we do. I think it means the marketing of these businesses is a little easier than some of the other, say... retail, or whatever the marketing efforts they have to go to. We just have to show what we do.

Paul Yes. What do you say to... This objection has come up a few times in the conversations that I've had, where firms, managing partners, partners and managers who are in the trusted business advisory space know that the value comes from the questions, the conversations, the unpicking of the key issues and what really matters to the client in those meetings. They appreciate that. But when it comes to writing an article, a newsletter or a podcast, or whatever content they generate that's relevant to their market sector, they feel uncomfortable that what they're doing is **giving away their crown jewels**. How would you respond to that, Steve?

Steve That's an excellent point to bring up. I think it comes back to our ambiguity conversation, and this is probably another arm of the ambiguity. We're very much used to, in our industry, keeping knowledge tight within the four walls of our firm, all that aspect. Whereas actually nowadays, and it's been the case for a long time but it's really the case nowadays with the plethora of information on the internet, it's actually the other way round. We need to give away everything as fast as possible. And I know that sounds so counterintuitive, but it goes back to perception. **If that is what that firm is willing to give away in its articles, what must they be like to work with?**

And you're giving away the why and the info, but the actual implementation of it, that's what they're paying you for. **They're not paying you to know more information, they're paying you to help them achieve it.** And if you can get that ambiguity, the next level of ambiguity... That **the people are actually paying you for the implementation, the execution.** **They're not paying you for the idea.** And I know that is so confronting to

our industry, but it's the issue that we need to really pick up on, is that we need to be willing to give away heaps. Way more than would feel comfortable. Because then those people are going to want to work with us, because they will want to achieve those results that we're able to demonstrate in the case studies.

So yes, you are giving away some crown jewels, in the sense of valuable ideas. But you're not giving away execution, that's how you work with the client to achieve it. That's where your value sits.

Paul So what you're giving away is the what and the why, but not the how.

Steve Correct.

Paul But there's huge value in the what and the why, but it's only when it's...
And I think that comes out of your...

To summarise this section of the conversation, Steve, every business owner has lots of data available to them. The data becomes more relevant to them if someone like you, your accounting firm, your accountancy advisory firm, has worked out which market segment sector specialism that you're focused on.

And, all of a sudden, the business owner finds content that's relevant to them, from you, which then ups your credibility in their eyes. And if that's covering multiple sources, whether it be conferences, speaking, articles, social media, podcasts etc., and you're giving away valuable information that is directly relevant to their specialism, their segment, and you're being

generous around that, then you're going to be sat in their eyes, in their minds and their hearts, head and shoulders above other people who they might want to buy advisory services from.

Steve Yes, definitely.

Paul Fair summary? Brilliant. Okay, so some people would argue that accountants aren't the obvious natural predisposed set of people to suit the business advisory world. How would you respond to that?

Steve Well, as a card-carrying accountant, Paul, that's sort of a red rag. I think we have a set of skills I use even though I should now probably be called a recovering accountant. But I believe that we have a set of skills, yes it's not exclusive to accountants, but we do have a set of skills of being able to understand the numbers and understand business from a different angle. So there's some brilliant marketers out there. And accountants aren't going to get out there necessarily, some might, but they'll be the exception, and give phenomenal marketing advice. And there's brilliant salespeople out there, and similarly the accountants aren't necessarily going to be the greatest salesmen to impart knowledge on how to sell better.

But the accountants bring a set of skills in being able to look at those numbers and ask deeper questions of a business. That's a set of skills that's phenomenally valuable when coupled with the entrepreneurial intuition of most small business owners.

And that's why I think we have such a huge opportunity in the sense that we have this skillset that is hugely needed in business. We need to couple that intuition aspect that most small business owners have with the analytical logical questions, diving deeper, understanding, and put the two together. And it becomes a phenomenal unit in being able to transform business. So whilst you could argue in the sense that others can be great business advisors, there's no doubt that people can be, but I just think that accountants bring an incredible skillset to the table.

And also, as a little aside, if you want to go back to accountants in the 1940s and 1950s and that era, that's actually what accountants were, more so than ever doing compliance work. I had the good fortune a number of years ago, he's now passed on, but of a person who was in his nineties at the time... Who had been an accountant in Australia in the '40s and the '50s and through to the 60's etc. where he talked about what the business was. And it really was a much more advisory relationship than it ever was anything about tax or all of the various regulatory aspects. So I think those of us who understand the industry from... Myself, I joined in 1990, but from the '80s and '90s, 2000s onwards, we've been so focused on the tax side of things, and I think it's taken away from what the accountant's been about, really.

But I think plenty of questions, straight on, are things... Actually, we bring an incredible skillset to the table, that coupled with the entrepreneurial intuition of a small business owner I think is a phenomenal mix.

Paul

Yes, I think that's a brilliant point I'd not even considered before. See, I've written 'accountants and the business owner entrepreneur is a brilliant

blend and balance'. As opposed to you know, if you put one entrepreneur in a room with another entrepreneur, there isn't the counterbalances that make for a good, healthy, sustainable business. And there are lots of examples where that's backfired, when you put... If you understand the DISC model or any of the [supplementary 00:46:51] profiling, if you don't have a blend and a balance across a team, then you're going to have a dysfunctional team. Whereas when you do get a blend and a balance, then you have a truly valuable, potentially high-achieving team. I think that's a brilliant point well made. Very good.

Steve, this has been hugely valuable, I really appreciate you taking the time out today to spend it with me – on your holiday, as I know, so I can't thank you enough. If there was one final thought, final comment to the people who are going to read this or listen to this that [inaudible 00:47:34] ...the leap to genuine trusted business advisory accountants, what would you want to say to them?

Steve Business transformation, to me, is where the real fun is. I know we're all businesspeople, and we want to make a profit, obviously. That's part of the reason why we're in business. But I think the real enjoyment is in this business transformation.

Stick with me for the minute, it's sounding a little philosophical or whatever, but I think **the ability that the accountant has to transform lives through being able to transform small business owners is incredible. Just as a little aside, if you can help a small business owner improve their cash flow, that has a huge emotional benefit to 99 out of 100 small business owners.** It's usually the number one problem that they talk about, number

two is often staff... but it's high up there, if it's not number one it's usually in the top three.

And just picking on that little thing, if we could improve the cash flow of that small business owner, that's where the real... to me, where the real buttons light up. You see the transformation in their lives, and that's why I think you've just got to go for it. It's where the profit is, there's no doubt about that, so if we use our logical analytical... The most profitable firms are the ones who are delivering these business advisory services, and are crystal clear about their clients. But also...

Paul How certain are you that that's the case?

Steve I think there is another viable option, and most of my numbers that I'm about to quote are Australian, but I also know that numbers out of the US are very, very similar. So I apologise that I don't have it to hand or know the UK numbers, but in the Australian context, there's only really two viable accounting business models. One is the... Outside of the big four, I mean. The big four nearly aren't accountants any more.

But going outside of that is... the true business advisory, and that's where all of the surveys are clearly showing that... Particularly in that one partner to ten partner range in the Australian context, the super profitable ones are in that area. Or one to fifteen partner probably is a better answer.

But the other option, and it's an option that I will canvas just briefly now, it's just not an option that I would want in my own practice. It's where you become a super compliance only practice, and become a sausage machine

where you use outsourcing to the Nth degree, everything's offshore, and you're just a factory producing tax. That's a viable business, and they're profitable, I won't ignore that there's a number of them that are very, very profitable.

But the ones that I think are the type of people that are going to be listening to this aren't probably building those sausage machine factories where it's multi-million dollar turnover businesses, and pumping out tax return after tax return and it's all based out of the Philippines or India or somewhere. I think if you're not that model, which is... You know, there's not many of them that work either, just [quietly 00:51:12].

If you're not that, the ones that do work, the ones that are in that top tier are the business advisories. And that's clear from any US or Australian survey, that all the top firms are definitely focused heavily on business advisory. But also I think the firms that get recognised in any of the awards for innovation or... Whether it's some of the software company awards, or whether it's the Institute or other members' organisation, there's an intriguing little fact about those firms.

The vast, vast majority are doing business advisory work, so it's not just that they're being recognised by their peers, it's not just the surveys showing the profit, but the firms that are being looked up to are the firms that are doing the business advisory. And I think the endgame for nine out of ten accountants will be that the fun is also there as well. The true enjoyment. We've got to remember part of the reason why we went into the industry, those of us who went into practice as accountants. We went in because we enjoy working with clients and helping them, well, how can

we do that best and deliver that best, and also at the same time make significant profit and deliver great value?

Paul Indeed, indeed. And you've just opened another can of worms in my head, that may be a conversation for another time, Steve, but one of the issues that comes through time and time again is... You can find a partner in a firm who's committed to the business advisory approach, and then three other partners who absolutely aren't. And then there's that tier of managers who are looking at the two different paths, I guess, that firm's establishing for those managers.

But actually, the real issue, rather than being a partner commitment issue, it's how do these firms scale business advisory? And scaling compliance is, you know, you throw bodies at it, and you throw software at it, or outsourcing, or... It's relatively easy to scale it. If you can market it and sell it, compliance is relatively easy to scale. Because there's a precision attached to it, and there's process which is crystal clear, whereas the ambiguity of business advisory doesn't have that. And it's very much a people-skills scaling thing. What have you seen in those firms in the 5-partner or 15-partner world who are genuinely wholeheartedly committed to business advisory, what's the key to their success of scaling their advisory service, do you think?

Steve Okay, so no doubt it is a Pandora's box.

Paul I realise that, I realise that.

Steve But it's a fantastic question, and deserves the time to answer. The issue here is that the principals, whether they be the owners or whether they be the managers, the principals need to be involved with the client. That's all their role is. The problem that we have in accounting firms is the principals are doing a number of roles. They're meeting with clients, but then they're also reviewing work, or they're doing something else. So as a result, if we can get...

It comes down to a systemisation question. There's no doubt we can scale advisory, that's proven. The issue that needs to be dealt with is that it always comes back to the systems we have and the processes. So really quickly, I'll talk of a rule of thumb that comes out of the business coaching industry, an industry which by the way I believe accountants should have had, but anyhow...

Paul Me too.

Steve The rule of thumb in the business coaching world is that the maximum contact hours a person can have in a week is 25 contact hours a week, right? With clients. Because they've got to review stuff, they've got to look at stuff, read stuff, travel maybe, etc. So the practical limitation is 25 contact hours a week. Now, if we do some really quick maths on that, and we say that you're therefore going to meet clients for 48 weeks of the year. Let's say instead of 25 we drop it back to 20, and let's say that every meeting that we have with the client is 2 hours' length. Some will be 1, some will be 2 and a half hours or 3. But let's use some rule of thumb... 2.

What that equates to is 600 meetings a year that one person can do. Now if we divide that up, in that we're going to meet clients 4 times a year, that means that we've got 150 clients. One person can serve from a contact point of view. Now if we add into that using technology that some meetings are online as opposed to face to face etc., you can actually make that number a little bit bigger. But let's keep things conservative, and instead of 150, it's only 100 clients that one person uses.

So now we've got 100 clients, now we need the appropriate system where we have the support people who are preparing the information each month or each quarter that is needed. The principal doesn't do that. It's done by other people in the firm. The appropriate organising appointments is done by somebody else. Any of the material that might need to get to the client or get to the person running the appointment is done by somebody else. We have all the systems in place that that person's one key role is those 20 hours a week meeting with clients.

And then we go, we've got 100 clients, and then go just the advisory work, I'll use Australian numbers, it's 10,000 dollars a year for each advisory client. So to use the roughly current exchange rate, that's about 5000 pounds a year. And that's just the advisory, that person's not got any responsibility for compliance. That's a million bucks, Australian, or 500,000 pounds.

Let me tell you, unfortunately, a lot of the smaller accounting firms, one to ten partner firms, aren't doing a million dollars in consulting work. If you just quickly ran those numbers that I just did, it's easy to do a million. It really is easy, per principal. **The problem is having the system so that all that person's role is is just doing the client meetings and general overview,**

as opposed to preparation of the information etc. And that's where the scale question comes back to having those systems. Which, to go back to the previous conversation we had, that doesn't work in a timesheet world. Because everybody tries to hoard time, whereas what we're trying to design here is a system where...[you free time up to invest in ambiguous questions and relationship building with clients] Right, we need all of that information sitting on that person's computer by nine o'clock on Monday because he's got a Wednesday appointment with that client and he needs Tuesday to at least have a look over it. Right, what do we need behind the scenes, what has to have happened to have made that a reality? And that's the system we need to design, and that's how we can scale consulting or advisory services. So sorry about a long-winded answer...

Paul No, no, it's not. No, it's really powerful. And I think the systems question, that's a huge subject. But as you've written it I've gone well, actually, a recruitment focus, a recruitment system that actually brings in people who are comfortable on the phone, comfortable face to face, as opposed to entirely comfortable hiding in a room doing accounts prep, is a key system, isn't it?

Steve I mean, Good to Great, you know, excellent [book budging 01:00:12] columns. One of the phrases in there is 'the right people on the bus', and by that we mean the right people in the right roles. And there are some that are the perfect backroom that will do the number crunching and detail and getting all that info, and there's others that only should be on the

phone to the client, you know, they're no good doing anything else. **The right people in the right seats.**

Paul Brilliant. So, Steve, we're done. Last question, though, and it is last, you've just mentioned Good to Great. If there were two other books that you'd want a business advisory accountant to obsess about, what would you gun for?

Steve Okay, so... One is an older book now, but it's really one that I think is useful for business advisory people to get their teeth into, is From Last to First by Gordon Bethune. It's the story of Continental Airlines in the '90s, and unfortunately there's a postscript of what happened in the 2000s when he left the organisation, but it's all about measure what matters. And to me it teaches the skill of how a large organisation like that was able to turn the business around by focusing on one number. And to me, it helps bring that skillset of some of the techniques and tools that we should think about, and as an advisory accountant I think that's one excellent book.

Paul It's From Worst to First, isn't it? That's the name. Worst to First by Gordon Bethune. Brilliant. And if there was another?

Steve Another... I think you can't go past anything by David Maister, but the one that I think still is super current, I think it was written in 1999 or something... is True Professionalism. And whilst in a way you could sum it up in one word, or one sentence, sorry – **'true professionals care'** – I think it's a really

great book to remind us of what, really, business advisory is about. It's actually **what I think the true definition of professionalism is about, which is caring for our clients.**

Paul What a brilliant place to finish. Steve, absolutely stunning. Thank you very, very much for being so generous with your time. If I can be of service to you at any point during 2017, then please ask. Thank you very, very much.

Steve Thank you.