

Professional Services

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Daring to be different pays off

Accountants are being urged to break their mould in the search for growth, writes **Mark Fenton-Jones**.

Cameron Research Group boss Ross Cameron regularly asks small businesses for their view of the world. One of his latest surveys asked 560 small businesses with fewer than 20 employees what they got from their accountants.

"Fifty three per cent get nothing but tax and compliance services," Cameron says. He also found the businesses that get only tax are the most likely to change their accountant.

It's a result that doesn't surprise business coach Rob Nixon, who helps accountants improve their financial position and says he regularly hears from small business clients that they want their accountants to be more proactive and provide additional services such as consulting or financial management.

"Proactive firms are well aware that their clients need them now more than ever. During the last five years, many clients have had to do little more than turn up to work to make lots of money," he says.

In the next five years he's expecting clients will want to pay more attention to cash flow, asset protection, strategies for protecting and increasing profitability, and ultimately succession planning.

The three major challenges Nixon says accountants face are ageing partners, a shortage of accountants and the economic slowdown.

While some firms adopt a "hunkering down" mentality, the more dynamic assume their clients will need them more than ever.

It seems accounting firms are not doing enough to differentiate themselves from their competitors.

"Despite pleas from virtually every firm that 'we are different', the fact is that most accounting firms are the same. They are doing the same kind of work, with the same kind of clients, using the same kinds of people. Their offices look and feel the same.

"The key challenges are the same. And not surprisingly, their financial results are remarkably similar. Naturally there are a small number outperforming the rest, but there are many, many firms doing average



Business coach Rob Nixon says small businesses often tell him they'd like their accountants to be more proactive. Photo: GLENN HUNT

things and getting average returns."

In a report released this Tuesday that presents the aggregated results of the 96 accounting firms that participated in Nixon's coaching clubs in the last financial year, the average earnings before income tax per partner before partner salaries was \$407,490.

Club participants meet regularly, share their target and actual financial details and intellectual property, learn from each other and become accountable to each other.

By comparison, a survey of 66 firms that did not join the clubs but had growth aspirations found the average EBIT before partner salaries per partner was \$211,500.

Besides revenue, gross profit and net profit, participants tracked productivity, average hourly rate recovered after write-offs, write-ons, WIP [work in progress] days, and debtor days, which they aim to raise each quarter to improve performance.

A key factor in Nixon's methodology is value pricing in advance, where accountants agree the cost of the work before starting. It's a driver of efficiency that he maintains outperforms the traditional hourly rate in arrears approach.

Nixon started as a business coach focusing on accounting firms in November 2005. His programs are delivered through several channels.

By paying an annual subscription, accountants can join a coaching club that comprises a maximum of eight business groups and no more than three people from each business. He also works with one firm at a time in a consulting/coaching or training capacity, and as a conference speaker/trainer.

According to Nic Clark, the chief executive of Brisbane-based business improvement and coaching franchise, 10X, many small practices are not doing enough to help small business clients expand.

Clark, with three partners (one of whom is Nixon), established the franchise last October to provide practices with the tools and software to assess clients' businesses and make recommendations about growth.

In his view, small businesses want to know how they are tracking but while they look to their accountant for advice, they never get any.

"We're creating the coaching and business services division within an accounting firm to give them the ability to attract business owners, outside the pure financials," he says.

The chain has attracted 24 practices in Australia and two in New Zealand. Franchisees must have a couple of partners in the practice, more than five employees and about 300 business clients on their database. The average franchise unit cost is \$220,000,

which also includes shares in 10X.

Clark has accused accountants of failing in their duty of care.

"They earn so much money just looking after compliance issues like GST and end of financial year returns that they don't need to go the extra mile," he says.

Clark says accounting firms are quite happy to charge fees for attending to compliance issues alone yet are reluctant to look into the profit and loss statement or the balance sheet for these key drivers.

He maintains some firms have even gone so far as to say that "my clients don't ask me for it, so they must not want it", something he says is a disservice to the business owner who simply doesn't have the knowledge or experience to sometimes even know what to ask for.

Also looking to provide more services is Australian Business Camps which is promoted by Indigo Financial, McMahon Osborne Consulting, Marsh Tincknell and Currie Wickens.

The camps, which are designed to help owners improve their business performance, are attended by accountants, often with their small business clients.

"Clients soon understand their accountant doesn't do just tax and compliance," says Indigo managing director John Tsoulos.

E&Y happy as things are

Ernst & Young has no plans to replace the three tax partners and one executive director who left to join Deloitte's Melbourne practice (AFR September 12). It said strong growth in the past 12 months led to the promotion of five new tax partners, the recruitment of two new tax partners and the return of an international tax practice to Melbourne after two years in New York.

Olivier's new advantage

International recruitment firm Advantage Global, which operates under UK brands including Crone Corkill, FSS and Strategic Search & Selection, acquired the Olivier group. The Olivier management team will remain with the company. Helen Olivier will assume the role of chief executive and Bob Olivier will take responsibility for development of the international flow of talent.

CPA management guide

International Federation of Accountants has awarded CPA Australia a contract to develop a practice management guide for small and medium-sized practices. The guide will be offered free to all of IFAC's 157 members for use in public practice, government, education, industry and commerce.

Allen moves to Unisys

Unisys has appointed Paul Allen sales manager for financial services in Australia and New Zealand. Previously he was director of global consulting services, Pacific region, for Symantec.

Carbon data challenge

Complying with carbon reporting requirements under The National Greenhouse and Energy Reporting Act will be a challenge for utilities as many do not have the risk management and reporting processes in place to capture carbon data they are required to report on in 2009. Mark Hamil, managing director of internal audit firm Protivi, said that a majority are not prepared for reporting under the new rules.

Deloitte administrators

Deloitte corporate reorganisation group partners John Greig and Nicholas Harwood were appointed voluntary administrators of Gold Coast-based Octaviar Ltd. Octaviar Financial Services Ltd, Octaviar Investment Notes Ltd and Octaviar Investment Bonds Ltd.

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