



CATALYST PODCAST EPISODE 5

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EPISODE: 5 - Accelerating Advisory for Growth

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JS: Hello and welcome to the Catalyst podcast, Small Firm Big Impact. I'm your host John Schol, Chief Executive at Malloch McLean. In the last episode, we spoke about compliance and whether it's really on the brink of extinction. But in this episode, it's all about advisory. What is it? How do you implement it? And how do you reap the benefits of it? With me to share their opinions and experiences are Katie Bryan, founder and CEO of Propeller Advisory and Steve Mundy, who makes the decisions at Auctus. Welcome to you both.

KB: Thanks so much.

SM: Yeah thanks, John. Thanks for having us here.

JS: Right team, let's put first things first, the definition of advisory varies across the profession and has changed over time. Steve, what does advisory mean to you today?

SM: It's facilitating commerce, beyond tax advice. In the past, I guess we have provided tax advice, primarily. And our job now really, for me is that we work in a space of business education as well, and so to help people to move through things. I think over the next period of time, there's going to be more and more growth, and there'll be more and more changes in business and our role really is to facilitate those things just outside of doing tax returns.

[01:08] JS: Fantastic. Katie, do you share some of the view?

KB: Yeah, I do. Definitely. I think advisory for me is definitely more of a holistic approach to the business outside the compliance side that I think accountants have traditionally serviced, and more on the growth of the business, as Steve mentioned, and trying to help the business owner, to achieve what it is that they set out to achieve when they started their business.

JS: So Katie, you just touched on the holistic approach. Do you think there's a shift away from the specialty areas like tax, tech and property to more holistic goal setting growth and control for small businesses? Or do you think we're just going to be becoming an expert in all areas?

[01:48] KB: Those traditional services are definitely still required, however I think that there is going to be a greater focus on those other services, we call them in our firm business growth services. And they kind of range in many different areas, being KPI improvement coaching, governance coaching, financial awareness coaching, cash flow management coaching, business planning services, quarterly catch ups, all of those sorts of things. And I think as accountants, we love working in that area. And so naturally, it is something where we will be moving towards providing those

services a lot more often than say we had been in the past as clients are becoming more aware of them.

JS: Okay Katie, I'm hearing a real distinction here around advisory versus coaching in growing businesses. Steve, do you think there's becoming more of a distinction between the two, where advisory is more giving the traditional advice versus perhaps the more holistic business development type mindset that accountants are now starting to have around growth, control, goals?

[02:52] SM: The accountability coaching stuff is really big and important. As small business owners, they go out and get into business because they don't want to work for anybody else. And they want to do it their own way, and they want this freedom in life and then they get that freedom in life, and then they kind of come to the realisation that perhaps things aren't getting done that need to get done. And so because we have that relationship with them where we're talking to them regularly, and in that trusted advisor position, we're kind of in a place where we can have that ability to hold them accountable. And to just to have those conversations, I think, those quarterly catch ups mentioned are really good, too because it gives you that 90 days as a good period of time to check in with those people to to keep on top of them and enable them to still do the things that move the business forwards but still get on with the day to day.

JS: Okay, so what I'm hearing you say there is that you're having more regular catch up with your clients than you have done previously?

SM: Yeah, correct. That's where those advisory services start. Yes, some cash flow planning is important and also business planning, and sort of, if you look to roll those into trying to make those as mandatory as possible across the client base, then that puts you into that discipline of connecting with those people regularly. I think the biggest thing with accountants in the past is that we've been driven by tax deadlines, but outside of tax deadlines, you're almost sick of being driven by

deadlines and so it's hard to keep us accountable to stay on those things. So part of it has been having those regular catch ups and putting them in place, and then diarising all of that and then that sort of keeps us to to a tick as well, it's as important for us as it is for the client.

[04:22] JS: Katie, do you think that there's becoming a divide between the advisory and this new business development where the clients are no longer being told what to do, but being asked to be a little bit vulnerable and to be able to set goals and to be able to be held accountable for them?

KB: Yeah, I think that that's a large part of what advisory services are shaping out to be. We started our firm as primarily an advisory practice, we didn't even offer tax services at the beginning - that came second. And we've, I guess, manipulated and established our advisory services based on what the client wants. And what we have realised is, as Steve said, that clients just really want to be held accountable. And they really want a bit of a plan in place that they have developed and we've assisted them to develop, that helps them to achieve what they set out to achieve in the beginning. And a lot of small business owners will set out in business, not realising that they're going to be wearing ten different hats of ten different departments, and realise quite quickly that they don't necessarily want to be wearing all of those hats. And so that, for me, has been a key focus in a lot of our advisory services, is how do we hand a bit of control back, a bit of time back to these business owners and assist them to get there. And also, as part of that there's so many other parts of advisory that fall into it like cashflow, forecasting, and all of those areas that assist in giving those business owners what they want from the business.

JS: So do you think Steve, it's moving more from a means to an end where you've got the cash flow, you've got the tax advice, those sorts of things to talking about those end goals that are required first and then working backwards?

[06:04] SM: It's about understanding that client life cycle, and the journey that they go through, and I think, as accountants, we kind of see that and, we know the statistics around small businesses startups, and how many first survive the first five years. So a lot of what our jobs, I believe in the economy is to kind of ensure that those people are getting the education that they need to keep hopping through those steps. And I guess for us all the most desirable client to have is somebody that has either some leadership and some management skills, or some systems thinking, because those are the people that will grow and develop, they will go from being that sole trader, the chippy that goes out on their own, to having a building team of ten guys and inside of five years, and so we all want to work for the client that that is growing. We have to be able to analyse those steps through that lifecycle.

JS: Okay, so let's move on to best practice. So for many of our listeners tuning into this podcast, they may never have offered this type of service before. Katie, where do suggest they start?

KB: I really think that to get started, and even to start introducing these services, as an option for your clients, is just to do a couple of kind of free complimentary meetings with them, and start to talk to them about their goals, start to get them interested in thinking outside of the box and understanding that maybe you're not there just to help them with their compliance and you actually can help them with thinking about how their business relates to their personal goals, how it can help them to achieve more time with their family or extra holidays each year and those sorts of things. With our annual accounts preparation, we make sure that we do an annual accounts review meeting afterwards. And as part of that meeting, in preparation for that, we get the client start to brainstorm and think about their goals and how they feel about their goals when they reflect on the past year and their results for the past year. And then after that meeting we set up another meeting which is more of a complimentary review meeting, where we then sit with the client and really nut into those goals, and assist them with breaking those down and

thinking about how they're going to set out to achieve them over the next 12 months to five years. And I'm finding that it really is about that accountability piece. So once you start to explore those options with clients, then they want to be working with you closer and closer on them. We then move on to that stage, hopefully, which is a paid service and do a bit of a business plan with the client. And then from there meet with the client, either monthly or quarterly to hash out their progress and to really assist them along their journey.

[08:31] JS: And Steve, when you first started delivering these types of services, did you have a lot of capacity in your business? Or did you have to try and create the capacity to then be able to deliver the sort of services that we're talking about today?

SM: Yeah I think that the leader in the first instance, you trial these things first yourself, and test them out. I really like what Katie was saying there in terms of a best practice way for accountants that are perhaps trying to start to do this in their business is to really have a demarcation between your standard annual accounts meeting and having a more goals oriented advisory meeting. A lot of what we do in tax accounting, we're really focused on telling, this is the number, this is the tax, this is the result, this needs to be paid by this date, we're very much in a, this is how it happens mode. That consulting side, it's different. It's more about asking questions. And that's, I guess, that coaching mindset, opening that up and asking open ended questions, what are the problems that you're facing? What, what are the things that are keeping you up at night at the moment about the business? As you start to have these consulting conversations, you are chartering new waters in that respect, and you have to be prepared to not know the answer. And you have to be prepared to chance that and to ask those questions and and be in a position where actually, you mightn't have the response immediately and to just see where that conversation goes.

[09:46] JS: Katie, what do you think the key skills are that accountants need to acquire to be able to do this more facilitated advisory work?

KB: Yes so I think that the key skills in regards to this more facilitated advisory work really does focus around those soft skills. And as Steve was saying, it does tend to fall on the more senior members of the firm. So it does take time away from the owner of the firm, definitely. I think that it is something that can be trained on to more junior staff or even senior managers and those sorts of things, provided that we're taking those team members out into the trenches with us and we're helping them to understand how we run our businesses, how our clients run their businesses, and help giving them a bit more exposure - the running of the business front, rather than just working on the tax returns and doing that sort of side with the compliance.

JS: So we've talked about the soft skills in taking people with you on the journey. How do you systemise your advisory firm?

KB: So that's a really good question, John. And until recently, not something that I admit that I was great at - I definitely wasn't. From starting my firm, I did a lot of trial and error trying to understand and establish what really mattered to my clients and what they really wanted as an advisory service. I found as a result I was making things very customised. And that's not a very efficient process. And it's also very hard to train my team members on how to do a customised process - it's much easier if things are systemised and easy to understand and to follow on their end as well. So we actually uncovered The Gap, which I think is a New Zealand business, which systemises advisory services, and they're wonderful and our clients have been loving them. And that's been really great for us, we've been integrating their steps into our systems and our tools. And I've been trialling and practising new service offerings on clients, and having a really great time with it. But we found that now that there is a process that the team can follow - around the advisory, and it's not just ad hoc, and it's not totally customised - then I'm being able to bring my more junior team members into those service offerings with me, which is great.

[12:04] JS: Fantastic, Katie. And we've actually had Mark from The Gap on on episode two. And I also use The Gap as well, in my business too. What about you, Steve? How do you systemise your business?

SM: A lot of the advisory services that we've done have been bespoke. But my approach to that has always been to stay kind of solutions focused and looked to develop something. And I guess, on the basis of that, trying to charge more for it.

JS: Do you see yourself selling to clients? Or do you see yourself as helping clients?

SM: Helping, definitely. I'd much prefer to be in a position where you're looking to meet needs.

JS: A lot of accountants don't like the word business development and they shudder a little bit at thinking about business advisory because they feel like they're selling to their clients. Katie, what do you say to that?

KB: I don't agree with that at all. Business Advisory for me is satisfying a need that my clients genuinely have, and haven't understood where to find that assistance prior. They've gone to multiple coaches and things, but us as the trusted advisor tend to really understand how our clients' businesses work, how everything talks to each other, and how the systems and processes can best work to help them to achieve their goals.

JS: Recently, I read a stat that the CA Business Advisor Accelerator Programme, those firms that applied, wanted to see revenue growth and create a way to better retain their teams. Do you feel like you're both doing that, given the services that you're providing? Steve, can I just start with you?

[13:33] SM: Every firm is looking for revenue growth. And we're all told that the holy grail of that is, "McDonald's, would you like fries with that?" What else can we offer to clients? And so yes, I do. So I think the diversity of the work means that accountants get access to stuff that's different to just churning out compliance work.

The last thing that you want to see as an accountant is flicking through a client's p&l and seeing 5, 10, 20, 30,000 spin on business coaching that wasn't with you, because they've gone to somebody else. So you want to be in that conversation. So part of it is actually leading them down that pathway, and speaking to them about that. So as you're having those other conversations, driving them towards it.

JS: Katie sales versus helping mindset?

KB: Yeah, so I think definitely a helping mindset. For me, obviously revenue growth is a huge thing. But we're really interested in making our clients sticky. And I think if we're helping and delivering on those value added services to our clients, then it does make them sticky. And naturally they're going to come and ask us first when they're looking for a little bit of assistance or advice in other areas, and they would normally come to us about.

[14:46] JS: So what sort of questions are you asking your client, Steve, in regard to that first conversation about taking that journey towards more of an advisory relationship?

SM: It is asking those questions. What are your pain points? What's keeping you awake at night? Where are you spending your time? It's open ended questions, and getting them to talk about the stuff that's stressing them out.

JS: I think you've just hit the nail on the head there in regard to the discovery questions. And I've found that that's more of an art than a science. Katie, can you please just speak into how you've adapted your style over time with the discovery questions and to get those answers out of the clients that really got some meaningful answers for you?

[15:22] KB: Our journey started with simply just offering monthly management reports to our clients and utilising some really great tools that are available to us out there, which being a fully cloud firm has allowed us to embrace like Syft reporting, and

those sorts of things where we could produce a report to a client send it off, it's very simple, very easy, and the client can then have a monthly look at their numbers because the amount of clients that do not look at their p&l each month is mind boggling. And then from there, I would then have a quick look at the report and if there's anything that I needed to immediately chat to the client about, I'd give them a call, jump on the phone have a five or 10 minute phone call, and just let them know that maybe there were some issues in there worth exploring. And start asking those questions, like, are your numbers in line with what you were expecting for the month? Did you understand how your gross profit affects your business and that it actually is quite low, and that there are some steps that we can take to start to increase that gross profit, and therefore your overall bottom line? I think as well, a little bit of training and coaching clients that, if they're not pulling a market wage out of the business, or more than a market wage out of the business, there really does need to be some exploration into why that's happening and how we can make that happen in the future.

[16:42] JS: Steve, I just want to go back to those discovery questions. I want to know how you have taught your team how to do that.

SM: The very first thing is, for firms that aren't thinking this way, is about getting the team into those annual accounts meetings, because you want them comfortable in front of clients first. And if they're not regularly seeing clients, that's got to start to happen. That's step one. And then beyond that, it's starting to have those open ended questions. And those seniors are going to go on that journey first. And then it's getting those team members confident with that and I think, like a real simple tool has been one called the five whys? - so from a coaching perspective, and that's just basically, you can start with team members practising on each other, somebody making a statement, talking about something, and then finding a caring, empathetic way to ask why that's an issue or why they're thinking that way. And why? is a really hard question, because it just peels the layers off really quickly in a

conversation and it quite quickly can get down to, because I hate life, and I hate myself and that's why I do it. There is an art to doing that tactfully. And that's that EQ and I think it starts for team members understanding how to do that. You've got to move into the care, the care and the responsibility side of it. I care about this human being that's in front of me. And then how do I delicately start really getting to the guts of what's going on here? Because sometimes what you're being told at the surface is not working.

JS: So Katie, tell me what a client journey looks like at your firm.

[18:06] KB: We have found this year in particular, I think as a result of the coronavirus crisis that a lot of clients are actually coming to us with advisory in front of mind rather than coming to us for compliance first, which generally and traditionally they have. So we're finding that some clients are coming to us and they're concerned that they're not charging enough for their services, or they're concerned that they're not achieving their goals. So it really does need to be customised for the client. However, if we're going a usual client, which will be one that came to us for a tax return or some annual lodgements, then our process would be to complete all of that, with the whole team involved so that they understand the p&l and the balance sheet of the client and they can pick up on any abnormalities as well, that we can then discuss with the client in the future. During our process, I actually get the team to talk about items that they've picked up. They'll list five items that they've picked up that they believe that we should talk about in our annual accounts review meeting with the client, and the team member will join me within that meeting and we'll go over that. From then we then do the complimentary client review that I was talking about. But before that, a set of questions gets sent out to the client as pre work, which are around their goals, and whether their goals are being delivered on. So there's four key questions: what were your goals when you first started your business? How has your business delivered on those original goals? What are your goals for the next five years? And what are the biggest issues or challenges getting

in the way of achieving your goals? And those four questions get the client's mind ticking over and really thinking about, is their business doing for them what they wanted it to do? And from then we can have a really productive meeting and talking about those burning issues and ways that we might be able to help them to resolve those burning issues.

[19:58] JS: Steve, what are your powerful questions that you ask your clients to try and pivot their mindset towards looking forward rather than in the rear vision mirror?

SM: I think that's an accountant mindset, eh?. I think clients are always looking forwards. We're probably the ones that are accused of looking backwards. Clients, I think naturally are always looking to the next thing. And at times we might feel like that we don't get the validation that we want from them in terms of all this great work that we've done that's retrospectively focused. So then it needs to be, it's talking about business planning, it's talking about cash flow forecasting, those are simple places to start for firms that aren't doing anything. How do you turn that conversation around? What do you want to achieve in your business in the next 12 months? Is it time relief that you're looking for? Is it making a million dollars? Or what's the focus of the driver? Because that's gonna tend to focus where that advisory work goes. If it's about growing a business, because they want to make a million dollars in the next 12 months, well, then what's that gonna look like? How fast you have to move, what's the activity, what's the work rate required, and if it's just, I'm dying, and I need to defrag and I need to find a way out of this thing and, then that's a different conversation again. You've got to have some song sheets for those different types of conversations.

JS: So it's about backing yourself and having the confidence to ask the right questions.

[21:09] SM: Definitely. And I think every accountant has got that in them. It's just that whole thing of figuring out what the issue is and putting that in front of them and you

don't need to necessarily answer it there and then you can just take those conversations and then come back to them, circle back to it.

JS: In Episode Four, we spoke about how to successfully offer both compliance and advisory services. How long have you both taken to transition to where your businesses are now, Katie?

KB: We started our firm, really with an advisory focus. However, as we've grown, it has needed to be something that we manage. Managing deadlines and advisory work can be difficult. For us, it's just been about designing the ideal team that allows us to offer advisory services. And so we've got a real distinction between who our grinders are, who our minders are, who our finders are. And it tends to be our senior client manager and myself as CEO, that really focus on the advisory services. And we get the junior team members to come in as a training exercise as well. But they're really working on the compliance side, which is then just signed off and reviewed by our senior members of staff, rather than the senior members of staff also being in there doing all the grinding work as well.

[22:23] JS: Katie, you're a thought leader in the accounting industry. Do you think that compliance is still going to be the main course in five years time with advisory as the dessert? Or do you think that's going to flip?

KB: I definitely don't think it's going to flip. I think that as accountants, we're always going to be doing compliance work, and it's definitely going to be the main piece of our work. However, I think that the gap between our services will get less and less as clients explore and understand that these services are available to them. The big shift that I've noticed since I started business almost five years ago, was potential clients, leads - coming to us with a complete understanding of the fact that there are advisory services available to them. And what they want out of those advisory services has increased so much compared to five years ago, when I really had to train and educate clients that these services were even an option. Rather than it

being, say 10% advisory / 90% compliance, we'll probably see more of a growth of say 50% advisory and 50% compliance.

JS: Steve, do you think COVID's provided opportunities for accountants and perhaps educated our clients on what they need to be doing?

[23:32] SM: Any time that people feel fear, then they're reaching for a safety blanket. There's been conversations that have been started, that probably wouldn't have been started. So cash flow forecasting, we threw fear into those conversations a little bit as well around liquidity events, and people knowing whether or not they had a liquidity event on the horizon. And therefore that enabled you to push forwards, again, for those people that perhaps have said, no, I don't need a cash flow forecast, or no I don't need to do that I just run with what's happened last year, that definitely forced those people to go, maybe I should be worried about this and the world is changing for me, so I'll relook at some of those things. So definitely opened conversations where perhaps it might have been closed doors before.

JS: So the conversations are becoming more outcome focused than transactional.

SM: It eroded people's perception of security. That's probably what happened. People perhaps live in a mindset where they think everything's fine and that's all okay. And then when there's a crack to that reality that they live in, then it forces them to reevaluate and I think it's been in that reevaluation that people not just calling on us, because we tax accountants but because of what we see in terms of the economy, what we think about where things might be going, people sought out our opinions, because they're, they're looking for some certainty in uncertain times. And I think that's something that we probably undervalue in ourselves, is that what we do see about how we do read the economy, how we do read the different markets, read what's going on and a lot of the times people were just ringing literally, just to hear that, because it was, certainty for them, where where it felt like everything else they were hearing was uncertain.

JS: Really living into that trusted advisor badge.

SM: Yeah.

JS: Katie, are there any big no no's in offering advisory services?

KB: I think the big no no's would really be trying to provide too much advice.

Although we are accountants, and we are wonderful business advisors, we can't all declare to be the expert in every single field in every single industry. The real key with business advisory is, as we've mentioned earlier in the podcast, is listening, asking the right questions, and to really help the client to discover those answers themselves, we can absolutely guide them and push them in the right direction. But the biggest no-no is to make up an answer, just to try to sound intelligent and smart for the client, when it is something that you need to walk away and find the appropriate response first. A client will never judge you for saying I'll come back to you on that.

JS: Yeah if it was easy, they would have already solved it, right?

KB: That's right exactly.

JS: So Steve, have you got any advice for people moving into the advisory?

SM: If the audience here is people that are looking to transition here and to do this better, the no-no's are staying away from the tough stuff, start simple and that is just making sure your clients have got a business plan, if they're in the side of the first 10 years, making sure they're doing that. Don't jump to a - we're going to run a three days strategic conference and try and charge \$15,000 and get 10 clients to do it, because you'll fall flat. Build your confidence, do some smaller stuff, get a few people in for some events and run some one to many type things, even if it's something simple, like how you use Xero, get 10 clients and and charging 50 bucks and run a one hour session or two hour session and get confident presenting and talking to them and just building those things. Don't try and go big. Just start small.

[26:53] JS: Katie, what are your goals in the next 12 months? Is there anything inside your firm that you specifically want to improve on or change?

KB: It's really continuing to develop on our idea of the ideal team, and also educating our clients as to the services that we do offer. I think that's probably our biggest challenge is that we offer a really broad range of services, but we haven't really communicated that very well with our clients. And so we really need to be working on that and focusing on that over the next 12 months, so that our clients know that we are available for them in all these different aspects outside of their compliance.

JS: Steve, anything you're looking to change inside your business?

SM: In terms of the advisory work that we're doing, when you're working in niches that you understand, whether its industries or specific type of work, you can generate more value from that. And so from our perspective, it'll be just putting some focus into a couple of those niches. If I'm honest, we haven't sought to develop those but they've evolved in our business. And so now that is a capability, it'll be just looking to exploit those more, and therefore, growing revenue around those and people coming to you for those reasons. And I think the other big thing is - and for accountants in general - is around CRM, I think account management is massive, like, what we have been doing in our firm is just starting to be intentional about talking to our clients on regular cycles. And it's not because they've got a tax date coming up. It's just checking in on them and seeing how they're going. And then having some records around that from a CRM point of view. And I think in the past, we as a firm anyway, haven't had the clarity of when did we last talk to that client, you know, and, and making sure that those things are happening and being able to pull a report out of that CRM that says, yep, that's there. Ooh, there's a gap there. Let's book a meeting with that person next week to ensure that we're covering base in just that client retention.

JS: That's valuable advice.

Thanks very much, Steve, and Katie, for coming along to this episode and providing so much insight and information to our listeners today.

KB: Thanks, John.

SM: Thanks, John. Amazing host.

JS: Thank you. So from Episode Five, I've got that we need to start simple, take small steps, gain confidence, and that we don't need to know all the answers to the questions that we're asking, that we've always got to think commercially, and we've always got to help our clients and not sell to them.

If you haven't heard - CA's own Business Advisory Accelerator launched in October. If you'd like to take part - applications for intake two are now open, please email ca.catalyst@charteredaccountantsanz.com to apply

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This has been "Small Firm Big Impact" - I'm John Schol, speak with you again soon.