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Why Should We Build and Nurture Business Relationships?

There are a number of reasons:

1. It's cheaper to keep existing clients than acquire new ones.

It is often said that it costs at least five times more to acquire new clients than it does to keep existing clients. Marketing, preliminary meetings and establishing the initial relationship cost money as well as time and other resources... resources which are already stretched for most of today's professional advisors.

2. Clients with whom you have a strong relationship with are more likely to be advocates for your business, generating referrals.

In addition to the cost benefit, existing clients who love what you do for them are great advocates for you and your firm. They provide you with referrals, who, because they have been referred to you, can be considered warm-hot prospects – they take a lot less time, money and effort to get 'over the line'. They are also more likely to be loyal clients into the future as they have a 'loyalty' to the referee and want to remain part of the 'network'. Consider the situation of gym memberships – people will maintain their membership at the gym their friend referred them in order to maintain the social network effect.

3. A relationship-centred approach moves you away from the commodity mindset

One of the key challenges facing the accounting profession is building sustainable competitive advantage in an industry that is increasingly seen as a 'compliance-based' commodity. Most Chartered Accountants trade 'time' – that is, regardless of the service they offer, they bill for their time. Time is a commodity – we all have it – your clients as well.

Where the client is unsure of the technical nuances of the actual service you provide (which is often in the accounting profession), they look at what they understand – the quantum on time on your bill. And if they can either reduce that quantum of time or obtain that quantum of time at a cheaper rate by going elsewhere, they will.

However, if you have a relationship with a client they are engaging you for much more than what you 'do' – they are engaging you for your experience, your wisdom and your insight. When the relationship with a client is strong, the quantum of time on your bill becomes far less relevant – because the client knows they have received value. Further, when the relationship is strong, you can actually look for more effective ways to bill, such as value-based pricing.

Further, consider the prospective client buying cycle. They don't decide *if* you can do the job – that is assumed (and largely demonstrated by the CA credentials). They decide whether they *want* to work with you. That decision can only be made within the context of a relationship. A strong relationship year in, year out, ensures also clients don't question 'whether' they want to work with you (golden handcuffs if you will) and you move away from a transaction based relationship to an ongoing, trusted relationship.

4. When you are fully engaged in a client relationship it is more enjoyable for you – a different game is created

Consider why you became an accountant in the first place – it is unlikely it was have your work (and success) drilled down to something as technical (and limiting) as revenue or efficiency, or firm size or hours billed. More likely it was to help people build or succeed in business, or to help clients create wealth. These motivators are relationship based – yet most professionals get caught up in raising their chargeable hours... and of course 'relationship building' isn't a chargeable item on most firms' timesheets. Engaging in powerful business relationships is at the heart of why you entered this noble profession.

Also consider the clients about whom you say "I really love doing this kind of work" or "I really love these kinds of clients". The common denominator of these is most likely to be relationship-based – doing what you do in a technical capacity to solve the problems of people you know, like and respect. Most advisors I talk to like being considered 'a partner' in their preferred client's businesses – not 'the accountant'. To be considered a 'partner', you need to have a strong relationship.

5. The biggest reason of all - relationships are at the heart of "A Paradigm Worthy of a Proud Profession"

In their book, "The Firm of the Future", Paul Dunn & Ron Baker rewrite the revenue model for professional services. The old model, they contend, is:

$$\text{Revenue} = \text{people power} \times \text{efficiency} \times \text{hourly rate}$$

(If this model excites you, then for the purpose of this discussion, consider relationships an 'x' factor which can amplify your results).

The new model, which most professionals seem to find far more rewarding is:

$$\text{Profitability} = \text{Intellectual Capital} \times \text{Price} \times \text{Effectiveness}$$

They define intellectual capital as the combination of:

- Human Capital – your team members and associates who work for you or with you – the capital who leaves in the elevator at night

- Structural Capital – everything that doesn't leave in the elevator at night (your databases, customer lists, procedures, manuals, explicit knowledge tools etc)
- Social Capital – your customers, suppliers, networks, referral sources, alumni and reputation. This element in particular is highly valued by clients... but requires a relationship with you to access it.

(For an in-depth discussion on this new paradigm, I highly recommend reading the book).

Relationships are not only the heart of this new equation... but are also the *heart-beat* – they are what keep the blood flowing through the firm.

Intellectual Capital also requires a shift from transaction based 'tasks' for your clients. In the same book, Dunn & Baker quote Mark Spofforth, a former chairman of the General Practitioner's Board and chairman of the Technical Group at the ICA of England & Wales (p. 20):

Our clients see us in different ways – as advisors, allies, friends, bean counters, protectors from the taxman; we play all sorts of roles. But over the last 20 years, my profession has become obsessed with the intricate detail of accounts, producing change after change in a drive to produce a set of accounts that will satisfy the tax man, the banks, the Companies House, the government – everybody it seems. Everybody except the people who really matter in nearly every one of the businesses we look after – the owners and the managers.

The result is that, to the public, chartered accountants are boring bean counters obsessed with the detail of double entry, searching for the elusive Holy Grail – that is, a correct set of accounts.

What we have forgotten is that accountancy is a language, a means of communication, and a means of informing. It is all very well to construct from that language a work of great literature, but most of the people we are communicating with do not even understand our arcane language. We have got to get back to using it for the purposes it was invented: to help us measure, interpret and analyse, make decisions, and solve problems.

And it is a very powerful language. It can describe the actions of every business in every industry in the land, however disparate. It covers government and the public sector. It can assist the child with pocket money of Microsoft with its megabucks. It is very, very powerful.

And what we have forgotten in our profession is that we are experts in this language and that gives us a great deal of power to help. We train by visiting company after company, looking at how they run the business from the shop floor up. We look at systems, their control, and how successful they are. We gain experience all through our working lives about what mistakes not to make, about the clever tricks that businesspeople use to build firms. We understand how to structure deals, how to structure businesses and how to make profits.

And what do we do? We use all that experience to produce the perfect set of accounts that end up in the filing cabinet at the clients' offices or at Companies House. What a waste! It's got to end.

The pace of change in the world has accelerated dramatically. Not just because of computer technology, but also because of better education, calls for greater social accountability, and because with the growth of world markets, trade is becoming truly global.

Some companies now have a turnover greater than the GDP of some small countries. The competition is heating up. Communication is faster than ever before. We are deluged with data, with regulations, with new laws. And the smaller companies need to know what to do with all that data, all that information – there's too much of it to assimilate, too much to read, too much to do and not enough time.

So we, the accountants, have got to stop spending so much time producing and checking clever numbers. We've got to start using our expertise in interpreting the numbers. We've got to start to teach the language, to spend more time in sharing our expertise in business, more time in helping to grow small businesses, helping them to achieve their objectives with the least stress. And we can do it.

Even if we don't have the answer to the problems ourselves, as knowledge professionals we know where to go to get it. Business development is a journey, and our job is to make the travel as smooth and comfortable as possible.

Relationships are at the heart of this exciting and fulfilling paradigm – connecting with your clients (as well as your team members and wider networks) throughout the year, understanding their objectives, their dreams, their concerns and their fears and providing heartfelt solutions – not just completing tasks. There is no stronger argument for the importance of relationships than this one.

Who - which relationships are we talking about?

So far the discussion has largely been about the importance of having strong relationships with your clients – potential and existing. But it is vital to have an intricate web of relationships if you want a competitive advantage.

- Team members – the value of strong relationships here is worthy of a paper in itself. In the current 'war for talent', firms are looking for innovative ways to attract and retain top staff. Your ability to create and nurture relationships with potential and existing team members is a powerful weapon that is too often overlooked.

People join firms but leave managers. If team members only have strong relationships (positive or negative) with their immediate working team, then any dissatisfaction within that team will have them looking to other firms. However if there is an intricate web of relationships – up, down and sideways within the firm and external to the firm (influencers, clients, for example) then a decision to leave is harder to make.

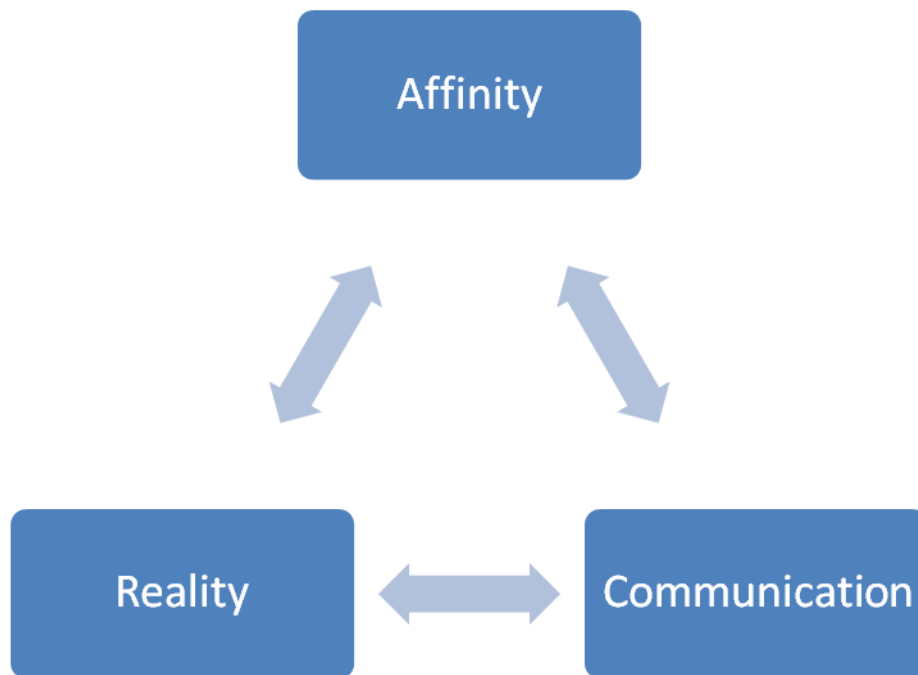
- Influencers - such as banks, other professionals, chambers of commerce – anyone who influences the decisions of your clients. Not only can these people be a source of referrals, but they can help you service your clients in a way that has you look superior to your competitors. Further, when you can be a resource to people or act as a service ‘aggregator’ you become far more valuable to them.
- Other firms – no firm can be all things to all clients – there are going to be times when you need to refer work outside. If you don’t have strong relationships with other firms, then you are no better than the potential client searching through the yellow pages. Like influencers, your relationships with other firms can help you service your clients and make you look good, as well as give you access to resources, information, knowledge and wisdom.
- Professional networks – such as the ICAA, are important at both a professional and personal level. However you need to do more than just ‘attend’ or pay your membership dues each year to maximise your benefit – you need to develop strong relationships with other members.

What do we mean by business relationships?

We can define relationship as “a connection, association or involvement between people” (www.dictionary.com).

However, as anyone who is married knows, building and maintaining a relationship can be tricky. There are countless models for relationship – the one presented here today distills it down to 3 components:

- Affinity
- Reality
- Communication



Affinity – a natural liking or attraction

Reality – a shared or common reality – for example, both parties are in business, and so have that common reality.

Communication – the interchange of thoughts, opinions or information

In the context of this model, for a relationship to exist, all three components need to exist and each fuels each other. It is an affinity for another person that has you talk (communication) to them and discovers your common realities. However if you fall out of communication (e.g. you don't talk with them for a long time), all you have left is affinity and reality... and the relationship weakens or disappears all together.

How do we build and maintain business relationships?

First, understand ARC model above. Unfortunately, not many people have a natural affinity for accountants (don't take it personally, it's because most people don't 'get' numbers – so they don't 'get' people who do). So be something that they do like – a trusted advisor, a sharer of information, a resource. This isn't about the title on your card or the name of your firm, but it's about how you connect and talk with your clients – talk to them in language they understand.

Further, strengthen your common reality. As Spofforth says in his speech, as accountants, you have an incredible resource of knowledge and wisdom that can be shared – use that to find common ground with each and every client.

Finally, communicate... and communicate regularly. Formal and 'templated' communication systems like newsletters are fine... but they don't contribute to the relationship equation like a personal phone call or sending an article to individual clients, with an individual note, just because you thought they would appreciate it.

So stay in touch with a contact system that includes a variety of communication methods:

- Newsletters
- Seminars
- Info nights
- Boardroom lunches
- One-on-one lunches or other 'social' get-togethers
- Regular reviews
- 'Touch-base' phone-calls
- Client visits
- End-of-financial-year, Christmas and 'any-other-excuse' parties
- Other forms of Corporate Entertaining
- Personalised notes attached to relevant articles, white papers (yours or others) or items that you know your clients would appreciate (doesn't have to relate to business either...)

Remember the reason for having a contact system isn't to ensure you're staying in touch with your clients every 30, 60 or 90 days. It's to ensure you're communicating with your clients in a way that builds strong relationships. Don't be in touch 'just-for-the-sake-of-it' – be in touch to be in genuine connection. This isn't a marketing exercise... this is a relationship building exercise.

Having a powerful and integrated Customer Relationship Management (CRM) software system is a fantastic tool for developing these kinds of relationships – if it's integrated into the firm's systems and culture. That way *everyone* in the firm can be contributing to the client relationship.

As mentioned above, if you can create an intricate web of relationships for your team, they are less likely to leave if one relationship is unsatisfactory. This is particularly true if you can give team members access to clients. An integrated CRM system enables a junior accountant, calling to follow up on a query, to see that the client barracks for a certain football team, or sends their kids to a certain school. This gives them a common reality on which to create a conversation with the client beyond the transactional 'Mr Jones, I'm wondering when you're going to get your file to us'.

Further, when conversations are recorded in the CRM, the relationship isn't 'owned' by any one person in the firm, rather the relationship is 'owned' by the firm. This is structural and social capital combined effectively, giving rise to an increase in profitability in Dunn & Baker's new value equation AND gives you a competitive advantage.

Another element to strong relationships is to 'Seek First to Understand, Then to Be Understood', Stephen Covey's fifth habit of Highly Effective People. People love talking about themselves – so give them the opportunity to do so. When you listen to understand you'll discover so many things you can then speak into to make your case – whatever that case may be.

Accountants often fall into the trap of trying to cross-sell their services, often with little success. This is because they are trying to be understood before understanding. When you operate from a relationship-centred approach, you have a greater understanding of where your clients are at... and can therefore anticipate their needs and offer solutions. How many times, in reviewing a client's accounts, have you seen a charge for 'professional fees', only to discover on enquiry that it was for a service you could have offered? When you have a strong relationship with your clients, this is much less likely to occur.

In today's world of information overload, another way to strengthen your relationships is to be a resource, or an aggregator of information for your clients and colleagues. When you position yourself as a 'font of wisdom' people will contact you... they will proactively build the relationship. And if you're concerned about the 'non-billable time', take a pill – it takes but a couple of minutes to answer an email or phone call, but the value you put into the relationship when you do it is priceless. Or, build it into your charging systems, with value-based, monthly fees, rather than hourly fee-for-service.

Of course, if you are concerned about being a resource to hundreds and thousands of people, then clarify who you want to develop quality relationships with. We are all aware of the 80/20 rule – determine your targets or your markets in each of your stakeholder groups and develop relationships with them.

Finally, shift the focus in your firm from one of technical excellence to relationship excellence. The technical excellence is a given – but becoming excellent at relationships may take a paradigm shift – and to be effective it needs to be a shift firm wide, not just among partners, managers or other select individuals.

Building strong relationships in business provides many advantages and ultimately can lead to significant competitive advantage. By changing your paradigm about how you view relationship building activities and giving relationships a priority, you can significantly increase your financial returns... but more importantly, increase the enjoyment and engagement gains for yourself and your team members.

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