advancetrack

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Inside OUTSOURCING®

The newsletter for forward-thinking professionals

Supporting the 'M' in 'SME'

Why you and your practice should fight in the corner of medium-sized businesses.

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Defending the middle ground

Our MD Vipul Sheth has been on his travels again, speaking to practice leaders about issues on their mind… is there a practice void around the corner?

IT HAS BEEN ANOTHER busy time travelling on the road for the Advancetrack team – namely, visits to two big events: the 20:20 Innovation Conference and the DFK UKI Annual and Emerging Leaders Conference.

The events, in Birmingham and Belfast respectively, led to me feeling pretty 'jetlagged' by the end of the week. But after some well-earned shut-eye, I thought it a good idea to reflect on two of the key themes.

GROWTH? HOW?

Discussion among the many practitioners at the 20:20 event was around the rising 'cost' of employment. While the firms themselves were unlikely to change anything internally around the recruitment strategy post-Budget, many spoke of their clients' nervousness about being able to absorb further cost into their model.

And, while the Employers' NI rise is a 'tax on big business', it also becomes a proportionally big cost on smaller businesses too. There's no doubt that they will have to make tough decisions about their cost base, which in turn means difficult and defensive support required from their practitioner. Let's not forget, if an accounting practice can't show (and demonstrate) the value they provide their clientele, then their accountancy costs will come under pressure too.

Without wishing to harp on about policy again, but business now have another challenge to navigate – where is the growth agenda?

WHO WILL SUPPORT MEDIUM-SIZED BUSINESSES?

Ironically, smaller and medium-sized businesses may find that, even if they do want to change accountant, the choice of where to go becomes limited in the future.

DFK UKI's Belfast event (*above*) was very social-focused, but the three-dayer rounded off with some really interesting discussion points around accountancy's direction of travel – in particular a discussion around private equity in the accountancy market piqued interest.

Without getting into the ins and outs, there was a suggestion that the main PE players will have to continue to consolidate to drive margin and achieve the all-important EBITDA multiples. And, in doing so, we will end up with 20-30 organisations below the Big Four that will act as 'super firms'. This could leave a 'hole' between them and much smaller accounting firms. So, will these super firms operate in a model that provides support and services to smaller and medium-sized businesses? My fear is that these clients could be left behind. Or, will they create regional sub-brands that really 'speak' to that group of clients?

Perhaps new firms will form from the fallout of partners from the super-sized practices… or the PE firms can manage the tension that is 'get big while serving not-so-big clients'.

The future for accounting practices, and their clients, is uncertain. But which practices and businesses will come through the other side better off? Check out our blog on what award-winning practices have in common.

Vipul Sheth is founder and managing director of Advancetrack

If you'd like to talk to Advancetrack about building a sustainable accounting practice, then book a call.

Mythbusting: Return on investment from outsourcing and offshoring

In the second of our series on debunking – or confirming – the chatter around how outsourcing and offshoring works, we look at return on investment.

MYTH 1: 'IT IS REALLY DIFFICULT TO MEASURE THE RETURN ON INVESTMENT FROM OUTSOURCING OR OFFSHORING'

We'll call this one a myth. That doesn't mean it's 'easy', it's more a case of having metrics in place that mean when you start looking at outsourcing, offshoring or Podsourcing®, the differential in cost to deliver work is clear. Revenue per head is a really simple way of beginning the conversation – your firm may have this simple metric for average revenue per fee earner. Consequently, if you drill down and understand what you're charging and for what type of work, you can then start to understand cost per service; for instance, by a set of accounts or tax filing. At its most basic, you should be able to work out quickly that the cost of outsourcing or offshoring is likely to be better value than in-house.

MYTH 2: 'THERE'S AN INORDINATE COST OF INITIAL OUTLAY TO ALIGN SYSTEMS, PROCESSES AND WORKFLOW; MAKING OUTSOURCING AND OFFSHORING NOT WORTH IT'

We call myth again. However, it's worth understanding that the three models we provide – outsourcing, offshoring and Podsourcing® – exist because one size does not fit all. Certainly, as circumstances change, a preferable model might fall out of favour and not be right for your practice at a different point in time.

Advancetrack has always been clear that we operate with extremely trusted, tried and tested ways of operating. And, generally, we will suggest that some of our workflows and processes are integrated into our client practices. But having three distinct models means that we are more able to mimic how different types of practice work.

We can't magic away poor or suboptimal systems and processes – we run very smoothly and would want firms to align with us where applicable. Firms that embrace our models generate really good results.

Our first mythbuster, on security, can be viewed by clicking here.

Back to the future-proofing

Vipul Sheth explains that, for all the changes practice leaders want their people to embrace to build sustainability, most of them are far from new concepts.

THERE'S A REALLY INTERESTING survey, just out, by FreeAgent. It highlights the skills that accounting professionals believe they and their peers will need to develop in the role going forward. Seven in ten said greater technological knowledge will need to be built into skillsets, while 61% flagged the better understanding of AI and smart data technology.

In a world of never-ending complexity as far as tax is concerned, 57% called for increasing knowledge in this arena.

There was another stat that really stood out to me, and not necessarily for the right reasons.

TALK TALK

A third (34%) said accountants would need to develop better interpersonal skills as client relationships evolve. This really was a double-eyebrow raiser... surely this is a given?

The stat sharply reminded me of my life as an accountancy trainee. Of our cohort of five, only myself and another were kept on with the firm. The others were at least as competent from a technical standpoint – I'd even say better than myself – but the other trainee and I were told we were 'better with clients'. This was more than 30 years ago.

I had already experienced this with my family's accountant, who (if you've heard this story before, I apologise) spent his time on the phone to clients while his staff did the computations. He communicated compliance matters with clients and got to know how they and their business ticked. He then focused on helping them make decisions to grow.

Surveys can hide a multitude of contextual issues – we don't know if those that responded consider themselves and other accountants as having good skills but will need to keep developing them. We also don't know if the responses refer directly to themselves or the next generation of accounting advisers.

PLUS ÇA CHANGE

Quite frankly, you could even say that the other survey results would probably look the same if undertaken ten, 20 or 30 years ago – the AI response notwithstanding.

The world has changed – it feels more complex and the business environment is extremely hostile. Therefore, accountants need to be really smart about understanding their offering, how it's offered, and done with a good margin at the end. It does feel like we're going back to the future.

Vipul Sheth is founder and managing director of Advancetrack

Book a call to talk to us about building a sustainable accounting practice

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