

ExitSmarts

Business Transition System

Accounting Firms:
Three Questions Your Team
Should Be Asking



Driving Owner Options through Value Acceleration

LEADERSHIP TEAM ALIGNMENT FOR BUSINESS TRANSITION AS A STRATEGIC ADVISORY SERVICE

THE THREE QUESTIONS YOUR TEAM SHOULD BE ASKING

At ExitSmarts, our business is Business Transition...

...and we believe it's the one service, more than any other, that an Accounting Firm can offer as the foundational component of its Advisory Services strategy

Whether or not the leadership of an Accounting Firm agrees with us depends on the answers to three important questions. We'll look at the questions in a moment, but first, let's define *Business Transition*.

HOW DO WE DEFINE BUSINESS TRANSITION?

Different terms are used to describe the alternatives that Business Owners have for leaving their businesses. Exit Planning, Succession Planning, Transition Planning, and others are used interchangeably, even though they mean different things. It can be confusing.

We refer to the process as *Business Transition* because the owner is always transitioning in some way, whether it's a complete exit from life as an entrepreneur, leaving one business to start another, or any of the countless possibilities in between.

One truth prevails. The owner should always be prepared for transition, and that can only be accomplished by building business value that is fully aligned with the owner's business, financial, and personal objectives. When fully prepared to transition at any time, the owner is far less vulnerable to the whims of outside influences like competition, the market, and worst of all, unforeseen events like divorce, disability, and even death. As the owner's level of preparedness increases, so do the owner's options for transition.

A FOCUS ON ADVISORY SERVICES

Every week, an executive from at least one major Accounting Firm tells us that his or her firm is increasing its focus on Advisory Services as a core business strategy. That sounds like a smart thing to do, especially considering some of the dire predictions about the future of firms that are slow to diversify their menu of services. But talking about where you want to go is one thing and getting there is something else altogether.

There are many questions your leadership team has probably asked, or will ask, while discussing an Advisory Services strategy:

- Why should we do this?
- How should we do this?
- How does it fit into our strategic plan?
- How does it fit into our operations?
- How will it best serve our clients?
- Is it critical to the future success of our firm?
- Is the firm structured to provide strategic Advisory Services?
- What resources are we willing to dedicate to this initiative?

These questions are important, but they assume that the leadership team is already aligned on issues that are more fundamental to the firm's success. That's exactly why our work with leadership teams begins with asking them to honestly answer three questions:

- **Is our firm backward-facing or forward-facing?**
- **How does our firm deliver value to its clients?**
- **Do we create win/win scenarios for all stakeholders in our Advisory Services model?**

Let's look at them one at a time.

QUESTION #1: IS OUR FIRM BACKWARD-FACING OR FORWARD-FACING?

The question is straightforward but the remedy, regardless of the answer, is not. What does your firm risk by maintaining the status quo implicit in looking back, or what does it risk by pursuing a strategy that looks forward? Either way, something is going to be risked. The issue is whether or not the reward will make the risk worthwhile.

Maintaining the status quo, or looking back, may seem like the path of least resistance, but it may also put the firm's future in jeopardy. Worse yet, you may re-visit the same decision point in a year or two, only to find that change has become even more elusive.

Deciding to face forward now will not be easy. Adopting strategic Advisory Services will drive changes in the way your firm thinks, operates, serves its clients, and makes money. You shouldn't do it unless you clearly understand both why you're doing it and how you're going to make it a reality.

QUESTION #2: HOW DOES OUR FIRM DELIVER VALUE TO ITS CLIENTS?

Providing identifiable and measurable value is becoming essential for companies in most sectors, and the Accounting space is no exception. Simply put, if you don't provide value to your clients that's both identifiable and measurable, they aren't going to be your clients for long.

Some Accounting Firms provide Advisory Services that address a single topic. Examples include: tax planning and strategy; management reporting; cash flow forecasting; KPI tracking; industry benchmarking; profitability consulting; and technology implementation and maintenance. These services are available if and when the client chooses to use them. Said another way: The Accounting Firm waits for the client to seek out whatever value these one-off services provide.

Business Transition is different:

- It's applicable to all businesses all of the time;
- it inspires deeper and constantly growing relationships between a firm's Advisors and Business Owners and their Leadership Teams, as they work together to increase business value; and
- it can be marketed proactively.

Accounting Firms have spent years developing an ecosystem that is tailor-made to deliver value through Business Transition.

They already have clients who trust them, something many professional services firms only dream about, and they already have an internal network of advisers who work with their clients on a regular basis. The ecosystem already exists, and it's packed with value for the client, the advisor, and the firm. What they lack is a process for unlocking the value embedded in each part of the ecosystem. As the perfect combination of business planning and value creation, Business Transition may be the best way to unlock that value.

QUESTION #3: DO WE CREATE WIN/WIN SCENARIOS FOR ALL STAKEHOLDERS IN OUR ADVISORY SERVICES MODEL?

There are at least three stakeholders in the value-rich ecosystem that your firm has already created – your clients, your people, and the firm itself. Few would argue that your clients are the most important of the three, but there's value waiting to be extracted from every part of the ecosystem.

Your Clients – Does your strategy provide the same value to a 62-year-old Baby Boomer that it provides to a 32-year-old Millennial? Does it provide the same value to a nonprofit organization that it provides to a for-profit business? In short, does it serve all your clients?

Your People – The people in your firm who interact with your clients on a regular basis are a critical part of your ecosystem, and your strategy must be of value to them, as well. How will your strategy affect how they feel about their work and their careers? How will it improve their position as a trusted advisor, or maybe even Most Trusted Advisor, to the clients they serve?

Your Firm – Your firm should obviously receive value from its Advisory Services strategy. Increased client retention and additional revenue are essential, but of even greater importance is the value of adopting a model that will continue to serve the firm as it grows into the future. If your firm accepts the challenge of implementing a truly strategic Advisory Services model, it should enjoy the benefit of having to do so only once.

When an Advisory Service provides value to each stakeholder in your ecosystem, it becomes truly strategic. If the client thrives, the advisor who works with the client thrives; if the advisor prospers, the firm the advisor represents prospers; and if the firm succeeds, the firm's clients succeed. That's what an ecosystem is all about.

The successful strategy must be based on an Advisory Service that's foundational to all existing services, including those that were created as one-off responses to a market need. Once the foundation is created, it can support whatever services will be of value to all clients, regardless of things like age, position, or number of years as a client of the firm.

SUMMARY

The answers to these three questions can serve as a preamble to any other discussions your leadership team may have about strategic Advisory Services. Taken together, they represent a way to qualify your firm's willingness and ability to become forward-facing with an initiative that provides value to every client you work with and every stakeholder in your ecosystem.

Our experience confirms that the firm's odds of success increase substantially when the leadership team is aligned regarding the responses to each of these questions. That's exactly why we begin our process with an Alignment Meeting that unpacks the responses of the leadership team in detail.

The high-level agenda for our Alignment Meeting follows:

LEADERSHIP TEAM ALIGNMENT

Objectives

We regard team alignment as essential to an Accounting Firm's success with Business Transition as a strategic Advisory Service. Although we believe that we can help any Accounting Firm, it's doubtful that we can help a firm if its leadership team is not aligned.

Prioritized Steps

- Use the Three Questions as a framework for discussion, tying everything to providing value to clients, creating win/win/win scenarios, and helping the firm become more forward-facing.
- Set clear expectations about how Business Transition will be assimilated by the firm, with an emphasis on:
 - Anticipated outcomes at designated intervals and in its end state
 - The firm's services menu and how it will be affected by Business Transition Services
 - The firm's model for assimilating new Advisory Services
 - The firm's geographic landscape: location of offices; locations of Partners, Shareholders, and executives; locations of people in key functional services areas (Tax, Wealth Management, Consulting, others)

- An initial timeline for the assimilation process, focusing on the six tracks in our process
 - Calendar events that will drive or be affected by the introduction of Business Transition
 - The identification of key individuals that will guide or influence, positively or negatively, the firm's acceptance of Business Transition
- Review the positioning of *ExitSmarts* Business Transition in the Professional Services market.
 - Review the components of the Business Transition offering and how different functions within the firm will support it.
 - Review the role of the Coach throughout the transition process.
 - Review the six tracks in our Consulting Services Proposal, with an emphasis on the Strategy Development Track.
 - Strategy Development Track
 - Operations Track
 - Education Track
 - Training Track
 - Marketing Trac
 - Rollout Track

The Leadership Team Alignment Meeting is a half- to full-day event that is conducted in-person at a fee of \$5,000 plus reasonable travel and living expenses. If our proposal for consulting services is later accepted by your firm, the full \$5,000 is deducted from the total fee for services.

If you would like more information about the Leadership Team Alignment Meeting, or if you would like an overview of the *ExitSmarts* Business Transition System, please reach out to:

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