

# How to Expand your Practice In 5 Dimensions

This concise guide looks at a number of ways in which an accountancy practice can expand. DON'T WORRY !!! It does not deal with the Mathematics of hyper dimensional spaces or with any of the Physics that has given practical purpose to that mathematics<sup>1</sup>. Instead we think of 5 different ways in which a practice can expand and consider what can help this expansion to happen smoothly. Expansion can mean different things to different people. The aims of different practices will be different, and so the first question to address is "Why Expand?"

## Why Expand?

A practice will often look to expand to become more efficient, to increase their profits, and to allow them to attract and retain specialist staff that can be charged out at premium rates. However, it is true that bigger is not always better. Expansion can produce many problems and coping with the process of expansion can undermine the very benefits that your practice wants to gain by expanding. A quote commonly attributed to Charles Darwin says: "It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change"<sup>2</sup>. It is the process of continually identifying and managing change that is important if an organisation is to flourish and continue to flourish over time. The reasons for changing could be a response to changes in the practice's environment or the desires of the partners, but change must take place if the practice is to thrive.

The nature of change means that not all changes will be expansions, but a planned and managed change will almost certainly involve expansion of certain activities or operations even though others may be trimmed back or scrapped. So although we recognise that expansion just for the sake of expansion is not necessarily beneficial, we will consider expansion to be a planned and managed change to achieve desired benefits for the practice.

## Expanding your practice in 5 dimensions

The information we present here has been gathered over the years we have been working closely with accountants. We first piloted the Online50 service in 2001 and we have been bringing accountants and their clients closer together ever since. We work with practices of all sizes from sole practitioners to top ten firms. We also work closely with the UK200 Group, and we facilitate their IT forums where members discuss IT issues and strategy.

We are summarising strategies for growth in five areas – our five dimensions. For each of these we provide a summary and then show some of the ways that we can help. These may be through services we provide to our accountancy partners or it may be through subscription services that we provide. Of course there are many ways to grow your practice, we offer the ways in which we can help to further illustrate the strategy under consideration.

### Dimension 1: Client Base

All revenue for your practice comes from clients. Of course as a professional practice all of your clients will receive the same quality of service, but unfortunately not all clients will be equally profitable. Because of this simply adding more clients is a haphazard way to improve the profits of an accountancy firm. Can you identify which clients are the most profitable for your practice and why? If you are able to obtain this information you can set out to acquire more clients that are your most profitable and try to increase the profitability of the more marginal clients.

Some practices seek to operate in a narrow niche, building expertise and reputation in a particular sector. Others will actively recruit clients in as many different sectors as they can. Both strategies are valid, which is more appropriate will depend on the type of practice and the environment you operate in. For example if you are a provincial practice your opportunities to specialise in a niche will be more limited than if you are a metropolitan practice because of the size and diversity of the local economy. The type of clients you attract will ultimately shape the practice and determine the services that you can offer.

There are many reasons why clients would choose an accountancy firm. Over the time we have been working closely with accountants, helping to bring them and their clients closer together, we have seen the following key reasons as being the most popular. Note that some of the reasons are more applicable to different types of client and so if you want to secure a particular type of client then you should understand the reasons that type of client will choose an accountant.

**Synergy:** The client believes that there is a good fit with the accountancy firm and themselves. This includes the partner they are dealing with and the firm itself. As a business grows they will often choose to switch to a firm that is a similar size to themselves – few businesses turning over more than £5 million would choose to appoint a sole practitioner for example. If the client believes that this synergy has been eroded then they will seek out a new accountant.

Synergy is particularly important to a growing business. If a successful owner manager thinks that their accountant can no longer meet the needs of their business they will seek out an accountant that they can identify with who they believe will help them to grow. They will look for evidence that the accountant understands their business. Part of this may be industry expertise but an accountancy firm that is a similar size will also be important.

**Personal Referral:** Most smaller businesses that are owner managed will choose an accountant by personal referral.

For the small business owner, particularly with their first business venture, trust is essential and so they are likely to choose to use someone they know and trust, or someone who has been recommended by someone they know and trust. If this is not their first venture they are likely to use an accountant that they have already built a relationship of trust with.

**Speciality:** A business that looks for an accountancy firm with particular specialisation may have particular requirements coming from regulations that apply to their industry. However, often this is a mark of a more established company with directors who are accountable rather than being under the control of a dominant owner. With the same reasoning that “Nobody ever got fired for buying IBM” they have a policy of recruiting staff with proven track records in their industry and the same policy extends to their choice of accountant. Because of this they are likely to look for a larger firm.

**Locality:** Several surveys have shown that location is the most important factor when choosing a new accountant. However we have not seen this as a significant factor. Of course the accountant must be close enough to their client to provide the service that the client wants. This may involve frequent site visits. Perhaps the reason we don’t see locality as being an important factor is that the accountants we work with are able to interact with their client online, reducing the need to be in the same locality.

**How Online50 can help:**

Our Client Canvassing Matrix – available in the Online50 partner manual – can be used to profile clients against services you offer. This can help to identify which clients will be most suited to different services. When used properly it can be completed by more junior staff and helps to them to take responsibility for identifying opportunities to provide more services.

Our Service Proposition Workshop – a facilitated workshop – helps you to identify additional services, how to profile clients for the services, and how to present them to clients. It is based around understanding your services from product marketing point of view and clearly communicating the benefits as perceived by your clients. The techniques covered can be used to build a compelling service proposition which can then identify the profiling questions to use on the Client Canvassing Matrix.

Of course the online services we provide can help you work more efficiently with clients. You can build a number of services for delivery to clients based on being able to work together online.

## Dimension 2: Staff

An accountancy practice provides professional services to clients and needs staff to perform those services. To employ more staff means taking on fixed costs, and is clearly restricted by the number of trained staff available. With concerns over the number of people entering and staying in the professions recruiting and retaining staff is becoming more of a challenge. Some of the strategies that have been adopted are:

**Career Progression:** Smaller firms can find it difficult to attract highly skilled staff due to their size and may offer the prospect of partnership to attract more senior staff.

**Service Productisation:** To reduce the level of skill required to complete work a strategy of service productisation can be adopted. This seeks to streamline service delivery and therefore reduce the level of skill required to deliver the service. To successfully adopt this strategy requires management skill and time.

**Flexible Working:** By offering flexible working your practice may be able to recruit and/or retain staff whose circumstances require flexible hours. This is becoming increasingly common for both women and men.

**Outsourcing:** If you are able to outsource work you can reduce the need to employ staff. This does not necessarily mean the accountancy staff. Any function could be outsourced. Depending on your contract this can replace your fixed cost for staff with a variable cost for resource on demand.

**Offshoring:** This type of outsourcing is where you use staff overseas. This is not in fashion so much at the moment despite the significant savings that can be made. It is possible to achieve high quality work, but there are significant overheads for communication with and management of the offshoring company. If the effort is not put in at the beginning it will be difficult to establish acceptable quality and working practices later on.

How Online50 can help:

Our hosted solutions provide an ideal platform for supporting flexible working, outsourcing and offshoring by enabling users to work on the same common platform from any location. Our systems are located and managed in the UK and so there is no issue with information being sent out of the UK. We are certified as ISO 27001 compliant – your assurance of the highest standards of Information Security.

## Dimension 3: Geography

This is perhaps what accountants most commonly understand by expansion. Opening or acquiring offices in new geographic territories is a strategy that has been adopted by national and regional firms and the consolidators. However adopting this strategy may result in offices acting separately and independently. To maximise the benefits you need to do more than just open or acquire another office, you need to assimilate them. This means offering the same services, adopting the same working practices and establishing common training. From our observations firms which do not successfully assimilate new offices may have issues with those offices underperforming as the staff do not see themselves as being part of the new firm. We have even had comments from staff saying that they see themselves as still being part of the original firm before the acquisition, and not part of the new firm. We are also seeing a trend for firms to amalgamate offices into a single larger office while maintaining their geographic reach.

How Online50 can help:

One of the issues that you must tackle when you are assimilating a new office is the implementation of common IT systems. Our Elastic Computing Platform allows you to have a flexible environment to run your practice software. If you host some or all of your IT infrastructure on our Elastic Computing

Platform you can easily scale your infrastructure up or down to accommodate changing requirements. If you want to add additional capacity to support a new office this can be easily provided. We also offer Internet Access services that will ensure optimal connections to our data centres, and therefore your hosted services.

We are increasingly seeing requests for ECP services where practices must upgrade their software and have insufficient infrastructure to cope with the new requirements. By using the ECP you don't have to worry about upgrading your infrastructure, you simply pay for the capacity you need by monthly subscription.

#### **Dimension 4: Service Lines**

New clients are hard to acquire. Firms that can find a way to provide more services to their existing clients, within their current staffing constraints, can increase their revenues with minimal additional costs. Not all firms are equally well suited to different service lines, so careful consideration should be given to what you are able to provide, what your clients need and, crucially, what your clients will be prepared to take from you. For example a firm which has a reputation for specialist tax advice will find it difficult to provide services outside of their perceived area of expertise because their clients will not associate them with providing those services. For other firms they may not want to offer particular services because they do not see themselves as being associated with providing those services. Of course it is important to understand your own expertise and how you are seen by your clients, however care should be taken in accurately determining what services your clients associate with you.

For example, most small businesses do not particularly value the statutory work carried out by their accountant. As such the resistance to the fees for this work is considerable. In contrast they value highly work that supports their application for bank funding, or helps support their cash flow. For the past three years we have promoted the provision of a credit control service by accountants that implements a credit control process. This is not a debt collection service, it is the implementation of a credit control process. Accountants do not need qualified staff to provide the service and the value of the service is clearly understood by businesses. As such firms that have offered this as a service to their clients have had a measure of success. However a number of firms have decided not to offer the service, saying that it is 'not professional'. Although there are firms where this is not an appropriate service to provide, the SME clients of any firm in general practice would expect that their accountant would help them implement a credit control process, and most would expect the accountant to be able to run the process for them.

The key with identifying new service lines for your practice to offer is to identify where the value perceived by your clients from receiving the service is well in excess of the costs to you for providing the service.

How Online50 can help:

We run a facilitated Service Proposition Workshop that helps to identify services that can be offered. The techniques used can be applied to any service, but in the workshop we think about services that are enabled using the Online50 hosted software service. In broad terms this allows you to offer a wide range of 'partial outsourcing' services to your clients where their accounting function is split between you and them. Where the split is made depends on the requirements of each client, and how you defined the service that you are offering.

Since the Online50 service enables real time access to your clients data you can typically turn information around much faster, which is particularly important when producing period based accounts. There is no need to email backups and some of our accountants have reported that the actual process of completing the work is faster as all journals are maintained and the quality of the client's data is higher.

Some firms have used Online50's 'Screen 2 Screen' tool to provide accountancy software training to their clients. As this can be done using the Screen 2 Screen tool there is no need to travel to the client's premises and consequently no need to deliver the training in half day or full day chunks. Clients prefer to have short focussed training so that they have full retention of what is covered, and the time used can be charged for without having to leave the office. As the client is only paying for

perhaps 45 minutes at a time the overall rate for the time is higher, the client has a better solution for themselves, and there are no travel costs or travel time.

### Dimension 5: Profitability

Improving the profitability of your practice will be a continuing journey that all firms undertake. The balance of controlling costs, investing strategically where appropriate, improving efficiency and recovery rates, and adding clients and services will be shifting as the practice and its business environment change over time.

For most businesses, including accountancy firms, the improvement of profitability is the one goal which is always present. There are of course many ways to improve profitability and some of them have already been covered in this document. One tool which we are seeing more accountants adopt is based on the way you bill for your services.

Increasingly firms are adopting a menu of services where the majority of services have an agreed fixed price. Where high value work is being carried out, such as partner level consultancy, this would continue to be charged on an hourly rate. Some (normally larger firms) include penalties if the client does not complete their actions on time. As the prices are fixed they can be collected using a standing order each month. Clients tend to be quite happy with this arrangement because it can smooth cashflow and the monthly amount is typically not seen as large. This then has benefits in terms of recovery rates, bills are raised sooner and cash is normally received before the work is done.

Another common strategy to address profitability is to move the focus of the practice towards services which the practice enjoys higher recovery rates on. The focus tends to be on recovery rates rather than fees as the higher fee services tend to need more senior staff and are, therefore, more costly to provide. By focussing on the recovery rates rather than the fee level this improves the situation for services delivered with junior staff as well as with senior staff.

How Online50 can help:

If you are providing Online50 services to your clients these are billed monthly and for some accountants this has formed the basis for switching clients to monthly billing.

Use of the Online50 service can improve efficiency as it can reduce travelling time and allows a more flexible allocation of staff time.

When you are using a hosted software service from Online50, staff that are unable to make it into the office can still access the IT systems allowing them to continue to work.

### What Online50 Provides

At Online50 we are best known for providing Sage 50 Accounts, the UK's favourite small business accounting software, online. However we also offer a range of other services that can be used by accountants to help them get closer to their clients. Accountants can also provide our services to their clients, choosing whether to bill their clients themselves or for us to bill their clients. The key services that we provide currently are:

Online50	Access to a set of standard software on a pay as you go model on shared infrastructure. Available software includes Sage 50 Accounts, Sage 50 Payroll, Microsoft Office, line of business applications for different industries, CRM software, Job Costing software and so on.
ECP	The Elastic Computing Platform provides an elastic (reconfigurable capacity) environment to allow customers to run whatever software they need to. Currently this is popular for running IRIS as there is no need to plan additional capacity for upgrades.
SFX	Our Secure File eXchange provides accountants with an easy way to administer completely secure online private folders for their clients, and includes a set of publishing tools for publishing information to clients in a secure and controlled manner.

Hosted Exchange	Enterprise class email that can be accessed via web browser, Outlook software, and mobile phones (including the iPhone). Full synchronisation of contacts, diary and emails is standard.
Ambition Accounts	A scalable accounting system that can grow with your clients needs. It can be used by companies with less than £1m turnover, but scales up well to support substantially larger companies, full multi-currency support, multi-location stock, real time stock availability and pricing in a web shop and so on. Available for a competitive monthly fee.
Custom Hosting	If you need to host software or a web site in a particular way our custom hosting programme may be of interest. This allows you to have the software you need hosted on highly available fault tolerant and load balanced systems effectively. We can link to databases hosted on our fault tolerant database clusters, or you can host a database yourself as part of your custom hosting package.

To find out more about Online50 or any of the services we provide please contact the sales desk on 0800 195 0835 or visit <http://www.online50.net>.

The Online50 service is operated by IT Inside Out Limited, Sage authorised Application Service Partner, Microsoft Gold Certified Partner. We are accredited to ISO 9001 and ISO 27001, we are members of the London Internet Exchange and independent of the software vendors whose products we host.

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<sup>1</sup> Physicists have used mathematical models of reality with more than four dimensions (three spatial co-ordinates and one time co-ordinate) to try and explain the operation of a number of Physical phenomena including sub atomic forces, gravity and electro-magnetism. These theories try to unite the way different forces interact with the goal of deriving a 'grand theory of everything' that can be applied to all interactions. Although it seems like nonsense to talk about more than three dimensions in space such theories they have successfully predicted a number of phenomenon observed in high energy experiments with atoms and sub atomic particles. It is currently believed that at least 11 dimensions must be used to construct a hyper-spatial model that explains some of the experimental results.

<sup>2</sup> Actually this was not Darwin, it was Clarence Darrow in a committee hearing in US Congress in 1987, more than 100 years after Darwin had died. *Improving the Quality of Life for the Black Elderly: Challenges and Opportunities: Hearing before the Select Committee on Aging, House of Representatives, One Hundredth Congress, first session, September 25, 1987*