

ACCOUNTANTS  
RESEARCH  
REPORT  
2017/18

EXECUTIVE  
SUMMARY



IN PARTNERSHIP WITH



# Foreword

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Over the last four years we have worked closely with accountants to share the latest insights into the accounting industry and help understand what is keeping accountants awake at night.

We have found accountants are well aware of the issues facing their profession and the need to change their practice revenue model. The good news, one segment of the profession has been taking action – we call these practices **Strategic Innovators**.

In this year's Report, we have focused our research on this group of accounting practices as we consider them to be thought leaders and hope their actions will inspire other accounting practices to take action.

Accountants have told us that one of their **favourite sections** of our Report is the section on solutions. This year we have included sections on practical and proven growth solutions implemented by leading accounting practices to combat industry threats and examples of real-life growth plans.

We continue to support our Alliance Partners and accountants to grow their business advisory revenue and attract new SME clients. We have plans to release new automated business advisory solutions and more industry specialisation packages over the next two to three years.

I encourage you to review our new online Risks SWOT Workshop and Report solution so you can grow your advisory revenue by helping your SME clients minimise their business risks.

The Report cannot be produced without the support of our Alliance Partners. On behalf of Bstar I would like to thank everyone who provided us with input into this year's Report. We would also like to thank this year's sponsor, BT Financial Group for their support in launching this report.

I recommend you share these insights with your partners and staff. You can start by taking one simple step. Use the Strategic Innovators Growth Checklist included in the Report to assess how your practice is positioned for future growth.

We hope you enjoy reading our Report and welcome your comments and feedback.

Your sincerely,

**Grant Bloxham**  
CEO  
Bstar Pty Ltd

# Executive Summary



## This year's theme is Growth

Accountants' primary concern at present is growth, - in all its aspects. However, the level of urgency is increasing. Practices that have stayed with the traditional model, those who haven't made changes to promote growth, are seeing profits fall.

Fuelling this urgency, the decline in profits is reducing partners' drawings. This is having a flow on impact on partners' lifestyles. Only **60%** of the accountants surveyed believe their current cash flow is sufficient to fund their lifestyle.

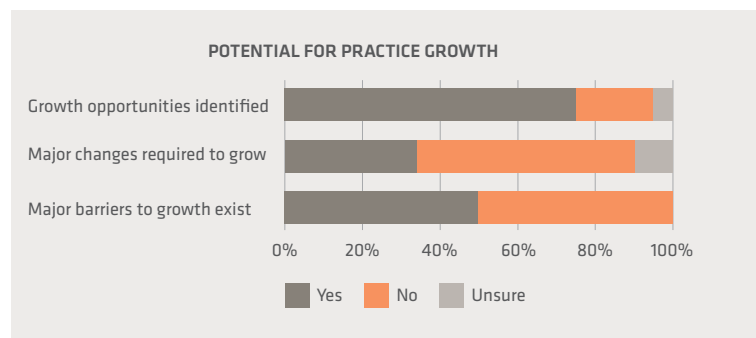
My main concern is our failure to adequately implement the important, because of the constant focus on the urgent.

In the Strategic Threats section we discuss three major strategic threats facing accounting practices. Developing out of the 2016/17 Theme of High Awareness, Low Action, we can see two distinct groups of accounting practices emerging:

- 1. Strategic Innovators** are excited by the opportunities, they are taking action, changing their practice model and are well positioned to grow.
- 2. The Majority** are still hesitating, sceptical of the need to change, or concerned about the risk of failing. These practices run the risk of being left behind.

## Our Respondents

This year we have focused on obtaining the views of **Strategic Innovators**, from across Australia. These are experienced accountants, with over 10 years' experience who are principals of practices that have made the decision to change their operating model. They are at various stages of implementation, with a focus on growth.



We believe that one of the best ways to understand accountants is to listen to what they say. We have included comments and quotes from our respondents throughout this year's Report.

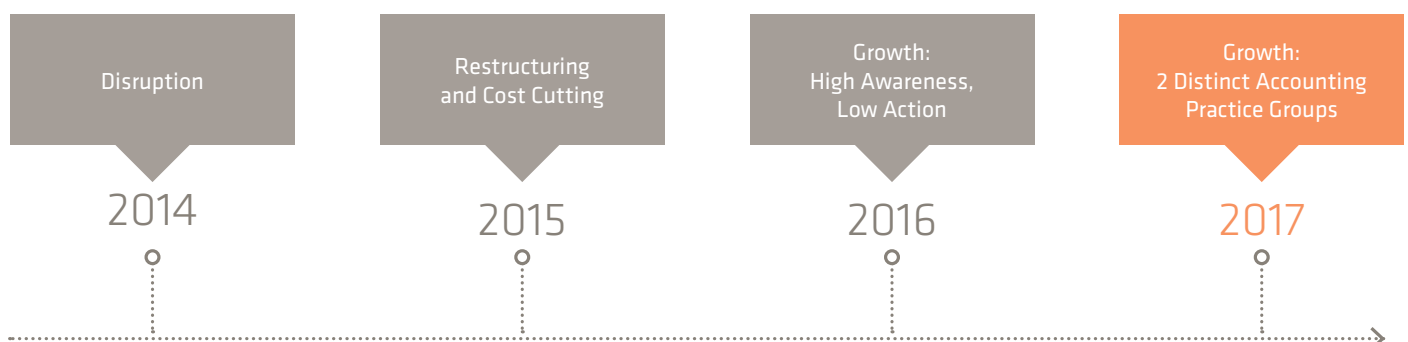
## Growth, Growth and More Growth...

Accountants like hearing from their peers. In an expanded section on how Strategic Innovators are growing their practice, the Report features **real life ideas, growth plans, opportunities and comments** on:

- New revenue streams that are easy to introduce;
- Strategies to acquire new clients;
- The best way to engage clients to pay for advisory services;
- Four advisory services that staff are confident in delivering;
- Why merger and acquisition is back on the radar.

Accountants can also check their progress by completing the **Strategic Innovators Growth Checklist**.

## Trend snapshot



## 2017/18 Strategic Threats



### Failure to act is now a strategic threat

Quite simply, the top threat facing practices is failing to act.

**The key issue is whether the practices who most need the benefits of a new model can make changes.**

The Strategic Innovator practices that are adopting new models, and changing their offering are already seeing growth. Those who are well advanced on implementation are prospering.

However, the Majority of practices are reacting to declining revenues by becoming more conservative and risk averse. They are not prepared to take risks with existing revenue. They want certainty of increased revenue before they will change. They must weigh the risks of continuing decline against the risk of making changes.

## Top Business Concerns

The Report provides a snapshot of Business Concerns, showing our respondents' top concerns, weighted by their urgency to act on the concerns. What is interesting about this year's list of the top business concerns is how similar they are to last year's report – in fact what hasn't changed. The Top Business Concerns section also includes a comparison of the top concerns from the last three years' Reports.

### Practices are moving to attract new clients, broaden their services and fee base.

Attracting High Value Business Clients is the #1 business concern, unchanged from last year. Practices that have made the decision to change their model have lower levels of stress and concern – because they can see increased growth and new clients. Even where practices are still going through the process of implementing new models, the new focus is ensuring they are more positive in their outlook.

### Declining fee revenue is reaching a tipping point.

Declining Fee Growth and Profit Concerns is the #2 Business Concern, increasing from #3 last year. Most practices have already moved to reduce costs, but principals now understand that alone will not ensure survival. To prosper, practices must act to increase revenue – this year's dominant theme is the need to grow.

### Lowest Concerns

Respondents are not particularly concerned about issues relating to their existing clients – or at least do not rate them as urgent. Their lowest concerns were:

1. Loss of clients due to key staff departure;
2. Non- accounting competitors;
3. Loss of top 10 clients.



**Two in three** of Bstar's Alliance Partners believe that the one-on-one Needs Review process is the most important step in dealing with clients, and key to success in gaining engagement.

## What makes a Great Accounting Practice?

We've also asked our respondents to tell us what makes a Great Accounting Practice. This year's Report contains Snapshot findings on where Strategic Innovators believe the accounting profession is heading.

Strategic Innovators are also thought leaders - **92%** of Bstar Alliance Partners believe that the future of professional advice lies with Predictive Analysis and Advice. Bstar is responding to these needs by developing a predictive business valuation algorithm, scheduled for release in the 2019/20 financial year.

## How are Strategic Innovators growing?

Strategic Innovators are substantially growing their practice by playing to their strengths. A key starting point is embracing advisory solutions that are easy to implement and rely on accountants' core financial and analytical skillsets.

The other key element lies in understanding clients, and ensuring solutions are based on their key needs. Specialisation in particular industries or services was also a preferred approach.

Respondents are looking for innovative ways to attract new clients. We discuss some new and different approaches being used by Strategic Innovators, as well as providing **real life examples of growth plans**. The Report features five **practical and proven growth strategies** being implemented:

1. Ideal clients - SMEs/MEs and High Net Worth Individuals;
2. Delivering sounding board services;
3. Introducing Family Office Services;
4. Appointing internal product specialists;
5. Expanding industry specialisation services.

### KEY DEFENCE

To combat strategic threats from new competitors such as 'big data' companies, Strategic Innovators are acting first and upgrading their relationship with 'ideal' clients from 'trusted' advisor to **'essential'** advisor.

## Advisory Solutions that SMEs want to buy

Strategic Innovators have a clear understanding of their clients' needs by including an annual client needs assessment in their advisory services packages. They are evolving their service offering to meet the current and urgent concerns of their SME client base<sup>1</sup>:

- #1 Business Planning;
- #2 Succession Planning;
- #3 Protection for Business and Family Assets; and
- #4 Declining Sales, Profit and Cash Flow.

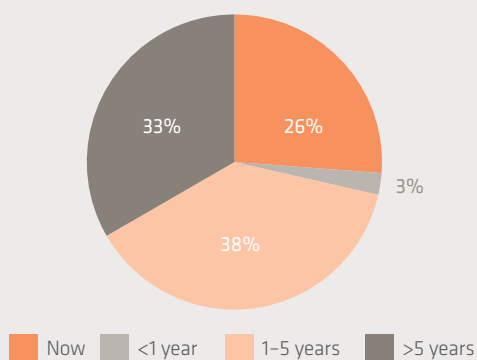
"There is so much disruption in so many industries, we need to look forward, rather than to the past to help our clients minimise their risk and plan for the future."

We have also included a new section to indicate successes. The section 'What Advisory Solutions are SMEs Buying?' details **101 SME advisory services engagements** from small to medium sized practices, and the size of fees charged.

## Succession

Most of our respondents are not thinking about exiting their practice - **71%** are not concerned about Ownership Succession in the short to medium term (see graph). This is partly due to their age, as most are under 55 years of age. They are focused on growing their practice, introducing new services and developing additional revenue streams.

WHEN IS OWNERSHIP SUCCESSION IMPORTANT?



They are also not able to retire, as they are not financially independent. Only **one in three** has built sufficient funds for retirement outside their practice. **More than half** indicated they would rely on a sale of their interest in the Practice to finance their next business venture or retirement.

1. Refer to Bstar's 2016/17 SME Research Report for these statistics and more information.

## Support for Strategic Innovators

Strategic Innovators are looking for new ways to grow. They are pro-active and actively seek support from their own trusted team of advisers and industry experts.

Bstar is supporting Strategic Innovators to grow their business advisory revenue and attract new clients by:

1. Automated Business Advisory Solutions:
  - a. Business Valuation Tool;
  - b. Risks SWOT Workshop and Report;
  - c. Asset Protection/Estate Planning Engagement Tool (under development).
2. More Industry Specialisation Packages - up to 16 new industry specialisation packages are to be delivered in the next three years.

BT Panorama's solution can help accountants build capacity in their business, and streamline administration while providing clients with an intuitive investment framework to keep on track.

Whatever the business model, accountants and their clients can access the benefits of BT Panorama and tailor the solution to their business and client's needs. A cloud based solution integrating smart technology to save time and help clients start and track their investment and wealth goals. Panorama provides one place to access reports and exchange data with accounting systems, making year end compliance simple.

## Use of Report Insights

**Accountants can use the insights in this year's Report to take action and grow their practice.**

- **Building trust** with all key stakeholders by sharing the Report Insights;
- **Developing a plan** for the future direction of their practice;
- **Learning from peers** and adopt what has been successful;
- **Partnering with** industry experts where advice and support is required;
- **Completing the growth checklist** in the Report to assess how well their practice is positioned for future growth.

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# What you can expect

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## The 2017/18 Accountants Research Report will be released soon.

In the meantime, here is a sneak peak at the insights you can expect to find in the report that will enable you to assess how your practice is positioned for future growth...

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Our Respondents

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Strategic Innovators Growth Checklist

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Strategic Threats

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1. Sitting Still / Failure to Change

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2. The most common mistake

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3. Increased competition from 'big data' groups

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Top Business Concerns

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It's all about Growth

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Growth requires Change

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What are the Major Barriers to Growth?

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What are Accountants Least Concerned about?

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What makes a Great Accounting Practice?

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AFS Licensing and Government Regulation

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Snapshot of Business Concerns

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Growth, growth, growth

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One stop shop - the Family Office Services

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Merger & Acquisition is back on the radar

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More Growth Ideas & Plans

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How are Practices intending to grow?

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Succession Planning

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Real Life Succession Plans

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Strategies & Staff

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The internal Product Specialist

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What Advisory Services are SMEs buying?

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Most needed SME Solutions

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- Risk Minimisation and Sounding Board Services

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How Bstar is supporting Strategic Innovators

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