

How to Build Your Business Advisory Practice

Practice Management Tips for SMPs



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This article examines the business case for small- and medium-sized practices (SMPs) to develop a business advisory practice and offers tips for getting started.

Introduction

In the future, SMPs may no longer be able to rely solely on traditional accountancy-based services as their main source of revenue and growth, as demand for these services declines. In many countries, fewer small- and medium-sized entities (SMEs)—the typical clients of SMPs—are being audited, as thresholds are introduced or increased and governments move toward self-assessment of tax to reduce compliance costs for SMEs. In addition, technology is commoditizing many of the day-to-day compliance services traditionally supplied by SMPs, reducing the need for a professional accountant and driving down price.

The good news is SMEs are increasingly demanding a broader range of professional services, in particular, value-added business advisory services, which SMPs are well positioned to provide. As small businesses themselves, SMPs share similar aspirations, concerns, and attributes with their clients and are in an ideal position to become trusted advisors.

Why SMEs Look to SMPs for Business Advice

SMPs should leverage the following unique qualities when building their practices.

Competency: SMEs often lack a full range of managerial expertise in-house and outsource some managerial functions, such as CFO, to SMPs that have the required technical competencies and expertise.

Integrity and Trust: As members of a regulated profession with codes of ethics, accountants enjoy “institutional” trust. Their provision of compliance services wins them “competence” trust. This is a time-proven formula. Unfortunately, there can also be a reluctance to utilize advisory services until the expert has already provided a specific demonstration of their competency.

Responsiveness/proximity: SMEs rate highly SMPs’ responsiveness to their demands. The proximity of SMPs to their SME clients is also important as many owner-managers appreciate personal attention from their advisers and value ease of access.

A Full Menu of Business Advisory Services

SMEs are demanding the following services, which SMPs can provide. These services can help ensure the efficiency, transparency, and sustainability of SMEs, improving their financial performance and boosting client satisfaction (and possibly demand!):

- **Business development:** strategic business planning, budgets and projections, sustainable business practice, virtual CFO, etc.
- **Corporate advisory:** business structuring, valuations, litigation support, forensic accounting, treasury, debt/equity funding, equipment finance, due diligence and business buy/sell, etc.
- **Wealth creation and preservation:** financial position evaluation, investment strategy development, asset allocation, estate/succession planning, pension planning, etc.
- **Tax consulting:** tax advice and/or representation on tax matters to revenue authorities, etc.
- **Management accounting:** budgeting, management reporting, cost accounting, benchmarking, product/customer profitability analysis, etc.

7 Things to Consider When Building a Business Advisory Practice

The following considerations can help SMPs succeed when building or laying the groundwork for a business advisory practice.

- 1. Modify your mission statement, vision, and plan:** When expanding or changing the direction of your practice, set out a clear vision for the future and a roadmap for how to get there. You should also revisit your mission statement and adjust it as needed to reflect your practice's modified or expanded service offerings, such as "We are dedicated to adding and sustaining value for families and their businesses."
- 2. Educate and train your people:** Providing high-quality business advisory services demands a different skills base than that to provide traditional accountancy-based services. You can develop the capacity for business advisory by expanding both the technical and soft skills of existing staff. Some accountants can make the transition to business adviser through experience and self development, while others may need training or coaching.
- 3. Focus on a specific industry sector or specialization:** Few SMPs will be able to gain and maintain the knowledge and skills necessary to be competent in all areas of business advisory. Therefore, SMPs should consider carving out a niche and participating in a referral network of SMPs that can provide the other services. A common model is to focus on a specific industry sector, such as hospitality, or to develop a specialization, such as sustainable business practices, in order to differentiate your practice from the competition.
- 4. Develop relationships with other firms:** Referral networks offer many potential advantages, such as helping your practice increase its client base. Participating in a network is an effective way to satisfy the increasing breadth of demands from SME clients and can help demonstrate to new clients that you have the capability of a larger practice. Referral networks can extend beyond accountancy to areas such as legal, HR, and IT.
- 5. Promote the practice to existing and new clients:** Promoting and marketing your practice, and the value of your services, will be crucial to success. There are a number of reasons why SMEs choose SMPs to provide business advisory services (see above). SMPs should leverage these qualities by promoting them to potential clients, who are often unaware that their professional accountant can provide these services. As accountants often have little or no expertise or experience in promotion or marketing, you may want to hire a marketing consultant or train an existing employee to do this. Your marketing expert can help you determine if you need to change the way your services are marketed and help you explore new channels, such as social media.
- 6. Change your business model:** Business advisory services may require a different business model from that of traditional accountancy-based services. For example, business advisory services may be better suited to a business model based on selling intellectual capital rather than time. This lends itself to value pricing. To supplement this, you might wish to emulate the airline industry model, which divides their client base into premium and economy and offers a different value proposition to each—for the premium clients, a high-end service, at a correspondingly high price, and for the economy clients, a basic "no frills" service that frees up time to devote to the premium clients.
- 7. Embrace technology:** Advances in technology present a significant opportunity for SMPs to operate more efficiently, reduce costs, and offer additional value-added services. Cloud computing, for example, allows SMPs to more actively engage with their SME clients on a day-to-day basis and offer services such as virtual CFO cost effectively.

Putting Ideas into Action

To help you build a business advisory practice, we encourage you to download the IFAC [Guide to Practice Management for Use by Small- and Medium-Sized Practices](#) (PM Guide). This free guide comprises eight stand-alone modules on topics ranging from planning and building your firm to managing people and client relationships. It features case studies, checklists and forms, and an office procedures manual.

Additional Resources for SMPs

The following resources (all free of charge) are accessible via IFAC's International Center for SMPs: www.ifac.org/SMP:

- Publications
 - PM Guide [User Guide](#)
 - [The Role of SMPs in Providing Business Support to SMEs](#).
- Presentations and videos from 2011 IFAC SMP Forum in Istanbul, Turkey, especially Session 3, [SMPs Evolving to Better Serve SMEs](#)
- Quarterly SMP [eNews](#)
- [Relevant Links](#) (especially the categories “business advisory” and “practice management”)

For translations of these and other resources, visit IFAC's [Translations Database](#).

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