

Transforming SMP Challenges into Opportunities

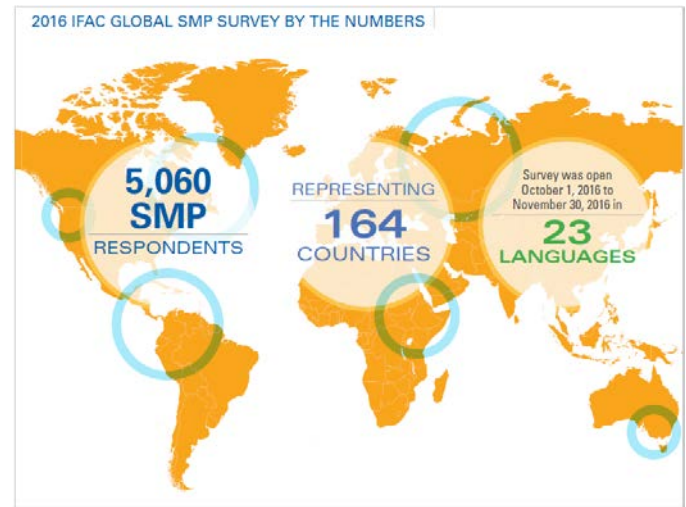
Articles from the Global Knowledge Gateway



International
Federation
of Accountants

The recent [IFAC Global SMP Survey](#) identified key challenges many small- and medium-sized practices (SMPs) face. These articles from the Global Knowledge Gateway break down the data from the survey and provide information, ideas, and tips to help SMPs address these challenges as well as best practice examples from IFAC [SMP Committee members](#), together with the range of other tools and resources available.

By Christopher Arnold, Head of SME/SMP and Research, IFAC and Mats Olsson, IFAC SMP Committee Deputy Chair and Partner, Adrian & Partners AB



Attracting New Clients

Attracting new clients is the top global challenge facing SMPs, and is one of the top two challenges for Europe, Africa, the Middle East and Asia regions.

A number of strategies can be implemented to acquire new clients but real success comes when multiple strategies are used simultaneously. This harnesses the momentum of marketing efforts and is more likely to bring attention to your practice. In addition, since most businesses already have an accountant, growing your practice usually means enticing clients away from other firms. To achieve this, a compelling reason to change must be part of your pitch.

External growth strategies include:

- advertising;
- seminars;
- networking;
- referrals;
- building a brand;
- social media marketing; and
- joining a network, association, or alliance.

Each approach needs to be considered in relation to jurisdictional laws and/ or professional regulations.

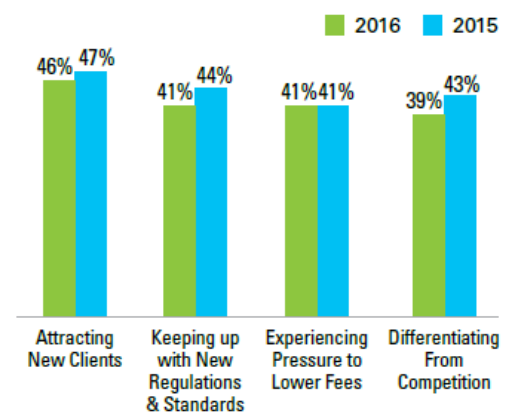
Advertising

Advertising is one of the most powerful ways of getting your firm's name and message out in the market.

Helpful tips to get the best value from advertising spending include:

- identifying a target audience or market segment for your advertising;
- making it clear how the service will benefit clients;

TOP GLOBAL CHALLENGES 2016 VS 2015*



*Combining high and very high

Transforming SMP Challenges into Opportunities

Articles from the Global Knowledge Gateway



International
Federation
of Accountants

- creating messages that are credible, sincere, and avoid exaggerated or unsubstantiated claims;
- using a headline that captures the readers' attention; and
- including a "call to action" where the reader is told to call or visit the website.

In addition, search engine optimization (SEO) and marketing (SEM) can bring your firm website to the top of search results when specific words or phrases are searched (this usually includes a charge when a user clicks on an ad and goes to your website; many different vendors can help identify key words to target).

Seminars

Seminars can be an effective form of marketing. A number of formats can be used.

- Organize a seminar with senior firm representatives deliver presentations. This provides a reason to advertise, promote your practice, and establish brand and name recognition for your firm as a recognized expert. Existing clients can be invited and encouraged to bring non-client business associates.
- Speak at seminars hosted by others, such as financial institutions or business associations, which may hold breakfast meetings and can often be free of charge. This could include a specific session that requires technical knowledge.



Seminars also offer an opportunity to follow up with an article for your website or local media on key points.

Networking



"Word of mouth" is often one of the best forms of marketing and is effectively achieved through networking. Networking is not about trying to make a "sale" to each person at an event; instead, your objective is met people who can refer others to your practice.

Creating a networking plan and measure success in relation to time invested is useful. Encouraging firm representatives to attend events and not feel that they have to impress people through charm or technical knowledge is important. As in most things, you and your representatives should be yourselves to build connections with people. This takes the pressure off and you can just relax and chat normally. It also gives people a greater chance to get to know staff and feel comfortable. If they are, they are more likely to refer others to your practice.

Referrals

The best time to ask a client for a referral is when your firm has just successfully completed an engagement or project as it's easier to say, "If you know of anyone else who may appreciate our work, we're always happy to take on referrals." This lets your client know that your firms is open for referrals, and looking for new clients.

Transforming SMP Challenges into Opportunities

Articles from the Global Knowledge Gateway



International
Federation
of Accountants



Another option is to work through a structured program of meetings with potential referrers. Often referred to as “people of influence,” these contacts include bank managers, lawyers, and others in complementary businesses, such as financial planning or finance broking. Firms that successfully follow a structured, formal approach set aside a regular time to meet with potential referrers. For example, they arrange lunch meetings with a different bank manager every Wednesday in a month. The next month they may meet with a different lawyer each Wednesday. The following month it might be financial planners or finance brokers. Then the cycle starts all over again with the bank managers. This allows for a systematic approach to working through a contact list and also allows relationships to be built from which referrals will come.

Existing and past staff can also be a source of new clients. Encourage staff to connect with their own networks and consider offering incentives for recruiting new clients. An “alumni” network of past employees could be created to keep them in contact with your practice. Past employees may progress into management positions and can be a valuable source of contacts. Consider staying in touch through newsletters or emails, seminar invitations, or an annual gathering—all of which ensure regular contact.

Building a Brand

Branding is an important area of marketing. To make marketing as effective as possible, your brand needs to send out clear messages that encompass your firm’s brand. Marketing messages should not only build on your brand but leverage it as well. Done well, branding can:

- lower the cost of acquiring new clients;
- create business opportunities based on market perceptions;
- reinforce confidence and comfort levels of existing clients; and
- build the value of your practice’s goodwill.



Your brand is the message your firm wants to convey to the market. It pervades all areas of your firm, and goes beyond the logo and letterhead. It covers the services offered, the way it deals with clients, and the image of your firm it wants to present. It becomes the banner that your firm markets and sits over all the services offered. Specifically, it means the way the website looks, graphic design, and logos used in the communications and presentations. It also includes the way your firm interacts with clients and staff, even down to the words used.

By building and promoting a brand, your practice establishes expectations at a high level in the market. When the actual service is delivered—for instance, the financial statements or tax returns—the accuracy, presentation, and look and feel of the material needs to be consistent with the expectations that have been set.

Social Media Marketing

Successful practices are embracing social media and using it to engage with clients, attract new clients, promote their services, and attract staff. Social media is about building a community. Successful social media strategies reinforce that people like to deal with people, rather than businesses, to create relationships. While successful strategies are often built around the individuals, it is the business that reaps the benefits. Engaging partners and staff in social media is a great starting point.

Transforming SMP Challenges into Opportunities

Articles from the Global Knowledge Gateway



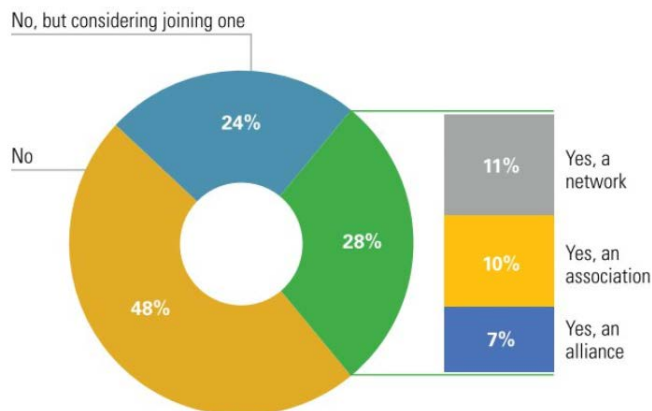
International
Federation
of Accountants

Firms can use LinkedIn, Facebook, and Twitter to invite their clients to receive updates, participate in discussions, share case studies and experiences, post testimonials, establish discussion group, and allow clients to connect with each other. Blogging is another way of sharing timely updates with clients; it can also drive new clients to your website. All social media should include links back to your firm's website to drive traffic to your business.



Social media should complement, but not totally replace, traditional marketing techniques. Remember, before new clients contact your firm, they typically check out social media sites or search for your practice online.

MEMBERSHIP



Networks, Associations, and Alliances

The [2015 Global SMP Survey](#) found that attracting new clients was the top benefit of joining a network, association, or alliance, followed by broadening your client experience and branding and marketing. Only 28% of respondents reported their SMP belonged to a network (11%), association (10%), or alliance (7%), but 24% indicated that their practice was considering joining one. Joining provides your firm the opportunity for referrals from non-competitor firms, as well as broadens the range

of services offered without the fear of losing them to national or international firms.

Additional information is available in the [Guide to Practice Management for Small- and Medium-Sized Practices](#), which includes the section "Building and Growing Your Firm" on identifying target clients and new service opportunities, building a brand, marketing and developing a social media strategy.

The Global Knowledge Gateway includes a number of articles, videos, and resources on the topics addressed in this article.

Marketing

- [Top 3 Accounting Marketing Tactics for 2016](#)
- [Is Social Media Marketing the Key to Practice Profitability?](#)
- [How CPAs can Maximize Social Media Marketing](#)
- [New Services for Accounting Firms: It's about Reliance, Not Compliance](#)
- [Tapping into Pop Culture to Market Your Accounting Firm](#)
- [How Accounting Firms Can Maximize Marketing in the Digital Age](#)
- [How Can SMPs Brand Themselves More Effectively?](#)
- [Perspectives on Strengthening Small- and Medium-Sized Practices \(SMPs\): Part Four](#)

Networks, Associations, and Alliances

- [Is It Time to Make Your Rival an Ally?](#)
- [Collaborate to Compete](#)
- [Is an International Accounting Association the Global Advantage Your Firm Needs?](#)

Keeping Up with New Regulations and Standards

The IFAC publication, [*From Crisis to Confidence: Good Regulation, Governance, and Culture*](#), identified the principles of good regulation, which include that new regulations should be subject to impact evaluations as well as systematic reviews of how new regulations are performing, including sunset clauses and mechanisms. It is clear that regulations should be proportionate and structured to scale for different sizes of organizations.

Despite such well-established principles, there continues to be an increase in the amount of regulation under which the accountancy profession operates. These regulations come from both government and non-government regulators and show no sign of slowing down. On one hand, this means there will be a continued strong demand for accountants and business advisers. On the other hand, many practitioners wonder how they can stay abreast of all the changes. Keeping up with new regulations and standards was the second most significant challenge facing SMPs globally, and the top challenge in Central and South America/ Caribbean, Europe, Australasia/ Oceania, and North America regions.

Internal Strategies

The key internal strategy is regular training for your team. This training can be done in-house or with a third-party training organization. For example, annual seminars could be organized to update on the news and changes since the year before. This could involve different partners presenting on accounting, audit, tax, legal issues, and other relevant topics.



Increasing numbers of firms are also joining together for training sessions, thus sharing the costs. This also allows the training to focus more tightly on the needs of the group, rather than the broad-based style used in lecture-type situations.

Many professional accountancy organizations provide training, and some provide the option of training on-site or lecture style at another venue. Staff attendance should be encouraged, as should information sharing with other team members after the event.

Online learning, where the information is streamed or downloaded and staff can learn at their own pace and at a time that suits them, is another in-house training strategy.

Staff should be encouraged to set aside time (e.g., two hours a week) to read up on new legislation. Practices could start reading groups for relevant standards and organize discussions, which can be over an informal lunch. This is a great way of learning from each other.

One advantage of providing many different training opportunities is highlighting the range available from your practice when recruiting new staff. With talent recruitment and retention also a key issue, outlining the benefits provided by your firm to employees can really help.

External Strategies

Firms should utilize their professional accountancy organization, as many issue technical briefing papers on most regulations. Staff should maximize their membership and take advantage of the resources available.

Transforming SMP Challenges into Opportunities

Articles from the Global Knowledge Gateway



International
Federation
of Accountants



Your practice can also form alliances with specialists and build close relationships with other professionals who have technical knowledge in certain areas. These professionals can be called on to assist with specific client matters as they arise. Typically, specialists invoice your firm, which can choose to pass the fee on to clients or absorb it.

Your firm can also consider joining a professional network. The [2015 Global SMP Survey](#) found that training, conferences, and workshops was one of the top four benefits of joining a network, as the information networks provide is usually of a very high standard.

Small firms can build “buddy networks” and check with each other on issues before escalating client matters to the higher level, and costs, of specialist advisers. These types of informal network tend to be based on relationships established through professional associations. They may meet regularly or not at all, depending on the needs of the group.

Your practice could join a local business association, which can provide information and support in other business-related areas, such as human resources or occupational health and safety. Examples include chambers of commerce and industry organizations. They also provide an opportunity to network and become known in another circle of business people.



Standard-Setting Boards

The international standard-setting boards provide helpful information covering changes to standards, which includes Basis for Conclusions, At a Glance, and Question and Answer publications. Practitioners can also keep up-to-date with future developments by following their respective work plans.

The International Auditing and Assurance Standards Board (IAASB) and International Ethics Standards Board for Accountants (IESBA) launched dedicated websites as a source for understanding and effective implementation of the [new and revised Auditor Reporting standards](#) and [Responding to Non-compliance with Laws and Regulations \(NOCLAR\)](#), respectively.

Additional information is available in the [Guide to Practice Management for Small- and Medium-Sized Practices](#), which includes a section on internal and external strategies for coping with increased regulation.

The Global Knowledge Gateway also includes a number of articles, videos, and resources on these topics.



Regulations & Standards

- [Doing the Right Thing Even When No One Is Looking Part II: Compliance with Rules and Regulations](#)
- [Member States' Implementation of New EU Audit Rules](#)
- [The New Auditor's Report: Questions and Answers](#)
- [Determining and Communicating Key Audit Matters](#)
- [Auditor Reporting—Illustrative Key Audit Matters](#)
- [Responding to Non-Compliance with Laws and Regulations Fact Sheet](#)
- [IESBA Staff Questions and Answers—Responding to Non-Compliance with Laws & Regulations](#)

Pressure to Lower Fees



The third highest challenge small- and medium-sized practices face globally is pressure to lower fees. Practitioners are fully aware of the importance of providing quality services, but it is clear that some clients remain reluctant to pay for such services. Technological advances, globalization, and outsourcing to less-expensive offshore contractors may also prompt clients to keep up the heightened fee pressure.

The [Guide to Practice Management for Small- and Medium-Sized Practices](#) includes a section on coping with pricing pressures.

- **Adopt new approaches to pricing.** Instead of billing an hourly rate, set prices for services such as business advisory services based on perceived or estimated value to your client. Also, packaging more desirable services with services that are essential but less desirable allows for a broader range of services for a larger fee.
- **Stress the value of services offered.** Talk to clients regularly about the benefits of the services they receive. Communication is an important part of value pricing.
- **Focus efforts on most valuable clients.** Evaluate clients, group them, and offer different service levels to different groups, especially for non-audit services such as business advisory or tax. This technique, referred to as yield management, is used in the airline industry to price seats by the level of service in first class, business class, or economy sections. Some clients will appreciate, and pay for, first class service. Others will prefer the economy rate.
- **Leverage technology.** Maximize technology to improve processes and lower costs in the face of stagnant or declining fees. Cloud computing solutions deliver the same services, like payroll and bookkeeping, for less cost, email costs less than regular postal services, and Skype is less expensive than telephone or in-person meetings.
- **Re-examine service offerings.** Consider combining value with additional services for little extra cost, or provide the same for less cost. To set your practice apart in the marketplace, consider specializing in niche markets or services.
- **Fee breakdown.** Break invoices into smaller parts. For example, instead of charging a total amount for “Services Rendered,” an invoice can show separate services and each cost, such as \$X Tax Return, \$X Annual Report, etc. This clearly demonstrates each individual service and makes it harder for clients to complain.
- **Find less expensive sources of supply.** Review your practice’s suppliers and look for competitors offering benefits that may warrant switching. Competitive pricing and choice of suppliers, from internet service providers to computer hardware vendors, may have improved considerably since your practice first chose its suppliers.



Transforming SMP Challenges into Opportunities

Articles from the Global Knowledge Gateway



International
Federation
of Accountants

- **Tackle overheads.** Seek to minimize waste and make the most efficient use of human and environmental resources, including workspace, energy, and consumables. To optimize expensive office space, practices may encourage staff to perform work at clients' premises or at home and pre-book a desk space when in the office. Similarly, practices could find staff efficiencies through improved workload distribution, adequate planning and supervision of engagements, and delegating work to the appropriate levels. Flexible working hours may avoid staff redundancies, which erode morale and make it difficult to recruit new staff. Shifting routine work to more junior staff can also help cut costs, but staff assignments need to be managed carefully to maintain quality results and avoid damage to your practice's brand.

The Global Knowledge Gateway also includes a number of articles, videos, and resources on these topics.

Value Pricing

- [*Pricing on Purpose: How to Implement Value Pricing in Your Firm, Parts I-III*](#)
- [*Tomorrow's Firm and the Role of Value Pricing*](#)
- [*How to implement value-based billing*](#)

Fees

- [*Ethical Considerations Relating to Audit Fee Setting in the Context of Downward Fee Pressure*](#)
- [*Are Your Fees Too Low?*](#)
- [*How to Negotiate Higher Fees*](#)
- [*Setting Fees When Starting Up in Practice*](#)
- [*Fee Rates: Communicate Your Value*](#)
- [*Advisory Service Fees – The Numbers Do Stack Up...*](#)
- [*How to Manage Audit Fee Increases—and Even Reduce Them*](#)

Differentiating from Competition

Differentiating from competition came in fourth as one of the top global challenges identified by survey respondents, reflecting that competition is increasing. It is also in the top two challenges in Central and South America/ Caribbean and the Middle East regions.

Thousands of accountants provide similar services and there are many other service providers promoting themselves and competing for similar market segments. Existing and potential clients will need to decide which firm they engage. In making this decision, they are more likely to be influenced by differences between practices than by similarities.



Having a point of differentiation helps your practice stand out from other accounting firms, at least in the minds of clients. But this is not necessarily an easy task. After all, firms deliver similar services and operate under a similar code of professional ethics.

But the fact that professional accountants in public practice are required to adhere to the highest ethical standards is an important differentiator from other consultants. IFAC member organizations are required to adopt and implement ethical standards no less stringent than those in the [International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants](#).

Firms often price their services in a similar way, and may even brand themselves in a comparable way. Many firms also pride themselves on their professionalism, confidentiality, communication style, and personality.

Differentiation can be achieved in a number of ways, such as through:

- how your firm communicates and engages with clients;
- the range of services provided;
- the depth of specialization in a particular area;
- how services are provided;
- accessibility;
- price and pricing structure;
- office appearance and feel; and
- the network that your firm can connect clients into.

It can be difficult to focus on work quality as it is hard for clients to recognize a difference in quality of work or advice, unless they have had a bad experience in the past. Generally, clients expect their accountants to deliver a quality product, and price is not an area where your practice may want to try to differentiate.

Price competition requires a volume market to be profitable, and typically the delivery of professional services is not an area of high-volume transactions.

Differentiation is likely best achieved through the services offered and the way it is done. There is ample scope to identify what is delivered that will be meaningful to the target market. Once done, your firm can build a part of its marketing program and messaging around the point of differentiation.

Transforming SMP Challenges into Opportunities

Articles from the Global Knowledge Gateway



International
Federation
of Accountants

Business Advisory Services



The Global SMP Survey found that the fastest growing service area is advisory and consulting services with 35% of SMPs reporting fee increases in this area in 2016 and 45% predicting increases in 2017.

83% of SMPs provide some form of consulting services with the three most commonly provided being corporate advisory, management accounting, and human resources policies and procedures and employment regulations.

The findings support the recent IFAC research report, [*The Role of SMPs in Providing Business Support to SMEs—New Evidence*](#), which found that whilst the majority of SMPs' revenue is generated by traditional services, including compliance, audit, and taxation, diversification in business advisory services is on the rise.

Differences exist in SMPs offering of business advisory services by geographic region, size, and strategy. In addition, the factors driving small- and medium-sized entities' (SMEs) demand for business advice from SMPs, among others, include company (i.e., size, debt, age, growth, and available resources) and environment-related factors (i.e., economic conditions, including regulations, and competition). SMEs most likely to purchase business advice are larger, younger, carry higher levels of debt or intend to obtain new funding, and exhibit higher growth rates or intentions to grow. The research suggests that SMPs currently, and more so going forward, may play the roles of advisor, confidant, analyst, facilitator, and educator to their clients.

Trusted Business Adviser

Trust is the key to success in building up business advisory services. Your clients' need to believe that their accountant's advice—your advice—will have positive consequences. In this context, trust has three dimensions:



- *capability*: your client's belief that their accountant has the required expertise, skills, and competences to perform the job effectively;
- *honesty or integrity*: your client's belief that their accountant will keep his or her promises and adhere to a set of acceptable principles; and
- *benevolence*: your client's belief that their accountant cares about their welfare.



Business advice is significantly enhanced when provided by an accountant with knowledge and insights into a client's finances and business environment, as a result of providing traditional accounting services previously. New advisory and consulting clients are often driven primarily by existing customer-client relationships.

There are numerous opportunities available to firms wishing to step outside their traditional service areas and expand service offering into business advisory services. This demand is being driven not only by firms wishing to increase profitability but also by clients who need to compete in a globalized business environment. While the

Transforming SMP Challenges into Opportunities

Articles from the Global Knowledge Gateway



International
Federation
of Accountants

concept of providing consulting services presents a challenge to practitioners, many have come to realize that clients value advice on growing their business much more than traditional accounting services. IFAC's [Good Practice Checklist for Small Business](#) can be used by practitioners to help determine what type of assistance a client may need.

Technology also enables SMPs to work in a global economy where borders are no longer relevant. Outsourced or off-shored compliance services can often provide much lower prices, meaning there is increased pressure on some firms to expand their service offering.

Sustainability reporting and advising businesses on how to be more sustainable is a relatively new but fast growing service area for accountants. In 2016, 14% of SMPs provided some form of enhanced corporate reporting service (integrated reporting, sustainability reporting, corporate social responsibility reporting).

Many organizations are keen to know how to do more with less as this may improve the bottom line. Accountants can advise on the benefits of reducing energy costs and pollution, from simple behavioral changes aimed at eliminating waste to investment in new equipment and alternate sources of energy or developing an environmental management system (EMS). EMS allow businesses to identify and control the environmental impact of their activities, products, and services; set and achieve environmental targets; and demonstrate that targets have been achieved. [Creating Value for SMEs through Integrated Thinking: the Benefits of Integrated Reporting](#) can help accountants and their clients in this space.

Additional tips to help SMPs build or lay the groundwork for a business advisory practice

1. **Modify the mission statement, vision, and plan.** When expanding or changing the direction of your practice, set a clear vision for the future and a roadmap for how to get there.
2. **Educate and train staff.** Providing high-quality business advisory services demands a different skills base than providing traditional accountancy-based services. Developing business advisory capacity by expanding existing staff's technical and soft skills is critical. 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 practices and practitioners will be able to gain and maintain the knowledge and skills necessary to be competent in all areas of business advisory. Therefore, your practice should consider carving out a niche and participating in a referral network that can provide the other services. A common model is to focus on a specific industry sector, such as hospitality, or 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 legal, human resources/capital, and IT, for example.
5. **Promote your practice to existing and new clients.** Promoting and marketing your practice, and the value of your services, is crucial to success. There are a number of reasons why SMEs

Transforming SMP Challenges into Opportunities



International
Federation
of Accountants

Articles from the Global Knowledge Gateway

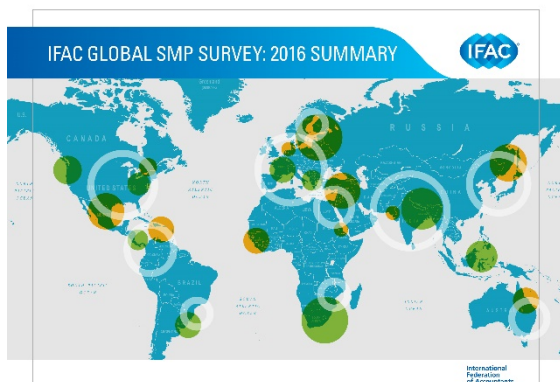
choose SMPs to provide business advisory services, including their reputation for trust, competency, and responsiveness. Leverage these qualities by promoting them to potential clients, who are often unaware that their professional accountant can provide these services.

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.
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 in a “real time” environment and offer services, such as a virtual CFO, cost effectively.

The Global Knowledge Gateway also includes a number of articles, videos, and resources on these topics.

Competition

- [Accountants: Uniquely Positioned for the Future](#)
- [5 Steps to Being an Anticipatory Accountant](#)
- [What Makes a Successful Advisory Accounting Firm?](#)
- [SMPs Can Add Value with New Services](#)
- [Tomorrow's Firm—Think Big, Think Advisory](#)
- [New Services for Accounting Firms: It's about Reliance, Not Compliance](#)
- [Accounting Firms in Australia Have Reinvented Themselves & Their Services, and Your Firm Can Too](#)
- [The Future of Small Practices & Service Offerings](#)
- [Relevant Service Offerings—Practice of the Future](#)
- [The Evolving Advisory Role of SMPs in Supporting the Internationalization of SMEs](#)
- [Perspectives on Strengthening Small-and Medium-Sized Practices \(SMPs\): Part Three](#)
- [Perspectives on Strengthening Small- and Medium-Sized Practices \(SMPs\): Part Seven](#)



Copyright October 2017 by the International Federation of Accountants (IFAC). All rights reserved. Used with permission of IFAC.

Contact permissions@ifac.org for permission to reproduce, store, or transmit this document.



www.ifac.org/Gateway