

HOW I GREW MY PRACTICE FROM NOTHING TO OVER \$6 MILLION IN 5 YEARS

Part 5

WHY DOES YOUR PRACTICE EXIST?

Welcome to part 5 in this Series. To read Parts 1 to 4, visit the [The Accountants Blog](#).

I often do my best work at this time of the year. By that I mean the important strategic work.

The phones stop, the office is empty or I'm relaxing by the pool somewhere. I'm reading a good book that somehow sparks creative thoughts. I think about the year ahead and make lots of notes.



In this post, I'm going to expand on my previous article (Part 4) entitled "[How to get what You want, by giving Clients what they want](#)".

I believe that accountants have the power to change the world of business. Seriously, I believe that.

I know that all clients need help with their business. Yes, all of them.

Furthermore, we know that clients trust their accountant.

Seems like a perfect match, right?

Sadly, not. The vast majority of accountants are delivering absolutely no value whatsoever to their clients. Clients (or anyone for that matter) don't like to pay for things they don't want. Do you like paying for parking fines?

Accountants bury themselves in regulations and compliance. They are ignoring the *real* needs of their clients and they are not equipped to provide holistic business advice.

Most Practising Accountants are de-facto employees of the Government. They are providing services to meet the requirements of regulators, not clients.

My mission, and that of TNG Global, is to change the paradigm. I believe that accountants can change the world of business, particularly at the SME level.

In previous posts, I questioned the usefulness of financial statements and the quality of SME audits. Moreover, SME's don't need audit and most cannot read or understand their financial statements.

"What then is the value of an accountant in public practice?"

I started my career in public accounting in 1981, and you may be surprised to learn that I have never had to conduct a company audit. In western countries, audit is pretty much limited to listed companies and very large private companies.

However, in most Asian countries, audit is still endemic, even for SME's. Yes, there are some exemptions creeping into Asia, but the reality is that even though Company Law may exempt audit for an SME, the Revenue Authorities and Banks are still asking for audited accounts.

Audit Exemption in Asia

I'm no expert on audit – far from it. Audit has an important role in corporate governance to protect shareholders who don't have day to day control or management of the company. Of course Asian accountants will be reluctant to let go of their audit 'security blanket', but the fact is that SME's simply do not need audit and clients do not want it.

It's sad to think that Govt taxation departments and Banks need protection via an audit. Of course I realise they are simply passing responsibility back to accountants as audits are a cost to the business owner, not the Govt or the Bank. Why not try to pass the compliance burden and risk back onto small business if you can get away with it! This is not how it works in western countries. The Banks and Govt have their own risk management processes and certainly never demand an audit.

In terms of reform, Singapore has been the leader of the pack. Malaysia is still watching from the sidelines, and Hong Kong has recently taken minuscule steps to simplify.

Singapore has taken the biggest steps starting a decade ago by moving to exempt small business from audit. The first stage exempted only a small proportion of SME's. However, from 1 July 2015, the criteria for a company to qualify as "small" has been both simplified and loosened to include over 25,000 new companies (according to the Singaporean Senior Minister for Finance and Transport). The new eligibility requirements are as follows (exemption if two criteria are met):

- Annual revenue is less than SGD\$10 million (previously \$5million)
- Total assets not exceeding \$10 million
- Less than 50 employees

These changes more closely align with the regulations in Australia and the UK.

In Malaysia, SME audits continue, however the SSM (Companies Office) in its 2008 consultative document *"On Creating a Conducive Legal and Regulatory Framework for Businesses"*, suggested using three criteria to determine whether an entity should be considered a small entity, as summarised below:

- Total revenue of not more than RM10 million;
- Total assets of not more than RM5 million; and
- Not more than 50 employees.

In Hong Kong all companies must also be audited, except dormant companies. However, from 2014 new rules allow certain SME reporting exemptions. For a company eligible for simplified reporting there is no requirement for an auditor to express an opinion of whether the financial statements present a true and fair view. A small company must not exceed any two of the following:

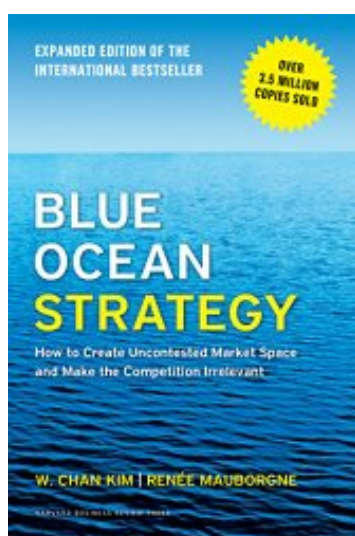
- (a) Total annual revenue of HK\$100 million
- (b) Total assets of HK\$100 million at the end of the reporting period
- (c) 100 employees

Curiously, Hong Kong seems to have departed from the approach of western countries and that of Singapore. Perhaps this relates to 'big brother' Mainland China issues?

Asia is at least 20 to 30 years behind western counter-parts in terms of simplification of corporations' laws and the drain that imposes on small business.

It's all smoke and mirrors. SME's are not interested in audit or regulations. They want to make money. When are accountants going to wake up? When will Governments take the brakes off small business which is the engine for a prosperous economy? As I have said before, accountants end up being squeezed in the middle between Govt regulations on one side, and client needs on the other.

The Solution: Blue Ocean Strategy for Accountants



Please don't ever complain about competition. In the business advisory world, there is virtually no competition at the SME level. On the other hand, compliance and audit is a commodity, highly competitive, and if I were an SME I would shop around for the lowest price. It's the 'Blue Ocean Strategy' concept. ([Kindle version](#) USD\$16.00)

Here's my advice. If I were to set up a Practice in Asia, I would tell my SME clients that the audit is free (or pick a low-ball figure). Furthermore, I would tell them that I will file your income tax return free of charge. How many clients will I get? It would certainly create a strong point of difference!

Of course, I would have clear terms of business. Terms designed to add value to my clients business. That's where I would make my money. I would make money from delivering services that will help grow my clients' profits and protect their wealth.

Now to be absolutely clear, I am not suggesting that you stop offering compliance/audit services. To the contrary, this is the foundation stone of your Practice. Don't let clients choose your firm based on the price of audit and tax compliance services alone. Furthermore, I'm not suggesting that you cut corners. You still need to deliver professional, quality audit/tax services (as required by law).

To make this work, client selection is vital. In [Part 3](#) of this blog series I talk about this and offer a [free download](#) - Strategy #101.

Active readers of my blog will know that I built an MDP, a multi-disciplinary practice that worked very well for me. We did zero audit. Ziltch. So, apart from client selection, the range of services you offer is a key. We grew our average fee to over \$30,000 per client. Clients paid monthly by direct bank credit or in advance. The bottom line is that clients came running to us, they were making more money, getting value, paying more fees (more promptly) and we had a Practice where it was satisfying and fun to work. In other words, you can get what you want, if you give your clients what they want.

To learn first-hand how make these kinds of strategic changes and many more, I'm currently running a series of events across Asia entitled ***"How to (massively) Increase Revenues and Profits with less Clients and less Effort"***. Please visit: www.tng-global.com/tng-events/

Greatness and Inspiration

What makes great companies great? How do great leaders inspire? The answer is well documented, yet so few understand how great leaders inspire action. Steve Jobs knew it. Mother Teresa knew it, as did Martin Luther King and John F. Kennedy.

If you've read the great book ['Built to Last'](#), you'll already know the answer.

What is your purpose ... beyond making money? Why does your Practice exist?

I found this [TED Talk by Simon Sinek](#) which covers this topic very well. Just watch the first 6 minutes.



Let's tie these concepts together.

"People don't buy what you do, they buy why you do it"

1. **Why** does your Practice exist? What do you believe? Surely it's about helping people and making a difference.
2. **How** you do it? Your services, and what makes your firm different.
3. **What** you do? You're an accountant in public practice (but no ordinary beancounter).

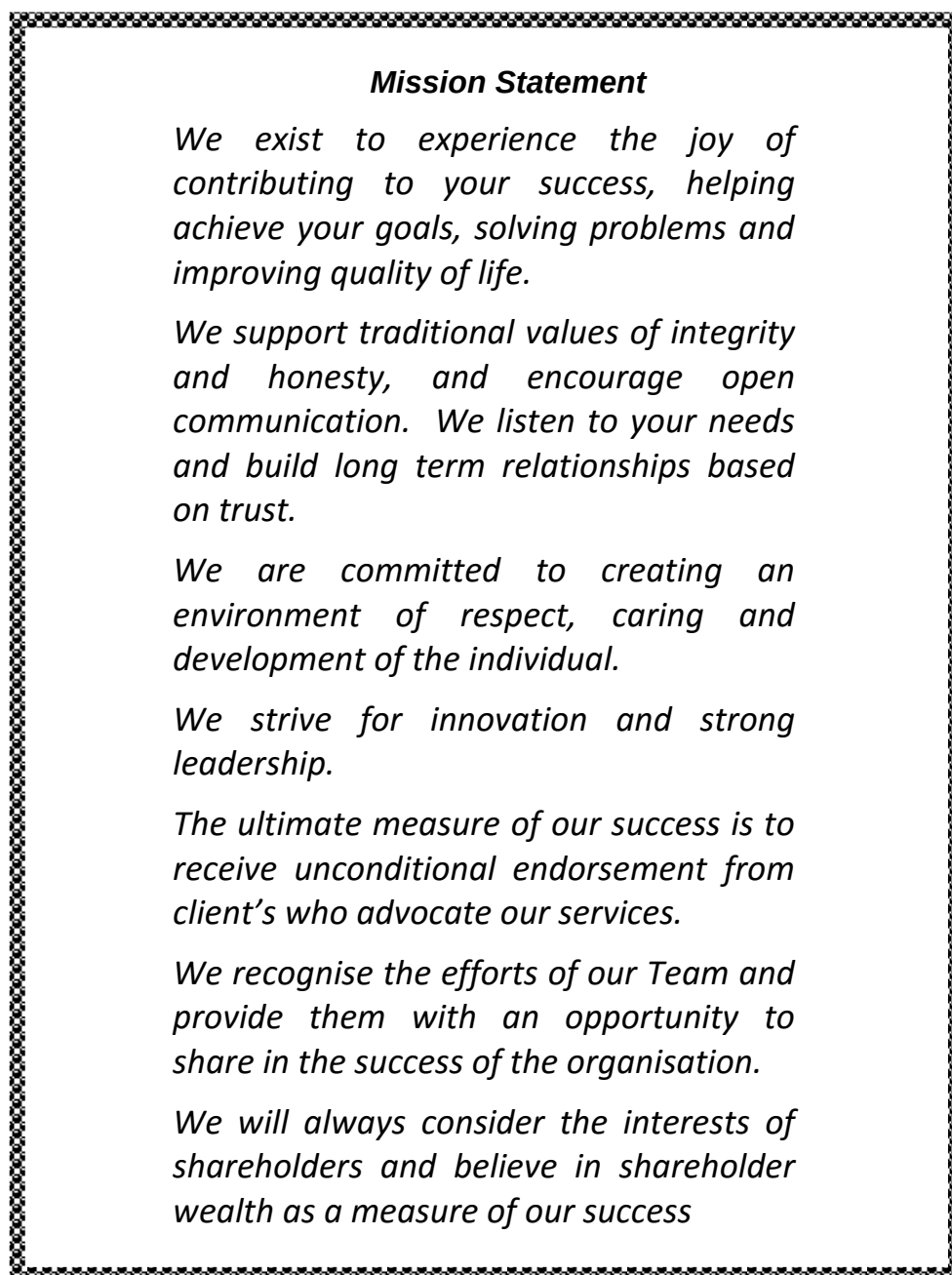
Perhaps your clients like you, so how you do it is relationship driven. That's fine, but it's not a smart business model in terms of leverage. Clients only want to see you, so as you grow, your life gets busier and busier. You only have so many hours in a day. Do you want a job or a business?

Strategically, if you are trying to build a real 'business', then it makes better sense to create an organisation that attracts clients and good employees driven by your sense of purpose, not your personality. The why.

So, **Lesson 8** in this series is 'Find your Why'. Why does your Practice exist (beyond making money)?

When I facilitate Strategic Planning for a business, we spend time on identifying and articulating the culture of the organisation. This includes corporate values, mission and purpose. It's encapsulated in the Company Mission Statement.

Here is the Mission Statement of my Accounting Practice, **The Bruce Partnership**, developed in the mid 1990's. You'll notice our purpose is woven into the document, and you'll notice it is timeless:



The mission statement is a vital business tool and when used effectively, is used daily, be it welcoming a new client or new employees, a vendor, or ongoing internal training to keep the organisation focused.

Concluding Remarks

The most successful companies on the planet, those companies that are '*Built to Last*', have a clearly defined sense of purpose. They know why they exist and where they are going, and they attract the best clients and the best employees.

Over 98% of businesses in the world have less than 15 employees. Two-thirds of accounting firms are sole practitioners with less than 10 employees.

SME's need business advisory help and there is virtually no-one servicing this 'Blue Ocean' opportunity. Accountants have that opportunity, but they are living on a different planet, buried in regulations, trying to compete by selling audit and compliance 'commodities' to SME's that don't want these services.

Surely it's time that we change the game plan?

By all means share this post with your partners and email me if you have any questions or comments.
To print a PDF version by clicking this [link](#). To read previous posts go to the [Accountants Blog](#).
Wishing the very best for 2016!

Marc R. Bruce
[2 January 2016](#)

Suggested Plan of Action

1. Make time for planning and thinking ahead for 2016.
2. **Lesson #8** – Find the reason why your firm exists. Your Purpose.
3. Attend my seminar: *“How to (massively) Increase Revenues and Profits with less Clients and less Effort”*. Visit: www.tng-global.com/tng-events/



About the Author

Marc Bruce is an Australian accountant, and the founder of TNG Global, a Community for Accountants who are making a difference in the world.

TNG Global Alliance (use TNG logo)	Business Advisor Training Courses (incl. Strategic Planning)	Offshoring/ Outsourcing Solutions
Online Professional Community	Resource Exchange 'ReX'	Marketing Support

