

# Scaling New Heights 2014

San Antonio, Texas



## *Adding Value to Commodity Services*

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Business Intuitive**

# What we'll cover:

You'll learn how to:

- Improve and clearly articulate your value proposition using the Level 5 Service model
- Focus on relevance as much as accuracy
- Expand what you are “accounting for”
- Conduct a Chart of Accounts Analysis (CAA)
- Use this exercise as a foundation for producing more meaningful management information for your client

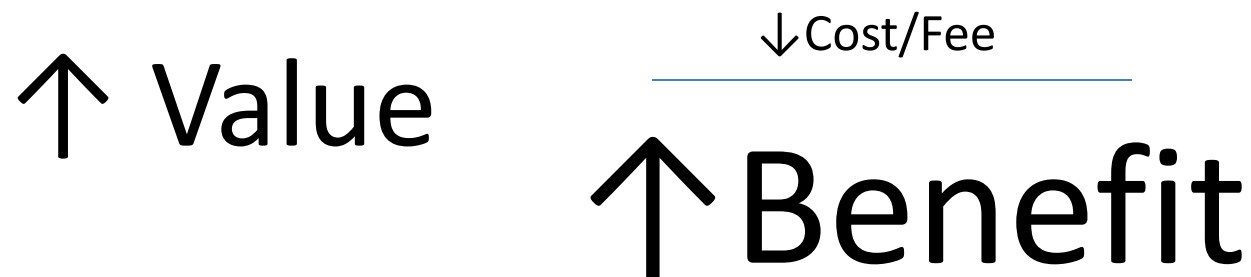
# Why are accounting and bookkeeping services becoming more of a commodity?

- Technology
- DIY Mindset
- Lack of differentiation
- Competition
- Weak value proposition

# What is your value proposition?

$$\frac{\text{Cost}}{\text{Benefit}} = \text{Value}$$

*Their  
perception of  
value is all that  
matters.*



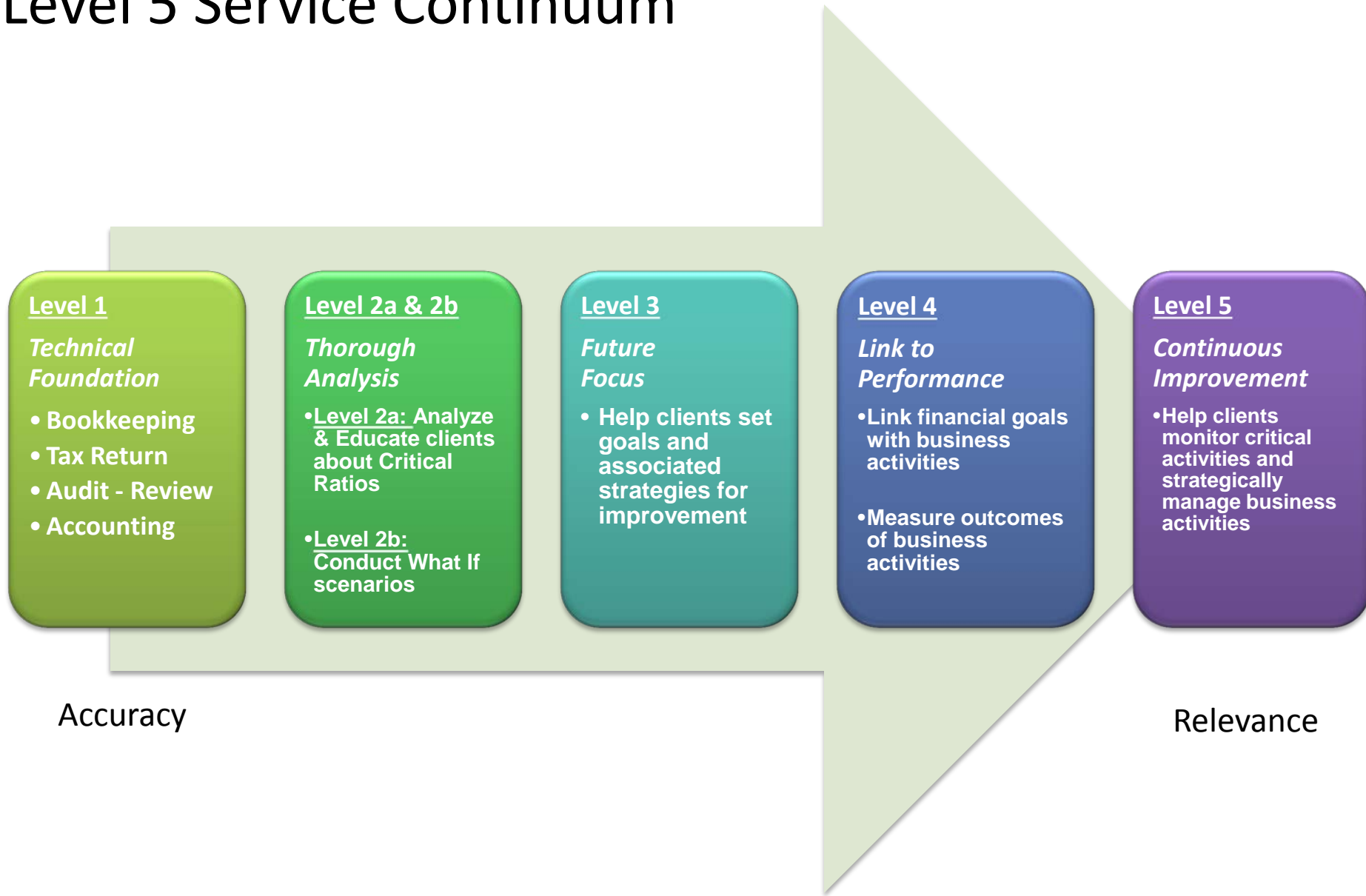
# Seven ways to add additional benefits/value without reducing fees:

1. Education
2. Quality Information
3. Communication
4. Participation
5. Revelation
6. Emancipation
7. Motivation

# No More Random Acts of Consulting!

Move up the value chain from **Hindsight**,  
to providing cloud based **Oversight**,  
delivering value added **Insight**,  
and mission critical **Foresight**.

# Level 5 Service Continuum



Accuracy

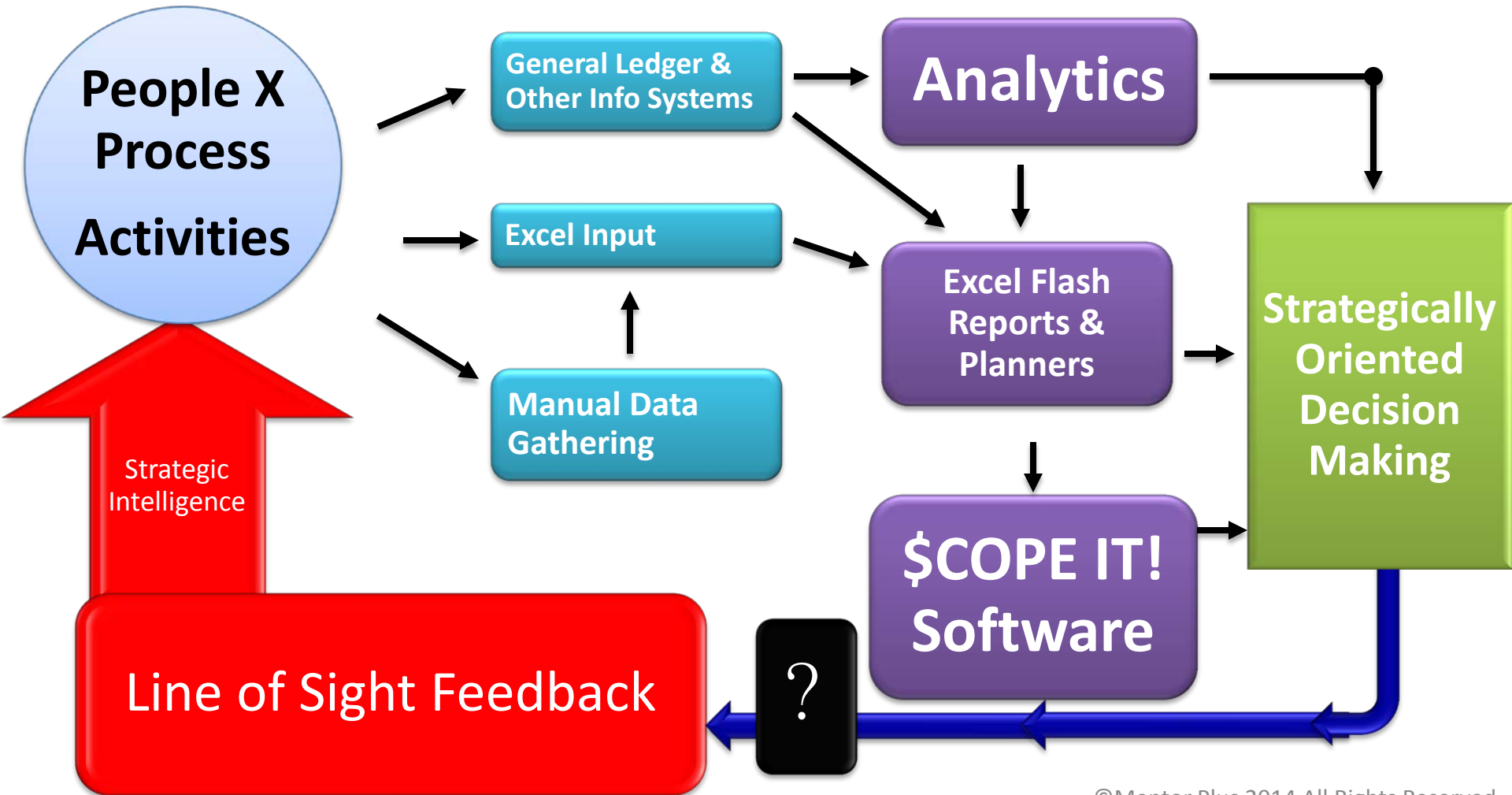
Relevance

# Level 5 Decision Support

Accuracy

Relevance

<i>Collect</i>	<i>Organize</i>	<i>Analysis</i>	<i>Apply</i>
<i>Data</i>	<i>Information</i>	<i>Knowledge</i>	<i>Wisdom</i>





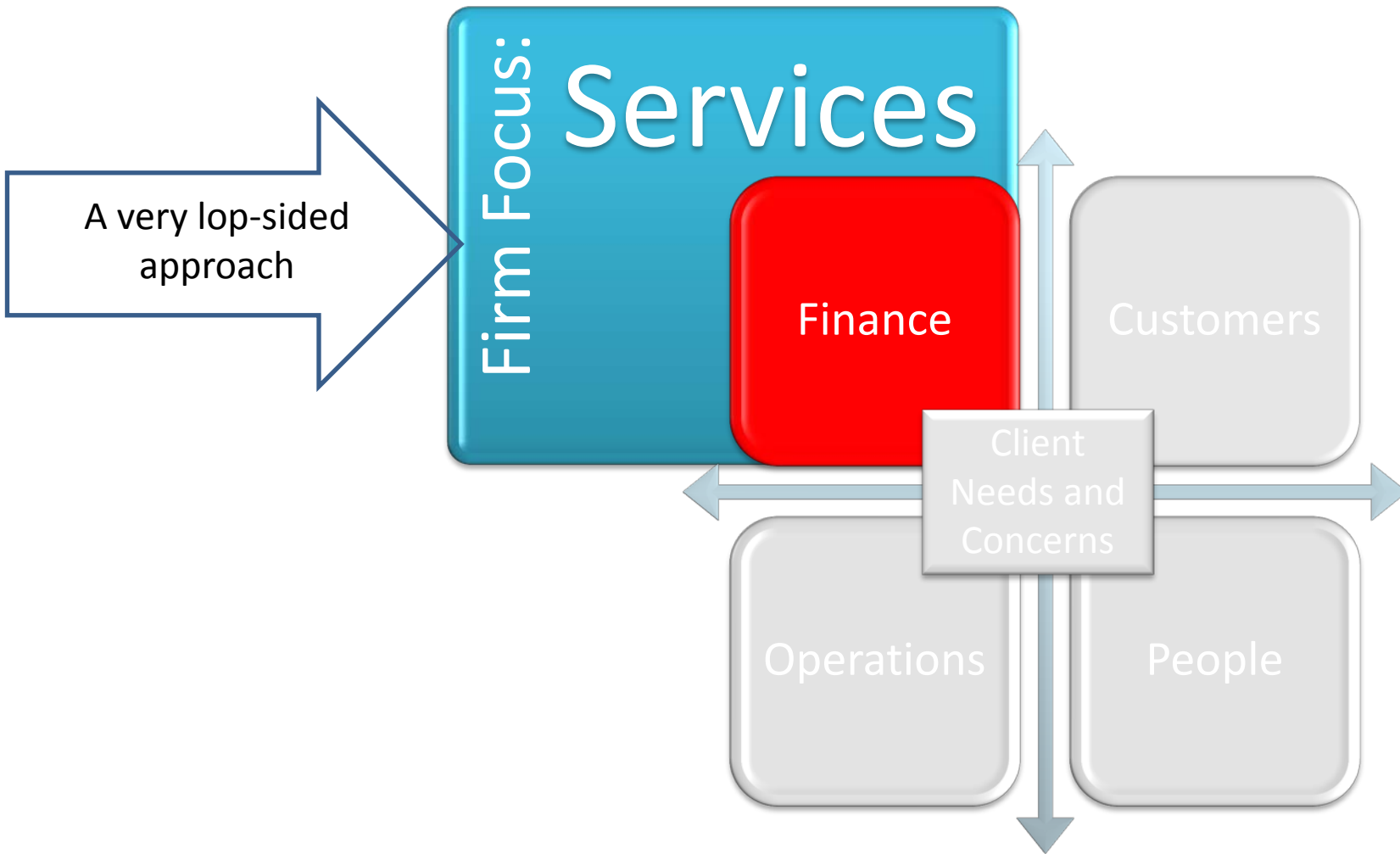
# Accuracy Vs. Relevance

## Service Centric Vs. Client Centric

# A client as seen through a “service” filter.



# The Service Centric Accounting Firm





*When all you  
have is a  
hammer, all your  
problems look  
like a nail.*

author unknown

# What keeps him up at night?



How much more can we grow given our current capacity?

If I made a profit where is my cash?

We seem to be working harder but making less money, why?

How do I get my people focused on the right things?

Should I raise my prices?

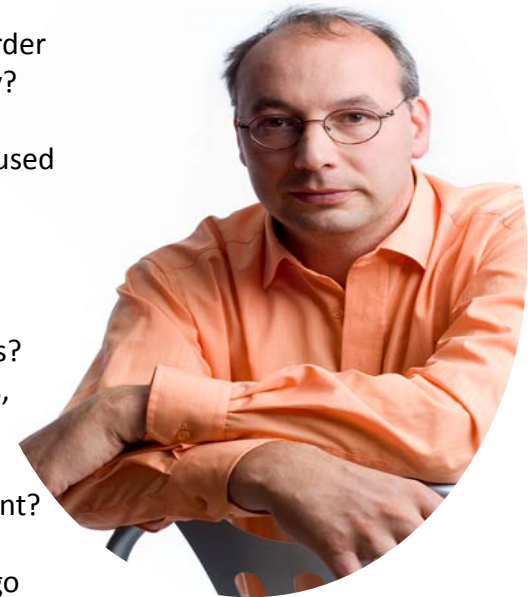
How do I grow my managers? I'm working too many hours, where do I cut back?

How will I fund my retirement?

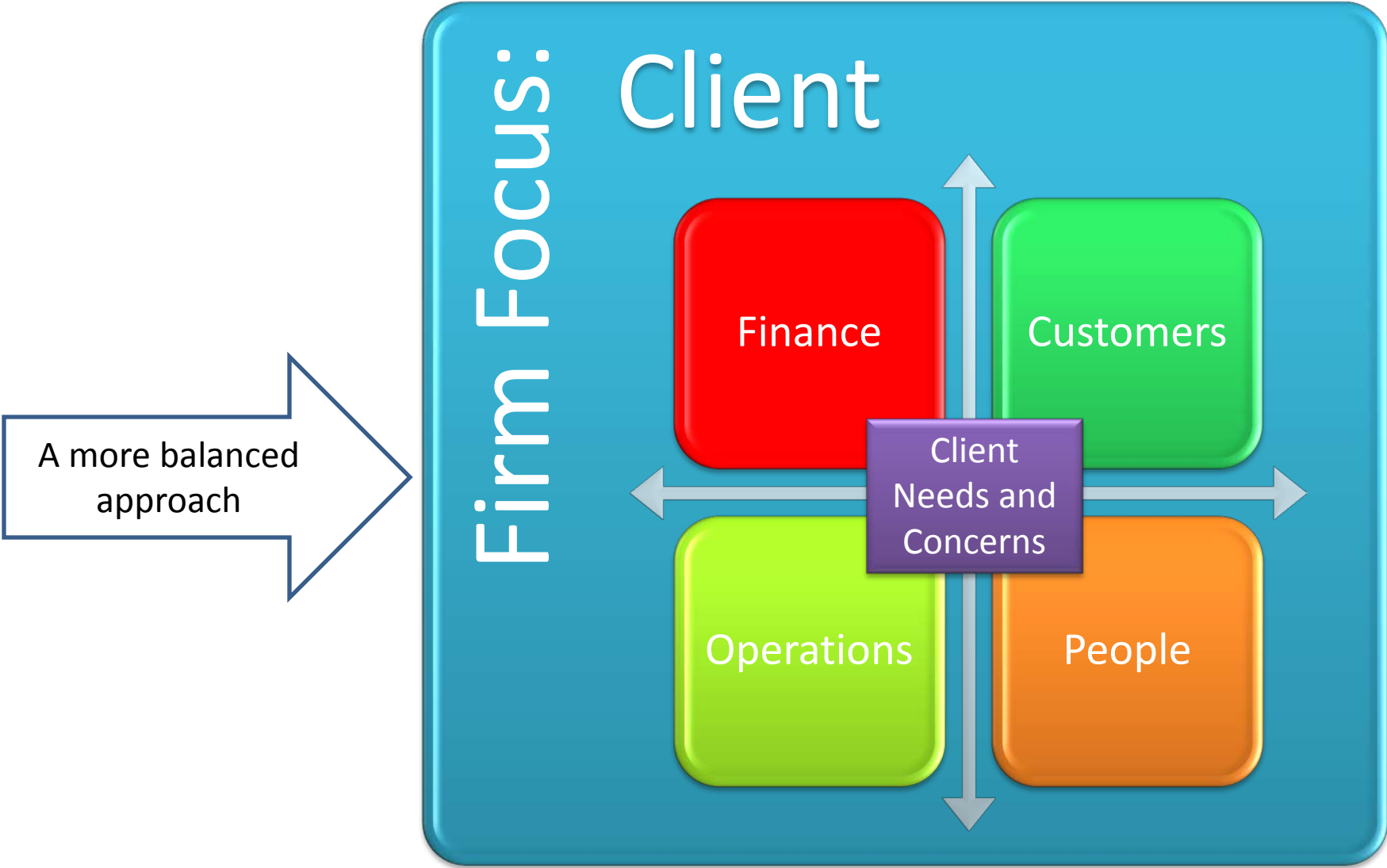
I'd like to take a year off to go sailing, am I crazy?

My dad worked himself to death, how do I avoid his fate?

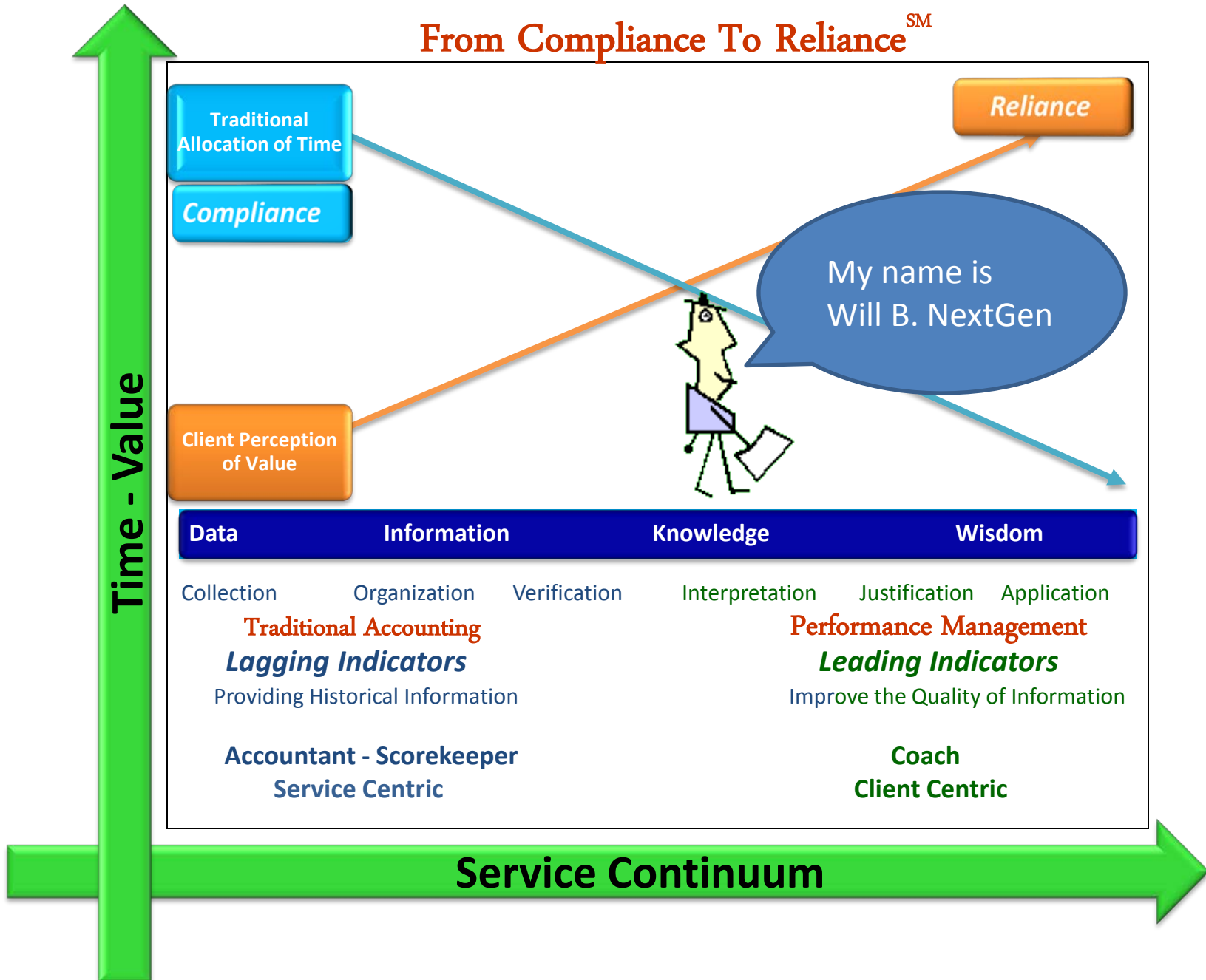
What is my business worth? Is it even saleable?



# The Client Centric Accounting Firm



# Client Centric Firms have Made The Transition From Compliance To Reliance<sup>SM</sup>



***How Does Your  
Company  
Keep Score?***



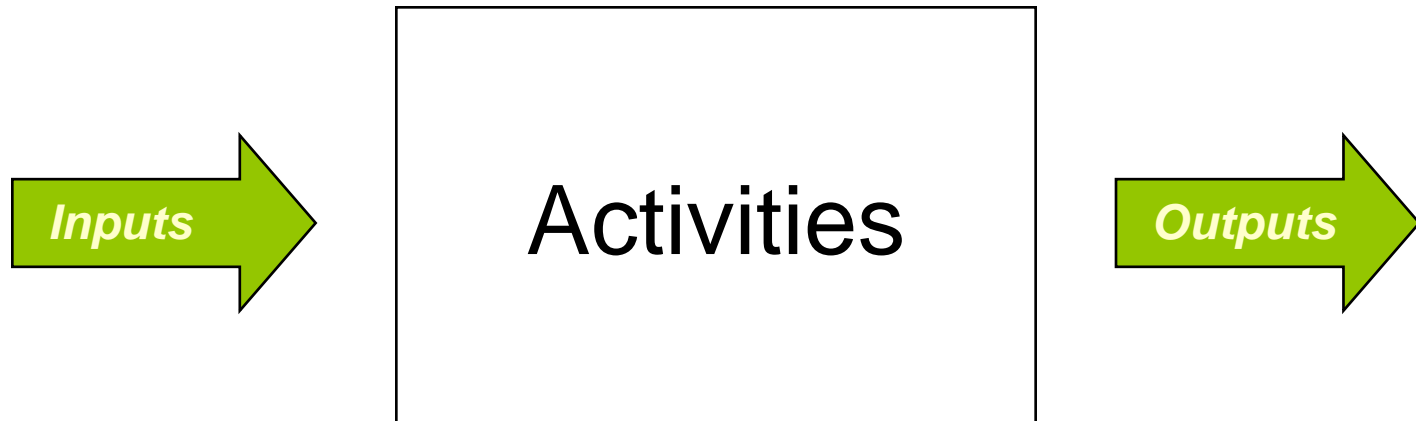
Most companies keep  
score this way:

$$\text{Revenue} - \text{Expenses} = \text{Net Profit}$$

But this is only part of The Profit Equation<sup>sm</sup> . . .

# How do we identify *Lost Opportunity*?

A business is made up of:



In other words, a company is made up of various people performing various activities each day. The Lost Opportunity lies in not measuring, managing, and leveraging those activities on a real-time basis.

# Truth #1

**Your company's profitability depends on how well your people consistently perform specific activities.**

This leads us to the other half of the formula that drives  
The Profit Equation<sup>SM</sup> in business which is:

**Activities drive Profits**

**People x Process = Profit**

The Profit Equation<sup>SM</sup> creates a link between:

Traditional Financial Indicators

***Revenue - Expenses = Profit***

and

Key Performance Indicators (KPIs)

***People X Process = Profit***



In doing so, we can provide you with better information to make critical decisions.

And... provide real-time feedback to your team about its performance.

# A Real Life Example

**In Football there are three levels of scoring**

- 1) Touchdowns**
- 2) Offense/Defense - Specialty Teams**
- 3) Individual Performance**

**In Business there are three corresponding levels of scoring**

- 1) Profit/Loss**
- 2) Activity/Profit Centers**
- 3) Individual Performance**

In football, performance is measured, and compensation is based, on three levels of scoring:

- 1) How the team performs as a whole
- 2) How each specialty team performs
- 3) And how each individual performs.

***Armed with the right information, coaches are able to make real-time adjustments to their strategy, while the game is still in play. The result is each player understands exactly what is expected of him/her each play of each game.***



**In business, the availability of real-time feedback on performance is limited and there isn't always a clear link between compensation and performance. A true KPI has a direct correlation to your company goals and serves as an indicator for the outcome of the "game" while it is still in play.**

***Unfortunately, many employees aren't even sure what the "rules of the game" are, not to mention how they are being scored.***

***It's no wonder many business owners become frustrated with the performance of their team.***

## **Truth #2**

**People perform best when they understand the “rules of play” and the scoring method is clear.**

Once again, our goal is to  
create a link between:

Traditional Financial Indicators

***Revenue - Expenses = Profit***

and

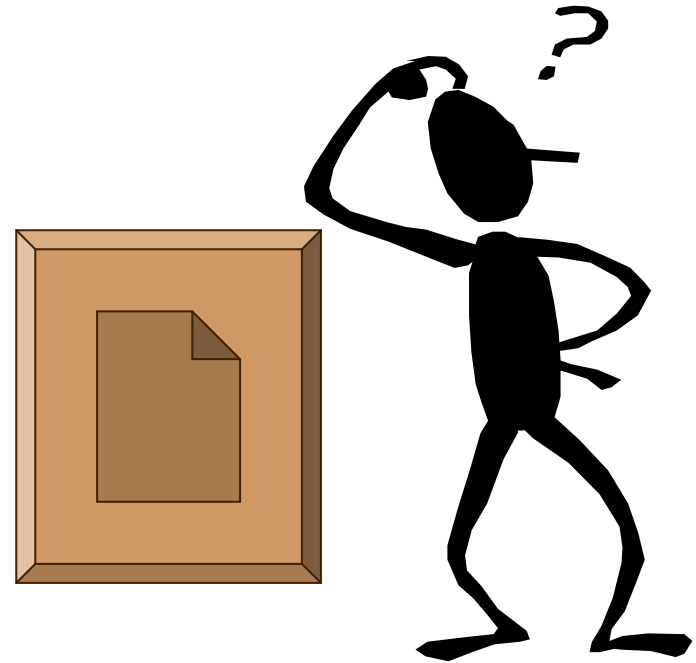
Key Performance Indicators

***People x Process = Profit***



The benefits for doing so are quite compelling.

Let's take a look . . .



## Truth #3

Small incremental changes in key areas (activities) can have a profound effect on the bottom line.

# Four key areas to be measured in business could be:

- 1) Finance
- 2) Customers
- 3) Operations
- 4) People

# Sample Financial KPIs

- Account Receivables
  - Collection days
  - Write-offs
- Accounts Payable
  - Discounts taken
- Net Asset Turnover
- Return on Investment

# Sample Customer Marketing/Sales KPIs

- Acquisition Rate
  - Leads Generated vs. Closing Rate
  - Cost of acquiring new customer/source
  - Average & Cumulative Sales per customer/source
- Attrition Rate
  - Reasons for leaving
- Customer Delight
  - Referrals/customer/source
  - Lifetime Value of a Customer



# Sample Operational KPIs

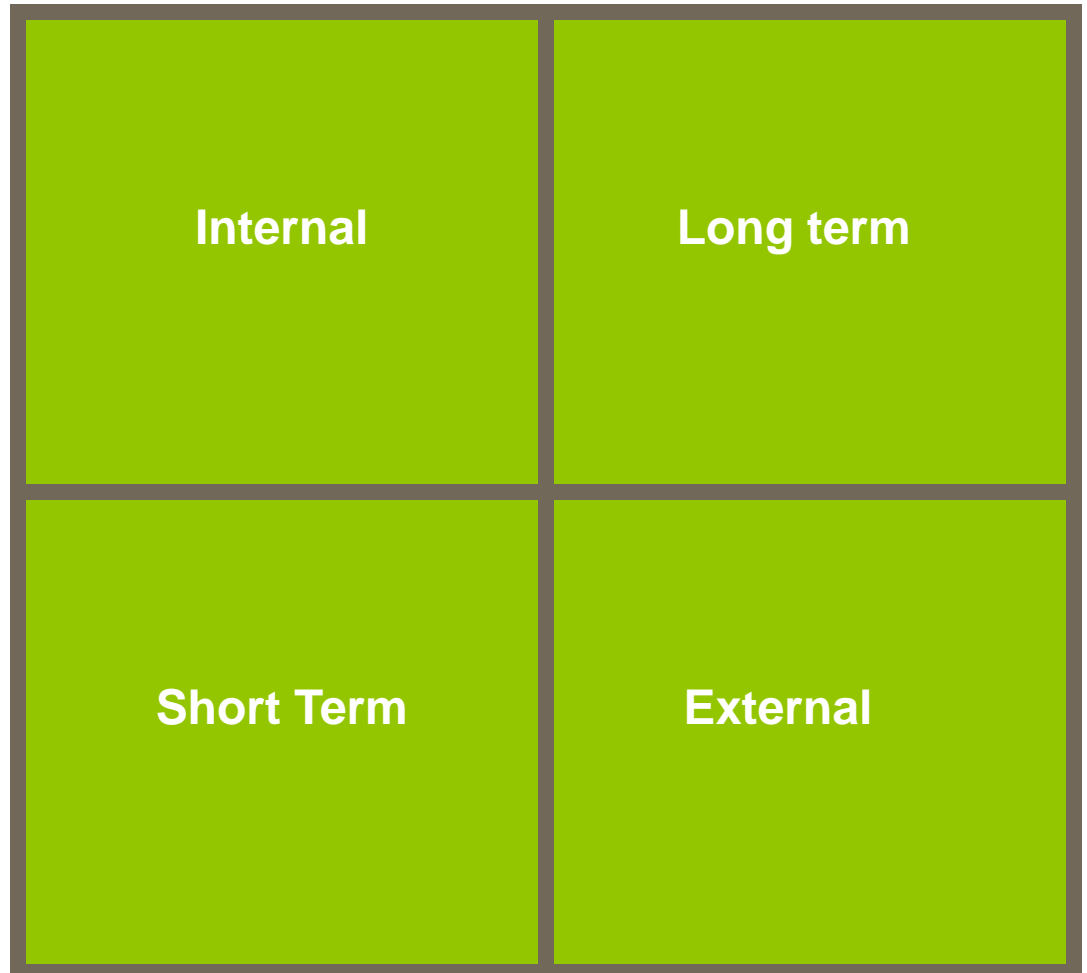
- Inventory turns
- Labor hours
- Turn-around time
- Cost of goods
- Re-work, Errors, Returns, etc.
- Down time
- Maintenance costs

# Sample People Management KPIs

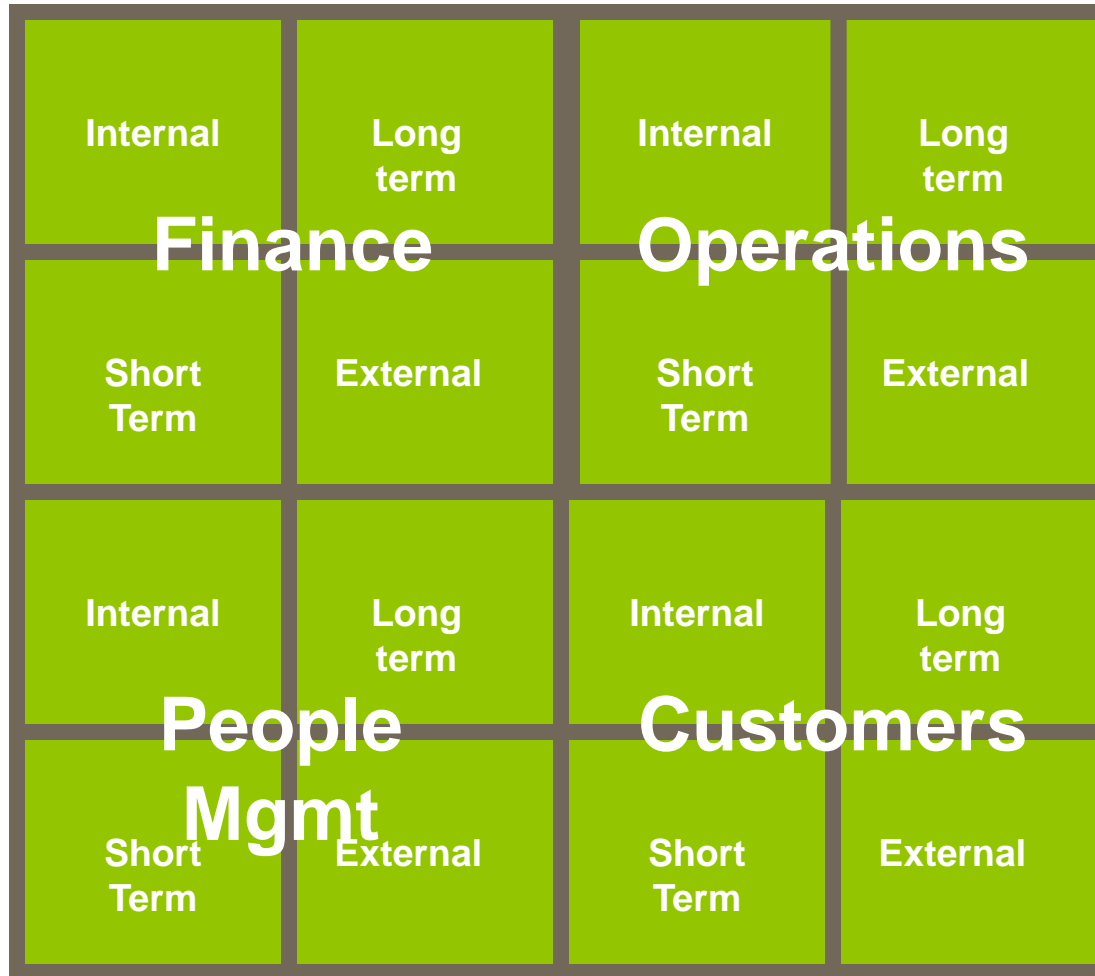
- Employee satisfaction
- Strategic Intelligence
- Employee suggestions for improvement
- Company I.Q. - Innovation Quotient
- Employee turnover
- Training costs/employee
- Cost of acquiring an employee
- Absenteeism
- Injuries

# The Balanced Scoreboard

A truly balanced approach to KPI Measuring and Monitoring also addresses Finance, Operations, Mgmt, and Mktg./Sales from these four perspectives.



It's likely you would have several KPIs in each area of business



# Various KPIs are monitored on different cycles

- Some weekly
- Some monthly
- Some quarterly
- Some annually

Once we've selected the KPIs that best represent the critical activities in your business, we create a "Flash Report" that might look like this:

Flash Report for the period of: _____			
ACTIVITY	ACTUAL	GOAL	%+-
Avg. Sale/order			
Collection Days			
New Orders Received			
Proposals sent vs. closed			
% Order Accuracy			
% Orders filled within 24 hours			
% of items on back order			
Returns - Damaged Goods			
Customer Complaints			
Employee Absenteeism/Tardiness			

# No More Lop-sided Coaching

Balanced Scoreboard

=

Better Decision Support

Armed with better information ...

*Now it's time to engage and empower  
the team to improve the numbers.*



Here are the Four Steps  
to make that happen ...

# Step #1 - Explain the “Rules of Play”

Simply put, when we identify the *Key Performance Indicators* for each area of business and educate the team about the link between their performance and the financial realities of the business, we will have taken the first step toward Business Literacy. In doing so, we establish new, measurable standards of performance to which everyone can adhere.

## Step #2 - Post the Score

The team needs regular and consistent feedback about their performance. Without this, they will cease to care.

## Step #3 - Recognize Effort

It may take some time for changes to appear on the bottom line and not every effort will have an immediate, discernable result, but it's important to recognize the effort along the way.

# Step #4 - Reward Improvement

Rather than giving arbitrary raises and bonuses, now you can reward your team based on real performance measures.

In doing so, you'll find your team ready, willing, and able to support your overall business goals.

# **The final truth about business:**

**What gets measured gets done.**

**What gets rewarded gets done again.**

**Measurement drives performance**

# Discussion:

How does this apply to your business?

- **How does your company keep score?**
- Is it based on the performance of the company as a whole?
- Is it based on the performance of specialty teams within the company?
- Is it based on individual contributions?
- What measures do you currently track?
- How do you share them with the team?
- Are they linked to compensation?

# Take Away Tools

- Chart of Account Analysis
- How Does Your Company Keep Score ppt



# Wrap-up

- Accuracy vs. Relevance
  - Chart of Account Analysis
- Teach them about their business
- Inspire them to be better business owners
- Increase employee engagement

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## Your questions?

My question: What will  
you take away from this  
session?