

Feeding Your Firm's Starving Crowd



The Knowledge Your Clients Want You To Have

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Early in my career, I had the opportunity to meet with three great business leaders whom I respect very much. Wanting to glean some great nugget of knowledge from them I asked each of them to respond to the following question:

If you were starting a restaurant and could claim any competitive advantage, what would you choose?

The first replied, *"Location, Location, Location... you have to have a location with a lot of foot traffic."*

The second replied, *"People, People, People... without the right chefs and wait-staff your venture will fail."*

The third pondered for a moment. He acknowledged how important both location and people are but said, *"He would give all that up for one thing... A Starving Crowd."*

Amazingly, the accounting profession already has a built-in "Starving Crowd", its clients. Clients are starving for additional support and services to help them achieve their overall business goals. Considering the current economic environment, you could not ask for any greater advantage than the high level of trust accountants have with their "starving clients". That trust translates into a tremendous growth opportunity for firms. It's important to note, however, the direct correlation between the opportunity to grow your firm and your understanding of, as well as your ability to deliver, the type of services your clients are "starving" for. Simply put, in order for you to see the value of your firm grow you must dedicate your efforts to helping your clients' businesses grow.

**"He would give
all that up
for one thing...
A Starving
Crowd."**



Having a clear understanding of what your clients really want typically leads to an expansion of services and capabilities far beyond the "SCOPE" of traditional accounting services; the operative word being "SCOPE." The Mentor Plus® \$COPE Advisor Program helps firms expand their Mind Set, Skill Set, and Tool Set to approach their client's needs from a more balanced perspective. The concepts included in the \$COPE Advisor program are universal and can be applied by firms of all sizes... we encourage you to take these concepts and apply them in your firm in the way that best suits the needs of your clients.

The \$COPE Mind Set

Most firms are "service centric." A "service centric" firm looks at client needs in relation to the services the firm offers. For example, clients are often slotted in one or more of the following service lines: tax, audit/review, or accounting. Unfortunately, it is difficult to ascertain the overall needs of the client when you have such a lop-sided perspective.

Translated into sports terms...

John Madden, famous Oakland Raider football coach and well known commentator spoke once about the influence of technology on the "game" of coaching. He told the story of the early years of coaching where performance of the team and individuals was captured by pencil and paper. As technology became more prevalent, the performance aspect of every play of every game was captured and analyzed. John went on to say that the "pencil and paper" approach resulted in an unbalanced focus on the offensive side of the game. It wasn't until technology made the process easier and more comprehensive that they realized how their lack of focus on defensive statistics resulted in a very lopsided approach to coaching.

"It is difficult to ascertain the overall needs of the client when you have such a lop-sided perspective."

Likewise, most accountants are guilty of lop-sided coaching because of their "service centric" client strategy.

Those with a service centric focus can only hear and see opportunities as they relate to services the firm currently offers; much like wearing "accounting colored glasses". So if a client mentions they are having problems attracting and retaining talent, the service centric accountant would be sympathetic but unable to offer much in the way of concrete solutions.

It is not uncommon for practitioners to admit that they avoid asking questions for fear the client might bring up issues they don't know how to handle. You know the old saying, never ask a question you don't already have the answer to. By-the-way, that saying comes from the legal profession and may be true in a court of law, but not when you are building a relationship with a client. Behaviorally, service centric accountants are always in a hurry to finish and deliver their work product so they can move on to the next project.

Client versus Service Centric

The balanced perspective that the \$COPE Mind Set facilitates results in "client centric" behaviors. For example, the client centric practitioner, with more skills and tools at their disposal, would not be afraid to ask more questions and, at a minimum, help the client connect with an HR professional. More likely, given their advanced training, they would dig deeper to help the client determine the underlying causes of their problem. They might assist with exit interviews, offer behavioral assessments, or facilitate team building exercises.

The table below provides further insight as to the differences between a service centric and client centric practitioner.

| Client Centric Paradigm | Service Centric Paradigm |
|---|---------------------------------|
| Non-Seasonal | Seasonal |
| Higher Realization | Commodity |
| Value Billing | Hourly Billing |
| More In-depth Contact | Mail-in Standardized Routine |
| Facilitate Problem Solving | Solve Problems |
| More CEO/Team Contact | More CFO/Controller Contact |
| Measures activities that drive outcomes | Measures Outcomes |
| Anticipate | Report |
| Future Oriented | Focused on Past |
| Focus on Whole | Focused on Detail |
| Facilitate a Process | Deliver a Product |
| Involved | Detached |
| Positions Expertise Pro-Actively | Responds w/Expertise Reactively |
| Planning Oriented | Conducts the Post Mortem |

“Client Centric firms focus on new areas beyond finance.”

The transition from a service centric to client centric culture is achieved in two ways—**first by focusing on new areas (beyond finance) of the business and secondly by looking at those areas from a number of different perspectives.**

\$COPE Focus Areas include the most common performance areas in a business while \$cope Perspectives facilitate looking at each of those areas in many different ways.

The matrix: \$COPE Focus Areas and \$COPE Perspectives

The five \$COPE focus areas include:

- **\$ = Financial**—the financial results are really the tip of the iceberg. They give you insights into what is going on in a company but they don't tell the complete story.
- **C = Customers**—the customers hold the keys to a company's long- and short- term success. By examining every customer interaction, you can get a clear sense of what is driving the financial outcomes that you observe.
- **O = Operations**—the processes and procedures that drive a business are directly related to the financial results that are achieved. By reviewing documented procedures and then comparing them with implemented procedures, you will gain further insights into the financial and customer-related results that you observe.
- **P = People**—no business can succeed without the right people. With a clear understanding of the roles and behaviors of the individuals employed, you can determine if the team is supporting the organization in achieving its objectives.
- **E = End in Mind**—a business needs to know where it is going in order to get there. Understanding and reviewing the vision and long term plan of an organization can help you determine if their financial measurements and results are supporting that vision.

\$

C

O

P

E

When we evaluate each of these areas through different lenses, we come up with the following five \$COPE Perspectives:

- **Stethoscope:** Listen for feelings
- **Telescope:** Capture their Vision for the Future
- **Kaleidoscope:** Analyze Information from Multiple Perspectives
- **Microscope:** Link Behaviors and Outcomes
- **Radarscope:** Monitor Mission Critical Activities

| | \$ | C | O | P | E |
|---------------------|--|--|--|---|---|
| | Financial | Customers | Operations | People | End in Mind |
| Stethoscope | How do you feel about your financial situation? | How do your customers feel about your company? | How do you feel about the products and/or services you have to offer? | How do you feel about the people in your organization? | How do you feel about your business in general? |
| Telescope | How big do you want your company to be? | Who is your ideal customer and how do you want to be serving them? | What are the most profitable and desirable products and services that you want to offer? | Who do you want on your team? What kind of culture will attract and retain that talent? | What does your retirement look like? What role will the business play in your future financial independence? |
| Kaleidoscope | What are the profit, cash, and capital requirements of your company today and your plan for the future? | What is the key market differentiator that will attract and retain your ideal customers? | What is the most effective way to produce and deliver your products and services? | How can you optimize the productivity and innovation of your team? | What has to happen for the business to be able to run without you? What needs to be done to make the business system dependent, not people dependent? |
| Microscope | What needs to be done to improve the use and leverage of the financial management and assets of the company? | Is every point of contact with your customers being leverage? | Are there ways to improve your processes? | What are the most critical links between employee behaviors and company outcomes? | How are you spending your time? Are you working IN or ON your business? |
| Radarscope | What are the mission critical activities you should be monitoring every day? | | | | |

Figure 1: The \$COPE Diagnostic Matrix ©Mentor Plus 2008 All Rights Reserved

This balanced approach to addressing client needs requires you to look beyond the financial view of your clients’ business. It requires you to consider all of the factors that influence that financial outcome. Once you expand the areas of focus, you then assess and monitor those areas from multiple perspectives. The \$COPE Diagnostic Matrix in Figure 1 illustrates how you would combine these two critical concepts in working with a client.

The \$COPE Skill Set

Learning to ask the right questions is more important than having all the answers. For example, if we look at the medical diagnostic and treatment model, the quality of questions asked and method of testing and analysis employed has a direct effect on the effectiveness of the treatment of an illness. The \$COPE Advisor Engagement Skill Set Protocol closely resembles the medical model outlined below.

| Medical Model | \$COPE Protocol |
|--|--|
| Patient presents with symptom(s) | Client brings up an issue(s) |
| Triage—Preliminary Assessment | Discovery Questions |
| Testing and Analysis to determine underlying causes | Analysis |
| Health Goals Outlined | Business Goals Identified |
| Treatment Plan Developed and Communicated | Specific Strategies outlined |
| Ongoing Check-ups adjusting treatment plan as needed | Ongoing Monitoring adjusting strategies as indicated |

“A balanced approach to addressing client needs requires you to look beyond the financial view of your clients’ business.”



The \$COPE Tool Set

The old saying, *"If all you have is a hammer, all your problems look like a nail"* describes most accountants. If accountants only know the client's financials, then every problem gets analyzed through that filter. The good news is that there are more sophisticated tools available today.

Much like the technological impact John Madden referred to above, today's tools provide better insights as to how your client's business game is actually being played. What's more, these tools can do more than John Madden could have imagined—they can project future outcomes based on current strategies.

Mentor Plus offers \$COPE IT!™ software to our members so they can make financial concepts more tangible. The software can be used to improve the financial fluency of business leaders and to link day-to-day activities to financial outcomes. Included in the software is the \$COPE Dashboard that provides multi-perspective feedback about those activities that have the greatest impact on company performance. Financial Analysis software and Business Dashboards are not new and there are a number of different products commercially available. It is important that whatever program you use be interactive so your client can see, understand, and respond to the information on a real-time basis.

For example, many clients struggle with some or all of these conundrums:

- *"If we made a profit, where is the cash?"* or
- *"We keep growing the top line, but why doesn't the bottom line grow?"* or
- *"Why is my banker on my back all the time, if we are making a profit?"* or
- *"Is it possible to grow broke?"*

"Client Centric firms make financial concepts more tangible."

Telling a client that they are behind on receivables has little impact on business decisions. The client probably already knows they have an issue with receivables, what they don't know is what is going to happen if they continue to grow without getting a handle on their receivables. Sometimes business owners struggle to understand why the bank is hesitant to lend or extend credit when the business is growing. Having the right "tool" at your disposal and being able to test specific strategies such as the impact of growth on cash flow or drill down to the root cause behind the disparity between growth in sales and shrinking profits is what separates a typical accountant from a true trusted advisor.

"What If" and "Goal Seeking" capabilities help you to quantify and illuminate the answers to client questions about how they have performed in the past. But they help you go even further by showing your clients how they can improve their numbers in the future. The tool allows them to drill down to the actual business drivers of financial outcomes. So instead of asking the team to help the company be more profitable in a vague and ambiguous way, the business owner can work with the team on specific strategies in their area of business performance. Additionally, the business owner (with your help) can monitor and report on the team's progress toward their identified strategic objectives.

Bringing It All Together

This takes us back to the \$COPE "client centric" service strategy. It takes... The right Mind Set, one that looks at the broader needs of your clients. The right Skill Set, one that can drill down to root causes in a repeatable, effective manner. The right Tool Set, one that educates clients about the implications of past financial outcomes and how to improve them going forward.

**"What If" and
'Goal Seeking'
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This is important because...

- Tools, without the right skills to use them, go underutilized.
- Skills, without the right mindset, are misdirected.
- Mind Set alone, without structured application, results in unleveraged activities.

Are You Converted Or Convinced?

Are you ready to start feeding your Starving Clients? Is your firm really **Converted** to a "Client Centric" service strategy or are you just **Convinced**?

There are a lot of firms that talk about being "client centric" or a trusted advisor to their clients, but when pressed as to the specifics of how their firm manifests that behavior, few have an answer. Here is some fuel for thought...

The definition of a firm that is merely convinced is that they have accountants who reactively provide consulting to clients, usually on an hourly basis. In contrast, converted firms are those who have accountants who see traditional accounting services as a by-product of the overall advisory relationship. The marketing logic that supports this pro-active approach is fueled by the recognition that it costs 6-7 times more to bring in a new customer than to re-solicit an existing one. Trusted Advisors are focused on the overall needs of the business relationship not just compliance issues. They are driven by a vision of a "reliance" based relationship. These firms have protocols and procedures for delivering standardized advisory services. They tend towards fixed fee and value billing as opposed to hourly billing.

"Converted firms see compliance work as a by-product of an advisory relationship."

Converted firms view financial statements as a benchmark against future goals. They are actively involved with helping their clients plan for the future growth of their companies by setting clear objectives. They help clients glean more from, and better utilize, the information that is critical to their overall business objectives. They are actively involved in helping clients improve the entire \$COPE of their business, not just analyze their financial statements.

Converted firms have a business plan for the development of broader advisory services. And they understand this simple but profound truth:

“You don’t grow companies. You grow people and people grow companies.”¹

These firms also have a long-term view of their return on investment that is measured not just in billable hours, but also in terms of reduced client attrition and expanded (and therefore more loyal) relationships.

Firms that will lead the way in terms of advisory services will have addressed these seven critical success factors:

1. They understand the greater business needs of their clients.
2. They have developed a business plan to create services that deliver on those needs.
3. They have made a significant investment in the education of their people to acquire the skills to deliver these new services.
4. They view the development of advisory skills with the same high regard as technical skills.
5. They understand the long-term economic benefits associated with consulting that, over time, will off-set the initial investment in the process.

1 Author unknown

“You don’t grow companies. You grow people and people grow companies.”

Author unknown



6. They have an active cross-selling program within the firm to identify and maximize consulting opportunities.
7. They have re-oriented their thinking around the "you are what you bill" attitude to place more emphasis on the long-term viability of the firm.

Last but not least these firms understand and apply the "rule of seven" (although they may not call it that.) I was first exposed to the rule of seven by a former client of mine, an insurance broker. The rule of seven goes something like this... on average, North Americans purchase up to 7 different forms of insurance in their lifetime, including life, health, home, care, mortgage, disability, business, etc. When the insurance industry began tracking the attrition rate of typical customers, they found something very interesting. Among those clients with whom a broker had only one policy, there was an 80% chance they would switch brokers within the first two years. For those clients owning 2 or 3 policies with that broker, the rate of attrition dropped to 50-60%. When clients had 4 or more policies, their attrition rate was less than 20%.

So what is the accounting equivalent? Think of it this way. If you are only doing an annual tax return for a client, you are quite vulnerable to your competition. If you are doing their taxes and providing financial statements on a regular basis, the odds of them switching accountants will surely go down. Add to that relationship \$COPE type advisory services and you have a more loyal client. As the hunger for greater competitive advantages in business grows, the need for firms to provide broader and more balanced pro-active advisory services will also. Those firms who actively develop a \$COPE Mind Set, Skill Set, and Tool Set to feed their "starving crowd" will likely find their client loyalties and the value of their firms growing accordingly.

"The Rule of Seven provides the motivation to expand client relationships."

About Mentor Plus

Mentor Plus, a leader in training and consulting to the accounting profession since 1997, is dedicated to helping firms make the transition from a "service centric" to a "client centric" culture. Through their programs, accountants learn the art of understanding and the science of exceeding clients' needs.

Mentor Plus works exclusively with forward-thinking accountants who want to help their clients improve their businesses and achieve their goals. Their unique training programs provide instruction in three critical areas: 1) skill set, 2) tool set, and 3) mind set.

About the Mentor Plus \$COPE Advisor Certification

The Mentor Plus \$COPE Advisor Program provides certification for firms and individual practitioners who have the Mind Set, Skill Set, and Tool Set to take their practice to a whole new level. Through a rigorous training and testing process, participants learn how to help clients in five key areas of their business: Finance, Customers, Operations, People, and the End in Mind.



**For more information on the Mentor Plus® \$COPE Advisor Program
go to: www.mentorplus.com Or
contact Mentor Plus ph: 831-659-PLUS**