

The Advisor Mindset

“My clients just don’t need that sort of work”.

I heard this early on in a phone call with an accountant recently. He was one of 3 partners in a small suburban firm. They’ve been around a while and have built a decent client base focused on small businesses. The largest client has a touch over 6 million revenue.

I’d called to talk about how they could build an advisory business around Castaway. At least that’s what I was expecting. The partners had been talking about this internally for a while and had decided to research the market. I was ready with plenty of success stories from firms we’d helped over the years.

But a few minutes into our first call, it was clear they weren’t ready for that discussion. And in one sentence, this partner had pinpointed their concerns beautifully.

The first rule of business advisory is to get very clear about the real problem that needs to be solved. And the real problem here was the partners hadn’t decided WHETHER they wanted to ‘do advisory’, so any talk of HOW to go about it was premature.

I was interested in what was holding them back. Business advisory is definitely not for everyone, but I sensed that these 3 partners wanted to take the step. They just didn’t know if they could.

I didn’t have the answers. But I knew the questions to ask. We’ll come to those, but first let’s break this down a little further.

When the partner said, ‘My clients don’t need that sort of work’, I was surprised.

I’ve worked with plenty of CEOs over the years. Their job is to solve problems in the face of uncertainty. Every CEO I’ve ever met has a constantly evolving list of problems they are trying to solve ... some are big, some are small, but all of them are problems. So, I’m confident the issue here is not a shortage of problems.

At Castaway, and in 20+ years of advisory work before that, we’ve used forecasting and business modelling to help plenty of CEOs solve plenty of problems. When you do it the right way, the forecasting and modelling process becomes the beating heart of a dynamic problem solving, decision support and performance improvement machine. It’s a system that CEOs value so much they won’t run the business without it. So, I’m also confident the problem isn’t that clients won’t get value from a well-constructed forecast.

It just doesn’t add up that clients don’t want ‘that sort of work’.

Long experience shows that clients absolutely want forecasting and the performance management processes that go with it. Yes, I’m the CEO of a forecasting software company, but don’t dismiss this as the view of a software vendor. I’m speaking 100% a business advisor. Castaway was built precisely because no other tool in the market could help answer the spread of questions that my business advisory clients were asking. From deep personal experience, I think advisory work is fantastic. Done right, it drives a powerful virtuous triangle ... value-creating for clients, interesting for staff and profitable for the firm!

And don’t forget that the Xero 2018 Australian Accounting Industry Performance Report reported that 98% of all firms rated ‘advisory services, e.g. budgeting, cash flow forecasting and business planning’ as one of the top 5 most attractive areas for growing advisory services revenue this year. 65% rated it as their #1 opportunity.

What’s in a name?

Before we go too far, we need to talk about something. After years of increasingly muddied waters, the term ‘business advisor’ is surely in danger of becoming so generic as to be almost meaningless. Such a cliched description says nothing of the specific skills and talents of the individual providing the services, nor does it promise any particular value outcome for the client. It’s the modern version of a management consultant – the title sounds impressive but says little.

This of course provides enormous scope to provide all manner of services under the same banner. However, it also means it is harder to differentiate ourselves in the market. We must therefore focus our marketing and communications on the problems we are particularly good at solving.

When it comes to designing the advisory services you will offer, there are 3 standout questions:

1. Generalist or specialist?

We have a choice. On the one hand, we could stay broad, offering general business advisory services to all sorts of clients. On the other hand, we could specialise – in services, industries, or particular expertise. My own preference is to specialise and then to extend into new specialisations over time. I trace a direct line from general accounting to financial analysis to cashflow improvement to budgeting to forecasting to business modelling to operations improvement to planning and strategy to training, coaching and mentoring ... then to software. Whatever path you choose, the best results come when you are very clear on your current strengths and play to them. Over time, add new strengths and expand your offering.

2. Tool-driven or problem-driven?

Is your advisory practice driven by the software you happen to own, or by the problems your clients need solved? The easiest approach is to build the practice based on the tools you have available. This path is tempting, especially given the quality and range of software available to business advisors today. But for me the smartest approach is always to start with your clients first. Find out the problems they are trying to solve and then design the practice around services that help solve them. Once that’s done, then you can apply your advisory talents internally to solve your own problem – how to deliver services profitably.

3. Reactive or proactive?

When we first start out as business advisors, there really isn’t much genuine choice. Most work will be reactive - the clients ask for work to be done and we do it. As advisors ourselves, we must recognise that reactive work is often unpredictable, disruptive and knee-jerk. I know that ‘real-time advisory’ is a hot topic right now, but it’s a poor recipe for value optimisation for clients or profit-generation for practices. By the time our ‘real-time’ dashboards tell us there is a problem, the decisions we needed to change are long past. The smart path is to drive proactive advisory – seeing need ahead of time, systemising and productising the work and playing to your strengths.

I find experience, the ability to see need ahead of time is fundamental to proactive business advisory. And this makes forecasting the perfect foundation service for any smart business advisory practice.

How forecasting drives advisory

That's a common theme running through our most successful Castaway firms. All of them see forecasts, and the wider forecasting process, as being strategically important for their clients. To them, a forecast is the story of the future of the business, built from assumptions, derived from strategy, modelled against scenarios and written in numbers.

James, a partner at one of our most successful firms, talks passionately about transforming businesses. Sometimes the businesses are facing hard questions from financiers, needing fast answers and a sure-footed guide. Sometimes the businesses are just rolling on, lulled by a comfortable sense of 'doing ok', but with aspirations of making more of their unexplored potential. Sometimes the businesses are flying, growing fast but at the same time suffering growing pains, facing problems they've never encountered before. Whatever their situation, each business has their own set of problems, problems which will ultimately need very different and specific solutions.

But despite the surface differences, James works with every client the same way. The first step is to build a forecast. These are not slap-together, fun-with-maths exercises. Simplistic approaches are a disservice to the client and won't support the advisory conversations that James wants to have. These forecasts demand thought. They don't need to be complex, nor time-consuming. But they do need to start with the story of the business (in the CEO's words), be deeply grounded in assumptions and tied to operations. They also need to be proper 3-way models, with Profit & Loss, Balance Sheet and Cashflow numbers talking to each other.

The value of the forecast

The real value of building such a forecast goes well beyond the numbers it contains. The forecasting process deep-dives into strategy, risk & opportunity, operations and more. It also builds trust, empathy and understanding, bringing you closer to the client. The forecast that results is an agreement between client and advisor about their expectations, their intentions and their hopes for the future. Everyone knows the game plan, ahead of time. As James tells it, he can anticipate what is on the client's mind through the year and as a result he never runs out of things to talk with them about.

The forecast is also the heart of the regular performance reporting and variance analysis program. Assumptions are reviewed, questions are asked, and changes are made to the forecast. Risks and opportunities are reassessed, and game plans reviewed. The aim is that the forecast is always the most up to date view of the future of the business.

Where to start

Some advisors jump straight into building a suite of products and services around forecasting and business modelling. Others start more simply, maybe creating budgets to support finance applications, and then expand their services from there. There is no right way.

But business advisory is all about creating value by solving client problems. So I'd like to suggest that the very best place to start is not in your office. It's on site with your clients. Ask them about the problems they are trying to solve. Ask them about their hopes and dreams for the business. Ask them what mistakes they made last year. Strike up the conversation and it is remarkable the number of opportunities you will uncover.

In short, I would ask just 3 questions of any aspiring advisor:

1. How well do you really know the problems your CEO clients are trying to solve right now? What problems will they be thinking about in the future?
2. Could you help those CEOs solve any of their problems by better understanding the business and financial impacts of the options available to them
3. How much value could you create for your clients by helping them solve these problems

The advisor mindset

Advisory work requires a different mindset to more traditional accounting work. There are many aspects to it, but I find that it comes down to 3 things. Great advisors:

1. Ask great questions. You don't need to know the right answer, but you do need to know the right question
2. Embrace uncertainty. You can't predict the future, but you can prepare for it
3. Be curious. Become expert in how the client's business works, what it does and how it operates

Parting thoughts

In the end, I think we overcomplicate all this talk of business advisory. It all comes down to 3 simple ideas. A great mentor instilled these in me early on and they have stood the test of time:

1. Dig deeper and get clear on the real problem
2. Earn the right to a fee by solving problems of real value
3. Don't make the client dependent. Work yourself out of a job

So, do clients need forecasting? Let me put it this way ... the only business that doesn't need a forecast is one that has no future.

Michael Ford, Founder & CEO, Castaway Forecasting