

The Perfect Advisory Relationship

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CHAPTER 1

Be different



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BEING DIFFERENT – EMBRACE GREAT ADVISORY RELATIONSHIPS



Early on, we didn't even promote our Chartered Accounting credentials – instead, we were business advisors. My goal was to advise business owners first; doing their books was a distant second.

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CEO Spotlight Reporting

When I started Francis Consulting, our tagline was “be different”. We wanted to be different to the vanilla accounting offerings in town, whilst attracting and encouraging clients to stand out from the crowd. In 2001, this concept was a bit radical and challenged the status quo.

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Fifteen years on, the majority of our profession has woken up to the need to use professional experience to advise, rather than just to number-crunch. Now is the time to turn that realisation into action.

Whilst there's a lot of good material on *why* accountants should do advisory or value-add work — and what will happen if we don't — there's not always a lot of explanation of the *how*. True, cloud accounting and specialised software such as the Spotlight Reporting tools now exist to make advisory easier than it was even just a few years ago, but software and reporting outputs are not the whole answer.

Advisory work is, after all, an interaction between humans. One participant is a guide, an interpreter, and a mentor rolled into one — the other the receiver of advice. But hopefully both are active, engaged participants in what should be an interaction between peers.

The backbone of an advisory relationship is the human interaction, whether this be a physical face-to-face meeting or an online session. Handling this well so that all participants derive the most value is part art, part science.

A great advisory session will, of course, be client focused. It will be about their outcomes, needs and pathway... won't it?

Yes – and no.

An advisory relationship needs to have structure, balance, and a decent dose of empathy. It needs to be right for the client and for you.

You need to be clear on what outcomes you want to achieve. Hopefully these will include achieving a greater sense of fulfilment from deploying your skills and expertise usefully — and a decent value-based fee!

This trusted advisor relationship will have intense moments and ups and downs. Not every client will be a 'great fit' for you and your approach. If you aren't on the same page, the client doesn't appreciate your value, or your advice is ignored – walk away. An advisory relationship needs mutual respect to be sustainable in the long term.

Great advisory relationships have a mix of scheduled and unscheduled interactions. I prefer monthly (business speed today demands regular oversight and input) as well as ad hoc crisis or opportunity management. Ultimately you will be judged on the value you deliver under both scenarios.

Delivering a great value-add session is rewarding for both you and the client. Being prepared, having an engagement tool such as a report, forecast or dashboard at hand, plus a dose of positivity and inspiration is key.



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CHAPTER 2

Seven pillars of a perfect advisory session



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The perfect advisory session needs context. What's the underlying purpose of the advisory relationship? Keep this at the forefront of your mind... The key point is to understand context so you can focus on appropriate outcomes.

SEVEN PILLARS OF A PERFECT ADVISORY SESSION

I've undertaken several thousand advisory sessions over the past twenty-odd years. These have been a mix of one-on-one mentoring sessions, cafe catch-ups, board meetings, or targeted injections of strategy, forecasting and KPI-setting.

The common factor in all of these sessions was the participation of a willing client. A client who had a business, an organisation, a family or a team that needed my help and input.

Here's what I've learnt:

1. Context is key

The perfect advisory session needs context. What's the underlying purpose of the advisory relationship? Keep this at the forefront of your mind. Are you there to encourage and facilitate:

- The successful creation of a start-up that wants to dominate the world? This will involve creating scalable business models, an investment strategy and shareholder agreements.
- Satisfactory and steady growth of a family-owned business? Ensuring wealth creation from reasonable profits and the managing of complex inter-family relationships.
- Improved decision-making and governance of a not-for-profit organisation looking to be more effective and accountable?
- Simple clarity for a business owner looking to understand where they've been and where they're headed?

The key point is to understand context so you can focus on appropriate outcomes beforehand, during and after the session.



Broadly speaking, an agenda should anchor discussion around core principles:

- Discovery – what’s new and significant?
- Where are we at – financial and KPIs
- Where are we at – goals
- Where next? Opportunities, tactics, project update
- Actions and outcomes
- What’s our focus for the next x weeks or months? Next meeting?

2. Plan the flow

You’re in control — or should be. This is more ‘gentle guidance’ than dictatorial control, but without some structure and the right nudge on the way, the session could get bogged down in irrelevancies and precious time will be wasted.

To have structure and clarity, I’d always utilise an agenda. An agenda should have a natural flow, but also be ‘open’ to new issues or opportunities as they emerge. There’s no point rigidly following a step by step approach when circumstances dictate differently — clients do like to drop in the unexpected bombshell from time to time.

3. Discover first, advise later

Always allow time for discovery. Often there will be big challenges, ideas, or opportunities that the client has experienced or contemplated since the last session. These are often revelatory.

Discovery allows you to quickly assess the focus you may need to have and the advice the client views as most important. This process involves listening — not always an easy behaviour for advisors and professionals, myself included.



A holistic view is a must, as without one, an advisor would be like a doctor that just assesses the patient's vital signs, without looking at environment, history and trajectory based on symptoms displayed. Look deeper and ask lots of questions to build up a nuanced view.

4. Focus on fundamentals

Unless discovery has unearthed a crisis of mammoth proportions or an urgent 'refocusing' of the lens for the meeting, don't forget the fundamentals.

The fundamentals will be driven by the context of the engagement, but will almost always consist of:

- Helping a business grow
- Helping a business operate more smartly
- Analysing the numbers for weakness, strength and future opportunity
- Assessing progress of KPI's
- Accountability for actions progressed (or not)
- Talking about the people, team and leadership
- Personal progress on satisfaction, creating wealth and things that are important to that individual (use of time, stress, personal financial goals).

You'll see from this list that there is a weighted mix of business, financial and personal discourse. These are intertwined and I believe that advisory services and relationships of depth need to include elements of each.

A holistic view is a must, as without one, an advisor would be like a doctor that just assesses the patient's vital signs, without looking at environment, history and trajectory based on symptoms displayed. Look deeper and ask lots of questions to build up a nuanced view.

To start the ball rolling, my first ever advisory session with a client often involves the discovery process of:

- Business objectives
- Financial objectives
- Personal objectives

I usually focus on getting just three of each from the client who, whilst possibly reluctant at first, is invariably engaged and empowered to be sharing this aspirational information. This process also encourages a shift in mindset from "this is my accountant" to "this is my advisor".

The other outcome of this initial session is that it provides a touchstone — the all important context to future sessions. Write up the objectives for your client and keep them at hand.

5. Use Spotlight as your engagement mechanism

Armed with these objectives, an analysis via financial and non-financial data (ie Spotlight Reporting) should give you rich material not only for an overview but also to drill down. In general, using a Spotlight Report in the following way allows you to cover all of the bases and provide a range of insight:

PROFIT AND LOSS ANALYSIS

Confirm the year-to-date (YTD) result – how are we tracking to budget and/or last year. Where are there material differences? Why, how?

How has this affected our Forward Projection (note: it's smart to update this if possible before the meeting – are there clear and material Revenue, Direct Cost or OPEX changes from the original Budget that we should factor in? What are possible impacts on our expected growth, cashflow, tax?)

BALANCE SHEET ANALYSIS

Let's face it, the words 'Balance Sheet' has even accountants stifling a yawn, so it's important to focus on the highlights that matter. That's why the Balance Sheet Components donut chart is visually engaging, and a great place to explain the different complexion and weight of key assets and liabilities.

We also deliberately draw out as 'Highlights' the CAPEX and Debt profiles of the business. This can create great lines of discussion around spend, commitments and tax which are often opaque to the business owner.

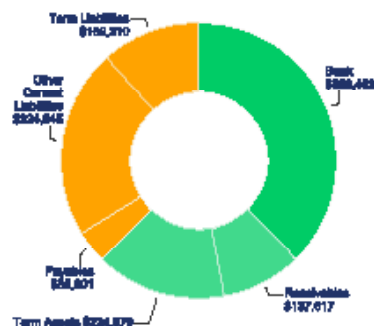
CASH PROFILER

Yep, cash is king. All too often, clients are lulled into a false sense of security due to their profitable status. Of course, this matters little if you can't meet payroll or pay your bills because you're business is insolvent.

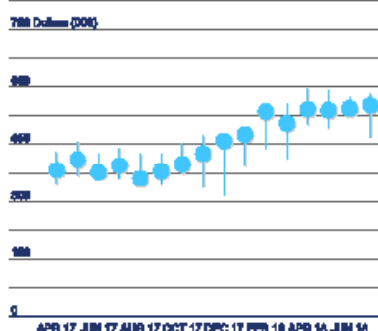
Having a handle on Cash – and being able to show the Cash peaks and troughs (with our High/Lows chart) and the Cash Inflows and Outflows chart – is so important. Ideally every client should have a Spotlight Forecast, but if not at least our Cash Profiler brings that all-important cash performance and position into the open.

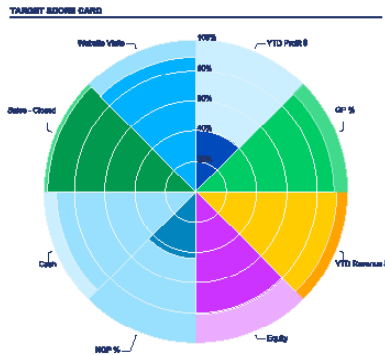
Forward Projection Full Year		
YTD	Budget	Total 18/19
96,841	54,320	151,161
538,135	447,835	985,970
82,601	23,317	105,918
717,577	525,472	1,243,049
202,560	214,548	417,108
515,017	310,924	825,941
71.8%	59.2%	66.4%

BALANCE SHEET COMPONENTS



CASH ON HAND - With High and Low Balances





KPI SCORECARD

The KPI Scorecard or 'Planet' is always a popular page in a Spotlight Report. Visually highlighting performance for financial and non-financial metrics, this page is designed as a potential stand-alone for a KPI-setting session. It's a powerful way to engage the customer and provoke discussion as to (a) which KPI's to select and monitor and (b) how to improve performance.

We have deliberately set up some basic non-financial KPI's in Spotlight tools so you can engage beyond the norm. Encourage clients to track sales success, customer satisfaction and more — not just the financial outcomes.



Whether you're old school or new school – take notes, draw pictures and scribble on your Spotlight Report... pictures, diagrams and lists can be very powerful ways of getting the creative juices flowing.

6. Use a whiteboard, tablet or paper

Yes, whether you're old school or new school — take notes, draw pictures and scribble on your Spotlight Report. This not only sends a clear message that you're listening and interested, but we all know that pictures, diagrams and lists can be very powerful ways of getting the creative juices flowing.

Encourage the client to contribute too. There's nothing more powerful than handing a whiteboard marker to a client and asking them to draw what they mean, or to have a crack at designing their perfect business model (on screen, on paper — doesn't matter), or to get them to add to or change your notes and visuals.

Interact, interact, interact.





If you've promised actions or outcomes, you'd better deliver. If the client needs to do stuff, follow up and encourage or guide them. Exceed expectations and soon your client will be too.

7. Leave with clarity and peace of mind

The session is drawing to a close; end it well. Summarise agreed conclusions, actions, responsible parties and timelines.

Even if the subject matter of the session has been difficult, leave the customer with a sense of well-being. This well-being will come from the clarity and peace of mind that (a) the session and your relationship added value and (b) outcomes or progress will be achieved as a result of the time and investment you've both made in this advisory relationship.

Oh, and an extra (8th) pillar for luck...

8. Follow up, act and achieve!

There is nothing more disheartening than a campfire without marshmallows or a birthday party without cake. Don't — please don't — talk the talk but fail to walk the walk.

If you've promised actions or outcomes, you'd better deliver. If the client needs to do stuff, follow up and encourage or guide them. Exceed expectations and soon your client will too.

The advisory session, after all, is just the starting grid. The chequered flag will be for those that act, move forward and achieve the desired outcomes.



CHAPTER 3

Perfect 10 advisory meeting checklist



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It's about them, sure...
but it's equally about
you. The contribution you
make is critical, each and
every time.

PERFECT 10 ADVISORY MEETING CHECKLIST

1. It's about them, sure... but it's equally about you. The contribution you make is critical, each and every time.
2. Have a pathway for the meeting — you can gently 'chair' to get the right momentum and focus or it will lurch from thought to thought or lapse into awkward silence.
3. Prepare beforehand (15 mins), but be open to a curve ball being thrown.
4. Undertake discovery — what important things have happened or are keeping the client awake at night? Don't assume you know.
5. Keep the overarching goals in mind, but consider and lock in tangible outcomes from the meeting.
6. Drill down where a metric or chart resonates strongly or is key for this business.
7. Ask questions, look for underlying causes, issues, opportunities.
8. Try and leave the client with 3 takeaways or actions — these may be things that you help with.
9. Empathise, suggest and coach — but don't be afraid to be confrontational and direct.
10. Use Spotlight to guide the discussion of financial and non-financial indicators. Possibly share beforehand — let this be your touchstone, some of the key areas include:
 - Exec Summary — highlight key results, use as the context for a discussion page by page.
 - Have 1-3 juicy recommendations.
 - Use the whole page — mix of auto-text or tagged commentary plus your own succinct musings.
 - Performance— Past and Present — are there 2-3 key trends identified by the charts or data? These normally stand out — your prep beforehand should have unearthed these. (Don't flick through Spotlight at the meeting as if it's as fresh to you as it is to the client).
 - Future — Projection, Cash, Profit— use the Forward Projection part of the P&L Analysis page. What's the future impact of stuff happening now?
 - Liquidity/Equity — look at Balance Sheet Donut and Liquidity Monitor.
 - Cash Profiler — what's the Cash In/Out trend, Cash Hi/Lo, what will it be?
 - Non-financial/KPI Scorecard — focus in on 2-3 of these and the key messages or actions arising.



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