



## 22 of the Best Reasons for Small Businesses to Engage a See Clearly Accountant

### See Clearly Accounting Corp.

#### Background

See Clearly Accounting is, plans to be, the leader in servicing small businesses and individuals. It was started by Edward Wear, who had ten wonderful years in the 1960's and 1970's with Arthur Andersen, when AA was known as the conscience of the profession. He believed in the one-firm concept that enabled AA to grow and to provide quality service around the world. The one-firm concept was the strength of AA in those days; in the early 2000's it was the weakness that enabled a few partners to cause AA to disappear.

He looked for a solution that would enable accountants to work together to share competence and solutions; but that would allow each member of the organization to be independent of each other. See Clearly Accounting Corp. (SCAC) is that solution.

#### Start = Vancouver

The plan is that SCAC will start in Vancouver. If it is successful, it will develop world-wide.

#### Objective of members

The objective of SCAC is similar to the objective of many businesses: to earn a good living by providing quality services to small businesses. The main difference between an SCAC business and most other businesses is the SCAC business has significant inventory of systems available to it to produce quality results efficiently and consistently.

#### Timing = fortunate

The Timing of the start of SCAC maybe fortunate. Accounting organizations all over the world are concerned about the integrity of the profession after Enron and other disasters.

The International accounting firms and many other firms has recognized the need to provide more service to their clients. They are hiring everyone they can. And they are doing this when fewer accountants want to get involved in demands and

rigors of public practice. That means there are fewer people available to service small businesses and individuals. SCAC plans to engage accountants who want to be in public practice, without the demands of a large firm, who want to provide quality service to businesses, and who want to do things right.

## Focus = compilations, income tax, and solutions for small businesses & individuals

The plan is that the accountants who are members of SCAC will be the leading professionals of their country (eg, Canada – CAs, USA – CPAs) and they will not perform audits or reviews (assurance work). Their focus will be performing compilations and assisting management in becoming more effective and efficient in their use of their accounting system. The increased efficacy will make them more profitable.

SCAC may work closely with accounting firms that perform Audits and Reviews. SCAC will prepare the working papers and adjustments for the other firms.

## The 22 best reasons

### Independence

- 1 The accountants must be independent from each client (small business) that the accountant services.

Without this independence the accountants' services are of no value to you. Numerous people and organizations look at the work of the accountant and rely on it because they know the accountants must perform their services with independence.

This is not a new concept.

- 2 The members of SCAC are independent of each other.

This means that their first commitment is to the small business not to another SCAC member.

This has been the preference of many accountants over the years and is more so now after the fall of Arthur Andersen.

Partners of the same firm cannot be independent of each other. And some of the members will be multi-partner firms. But, it is planned, that many members of SCAC will be sole proprietors, who will operate independently of one another.

- 3 One of their goals is to make the small business independent of SCAC, if possible.

As a small businesses you don't care how good an SCAC member is, you want to know how good that member can make you.

This concept may not be new but it will be the first time many businesses have heard it expressed this way.

## What you can measure, you can manage

- 4 This is the recognized business axiom. We use What you can SEE, you can manage because enabling some small businesses to see is the first step to success. And it ties into our logo!

## See Clearly member profile

- 5 What you can measure, you can manage describes an SCAC member and how the members operate. They are always refining their systems to improve their services to small businesses. The systems include reporting and measuring of success.

The range of systems available to assist small businesses is large. That means that an SCAC accountant member may not have the expertise to provide to a client. In this arises, the accountant member may know another SCAC member, or a non-member expert, who may install a system for a client, or resolve a problem.

## Client profile

- 6 What you can measure, you can manage clearly defines the profile of a Network member client.

The client may not yet be successful but understands that to become successful and to continue to be successful, the client must identify and measure critical success factors and key performance indicators.

The client must have a system, a documented system, so that when they finally determine the best method of performing a task, the system can be customized to enable all current and future team members to perform the task efficiently and effectively and more importantly repetitively, without error.

For many small businesses the axiom What you can measure, you can manage will result in Error-free (not false or misleading) financial statements on the 1st of the month.

The type of client who joins SCAC may not have all the systems in place to get the type of reports they need as quickly as they need them each month. But it is their intent to put the systems in place.

## No maybe's

- 7 The normal business term is black and white. We admit there are times when the answer may be grey.

Lately there has been too much grey in business as evidenced by regular headlines in the early 2000's about revenue recorded that wasn't earned; tax deductions taken that were not eligible; management being paid ridiculous amounts, too often for not doing their jobs properly.

SCAC members will help you be successful by enabling you to see clearly, not by being evasive or confusing.

- 8 There may be times when the small business and the SCAC member are in the minority even though you both firmly believe you are correct.

It is when you are involved in a fight like this that it is comforting to have the skills, knowledge and systems of See Clearly Accounting available to support the decision you made. We assure you that you will pay every dollar of taxes that you owe, so that you are not faced with unnecessary penalties and interest; but we also assure that you won't pay anymore than you owe.

## Systems drive success

- 9 See Clearly saw the need for systems for small businesses years ago. Everyone knows that the success of franchises is driven by systems. The large international accounting firms are in that category.
- 10 With the Internet and a database, small accounting firms can use systems to share successes. The success of a client in one country can be used to add to the success of a client in another country.
- 11 Systems enable you to get work done effectively by a team member who may not be able to do the work without a system.
- 12 Systems are an excellent training tool. They enable new team members to be productive quickly and encourage consistent high productivity and low error rates.
- 13 Systems breed success and improvement.
  - As soon as you start working with a system, your thinking will be raised to the next level.
  - You will see more clearly.
  - You will come up with ideas for the system that may improve the efficiency and effectiveness considerably. It has happened with high school students working in a member's office.
- 14 How many of you hire high school students? Is it too much work to teach them? Do they leave when they learn what to do?
  - Hiring high school students is a win-win situation.
  - Look at a popular fast food franchise; many of the workers are part-time high school students.
  - How many people got their start at a franchise operation.
  - You can do the same.
  - Give them a chance to do some work.
  - They may even do a better job of filing than a full-time person, because they don't get bored.
  - But there are many other jobs that a high school student can do effectively if you have a documented system.
  - The benefits are many: you get a chance to make a difference in a young person's life; and you get some work done well and inexpensively.
  - The student gets to learn a great deal and make some spending money besides.

## Value billing

- 15 You may have read about value billings and the benefits they are to accountants and others doing the billing. Often the situation is that the client has a problem that is costing the client a lot of money. The accountant solves the problem thereby saving the client a lot of money. The client is pleased to pay a bill that does not relate to time and experience (it is much more) but instead relates to the benefit to the client. This does not happen often, in our experience.

If value billings are such great benefit to the accountants, can they possibly be fair to the small businesses?

There is no doubt that the true value of the services relate to the benefit received by the small business.

We refer you to Appendix 1 for an excellent email advocating value billing.

- 16 Most often what happens in the work done by a SCAC member is there is no obvious benefit to a client. The work done is required by law, by contract or some other reason. Any benefit is often difficult to value, except to state that the client has followed the law.

With a few exceptions, the true value of the services provided by an SCAC member is determined by the experience of the member and the hourly billing value of that member.

Undoubtedly there may be exceptions when that "true value" must be adjusted up or down from the calculation of productive hours times and experience rate.

We post this information so that clients can read it and comment on it.

## Peace of mind

- 17 Many clients over the years have commented that they know they could have their tax return or other professional work done at a discount shop that is probably open only a few weeks a year. But they don't.

They want the peace of mind that comes from knowing that if they provide all the required information, their tax return or other work will be done correctly.

They can sleep knowing that they are not going to receive a visit from the IRS, from CRA or another authority that may claim much of the assets the clients have accumulated for their retirement.

## The little things

- 18 SCAC members know it's the little things that mean a lot.

For example if they install the chart of Accounts from the Toolkit, they know that initially it can be frustrating using all the categories, accounts and classes that they have customized for you.

To solve this, they leave you a printout of the Chart neatly organized on as few pages as possible so that you have something to refer to when you are processing transactions.

They will do the same for Classes.

If you have a number of departments, they probably taped that list to your monitor.

## The customer is always right - but an accountant's client may not be

- 19 "The Customer is always right" may be the most popular business axiom there is.

And it may be true in retail or wholesale.

But it is generally not true when dealing with clients on accounting or tax matters.

This goes to our position on Independence.

- 20 The client requiring accounting and tax services is seldom right, usually they are dreaming.

They have been listening to too much cocktail talk.

It is the responsibility of the SCAC accountant to clarify what is "right".

This is one of the situations where the client/small business will benefit from the independence of the accountant. As we stated above, the accountant is no good to the client if the accountant is not independent.

## Common thread

- 21 What holds See Clearly Accounting together is consistent quality that results from systems.

Some of the members will have been part of highly successful multi-practice firms. They left because the disadvantages outweighed the advantages. They wanted to do the work they were good at and bill a fair fee for that work.

Some want to work only part-time for selected clients.

## The future for See Clearly Accounting

- 22 In late 2007 SCAC consisted mainly of this brochure or white paper. In the next few months the concept will be tested with accountants. Additional systems will be created or contributed by new members. By September 2008 we believe the concept will have been proven and accountants around the world will have an opportunity to join.

## A bonus point – the main purpose of See Clearly Accounting

- 23 "The purpose of See Clearly Accounting is to enable ordinary accountants to perform extraordinarily". Adapted from a Peter Drucker quotation.

# Appendix 1 – Email Advocating Value Billing

We want to find out what our clients think about value billing. If you have an opinion, please call. SCAC

"VeraSage" - 1 new article

AccountingWeb UK launches defense of the billable hour

AccountingWeb UK launches defense of the billable hour

Thank you to Senior Fellow Paul Kennedy for alerting me to this article by Rob Lewis, AccountingWeb (UK) features writer.

It's obvious Rob doesn't understand the economics of what we are advocating when we speak of Value Pricing. I, of course, want all the VeraSage fellows to chime in on the discussion at AccountingWeb (you'll have to register to post a comment), as well as on this post.

I was limited to 200 words in my response in the Comments section to his article, but thought I would post a longer reply here:

From the land of Monty Python I naturally assumed this was an attempt at brilliant satire, but then I realized Rob Lewis is quite serious.

Let me start by inviting you to Las Vegas, Rob. If you feel so strongly that this is an important issue, Accountingweb should send you.

All of my books, especially Professional's Guide to Value Pricing, refute everyone of your defenses of the billable hour. Have you read any of my books?

Value Pricing, as we teach it, is not a "guesstimate" with an adjustment for risk. It's based on external value as determined by the customer. Why is a global think tank needed to convey that point? Because a lot of people still cling to your mistaken definition of value pricing. In fact, your entire article is a testament to why VeraSage exists, and needs to exist.

You talk about unscrupulous suppliers charging all they can. This is specious, it's also anti free market. We advocate a fixed price BEFORE starting any work. This puts the customer in control. As Don Fisher says in the comments section, the customer doesn't have to accept the price you quote.

Isn't this how you purchase everything else in your life? Do you ever buy things based on the billable hour? Do you like not being able to compare value to price before you buy? Do you think that the laws of economics are different for Apple, Microsoft, Ford and GM, and accounting firm customers?

We also advocate a 100% unconditional money back guarantee on all engagements. Not a common policy among unscrupulous suppliers. And very professional, don't you think? If the customer is not happy for any reason, they don't pay.

You claim the billable hour is a token of independence. This is not just nonsense, it's nonsense on stilts. Why is the billable hour more independent than offering a fixed price up-front, with a service guarantee? Why are most ethical problems related to the billable hour, more so in the legal profession, but certainly in the accounting profession as well? Do you deny the billable hour misaligns the interests of the customer and the professional right from the start?

Would you fly an airline that charged you \$4 minute? Would that be professional? United Airlines has my life in their hands, certainly a higher standard of care and professionalism than an accountant or attorney. But they offer me a fixed price, before I fly.

By the way, in the States, all of our car mechanics quote a fixed price BEFORE they do the work. And they use Change Orders, as we advocate when the scope of an engagement changes beyond the original definition. I wouldn't patronize a mechanic, contractor, plumber or anyone else who attempted to charge me by the hour.

We are in a knowledge economy, and the billable hour is a theory that dates back to Karl Marx's labor theory of value. There is no correlation between hours and value, and we are not advocating a pricing model based on a service or industrial era economy, but one based on intellectual capital.

Do you think actors should be paid based on billable hours? Athletes? Authors? Shouldn't people be compensated based on the value they create, regardless of the time they spend? Is it unprofessional that Merv Griffin earned nearly \$80 million in royalties for writing the theme song to the TV game show Jeopardy, which took him less than one minute to write?

Would it be unethical for an accountant to earn £10,000 for an engagement that would have been priced at £1,800 by the hour?

You say the US Supreme Court banned fee schedules in 1975, and that is true. But those are not the same as Value Pricing as we are advocating. Those schedules were actually suggested prices for various services put out by the American Bar Association, and various state courts, that had no relation whatsoever to value.

There's much more I could contest in your article, but this is why I've written 5 books on Professional Knowledge Firms, to disabuse these specious assertions, and three books for the ACCA, available for free at:

I will end with this. Ever heard of a black swan? Most people thought all swans were white, and then in Australia we discovered some were black. We had no idea. We don't know what we don't know.

You have some black swans in your own country, there are many in New Zealand, Australia, Canada, and the United States. These swans are the firms that 100% Value Price and don't have timesheets, and are quite ethical, offer excellent service to their customers, are profitable, and are incredibly professional. One of them is my ex-partner, Justin Barnett; others are fellows of VeraSage.

You can deny the black swans all you want. But if you were intellectually curious, you'd seek to learn how they do what they do (I suggest this as well to "Long-live-the-timesheet-Jon Griffey," from the comments section. By the way John, Toyota does not have a standard cost accounting system. How do they do that? If you don't know the answer, you should be very scared that your fervent beliefs are blocking your learning).

[For a list of Trailblazer firms that have not timesheets and Value Price visit: <http://www.verasage.com/index.php/trailblazers>].

But I understand we are guided far more by our *beliefs* than our *knowledge*. There is nothing wrong with having the wrong beliefs about the way the world works. There is an enormous problem in letting those beliefs *stay* wrong, especially when confronted with contrary empirical evidence. It's hard to deny reality.

I say that as a former CPA who believed exactly as you do, Rob and Jon. I was wrong, and my books document my journey from one of understanding costs to one of understanding value. There is an enormous difference.

As one your most famous economists, John Maynard Keynes, said: "When somebody persuades me that I am wrong, I change my mind. What do you do?"