

Article topic: Audit and Assurance

December 2009

Creativity is crucial to future success

There are times when we all need an external perspective to reveal a fresh approach, and if your own people aren't helping keep things on track than a creative accountant may be just what you need, as Head of Business Advisory and Assurance, Andrew Sandiford, explains.

To those of a cynical disposition, the notion of creative accountancy sounds like a contradiction in terms. While lawyers are sometimes seen as protectors of justice, doctors as noble healers, teachers as nurturers of noble talent, accountants tend to be regarded as unprepossessing bean-counters.

This is not only a crying shame, it is downright wrong. Many accountants are genuinely innovative, dynamic and passionate professionals, whose chief aim is to help businesses to achieve more, better and faster.

A good accountant will enable a company to boost its bottom line, improve productivity, produce a plan for growing and developing the business and deliver a raft of additional wealth creating initiatives. These are key issues, which aspiring entrepreneurial companies must address if they are to achieve their goals.

Yet it is not unfair to suggest that many businesses don't look any further forward than the end of their current order book. A vivid illustration of this is the TV series 'Dragon's Den', which regularly shows would-be entrepreneurs parading their ideas before a panel of hard-nosed potential investors, who shake their heads in despair when it becomes clear that the participants have no strategy, no business plan, and no idea what their business is worth.

Plan to succeed

Unless you know where you want your business to be in two, three, or even five years, short-term tactics lack context and direction, potentially taking you off course and into less profitable areas. Businesses don't plan to fail, they fail to plan and the fallout can seriously erode shareholder value. Conversely, strategic planning ensures that the company is always moving in the right direction and day-to-day decisions are taken in relation to longer term goals.

Creative accountancy starts out by looking at the personal goals of the owner-manager. What they want as an individual should drive the business direction; the idea is to break the cycle of owners working themselves half to death with no clear idea of anything except getting through the day.

By carrying out a thorough and objective assessment of the strengths, weaknesses, and growth prospects, owners are well placed to address shortcomings long before they become unmanageable.

A clear focus on creating a better balanced, more resilient and responsive business model, will significantly boost a business's operational efficiency, as well as its value in the eyes of potential purchasers.



Before putting a strategy in place, it is important to define your objectives. For example, do you want to retire, raise money to buy another business, change your lifestyle, or take advantage of market conditions.

Legislation, succession planning and tax

Making sure a company is fully compliant with legislation is another vital requirement for a strategically driven business. The Government often seems intent on putting everyone out of business with an avalanche of misjudged legislation. This situation is unlikely to improve any time soon – there have been 200 additions to employment legislation in the last three years alone. This means business owners need to get smart. If you don't keep your business on the right track with a sharp focus on the road ahead you're unlikely to survive.

Succession issues are often thorny, particularly in family businesses where people are reluctant to talk about money. As a result, some family firms lose out financially and leave a legacy of acrimony. Resolving such issues at an early stage is essential to preserving value and saves the emotional anguish of misunderstandings and protracted disputes.

Tax - erroneously seen as the poor cousin of business planning - should be regarded as an integral part of the strategic picture and a thorough tax review carried out to check for hidden liabilities. This is meat and drink for the capable accountant, who will fine tune a business, so that it operates at its most tax efficient level.

For more information about creative accounting, please speak to our Audit and Assurance team.

