

## ***Workshop 1 – Managing an SMP***

***Friday 8th September 2006***

***14:00 to 15:30***

### **Facilitator:**

***Laurent Blanchard, Constantin, France***

FEE Annual European SME/SMP Congress, Palais des Congrès, Versailles, France, 7th & 8th September 2006

## ***Workshop 1 – Managing an SMP***

***Friday 8th September 2006***

### **Speakers:**

***Leonardo Lossi, Council Member CNDC, Studio Losi e Associati, Italy***

***Göran Kjellén, Kjellén Revision AB, FAR, Sweden***

***Klaus Günter Klein, FEE Vice-President, Warth and Klein GmbH, Germany***

***Ian Morris, President of ICAEW, UK***

***Michel Champetier, ORFIS Baker Tilly, France***

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# Studio Losi e Associati

Leonardo Losi  
Consiglio Nazionale Dottori Commercialisti, Italy

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## Main services provided

- Bookkeeping, tax declarations and payrolles;
- Financial statements and advice on accountancy issues;
- Tax, legal and financial advice;
- External audit and audit committees;
- Insolvency procedures and judicial appointments.

***Services to judicial authorities have a significant weight compared with services rendered to private clients.***

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## Geographic environment

The partnership is based in the north of Italy, in the province of Mantova, an area where industry, agriculture and services are all strongly developed and managed by SMEs.

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***The partnership manages all the daily contacts  
and information through a web site with  
reserved areas to clients.***

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## Human resources

- 4 associated partners (three *dottori commercialisti* and a lawyer);
- 3 employees with university degree;
- 11 employees with high school diploma.

*Over 30 years the policy of the partnership has been to focus on sophisticated recruitment procedures and on building a long term relationship with employees.*

*The basic principle is that all the knowledge accumulated, at all levels, has to be treasured.*

## **Göran Kjellén – *in brief***

- Approved public accountant
- One partner firm and professional staff
- SME-clients only
- Coordinator in the FAR council of SMP/SME issues
- Former President of Confédération Fiscale Européenne
- Former vice-president of IREV HB – the educational body of the accountancy profession in Sweden
- Member of the FAR Ethical Committee
- Technical adviser in the IFAC SMP Committee

1

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## **Vital issues in my practice**

- SMPs raison d'être
- National conditions
  - Human resources
- Support services available
  - Bench-marking

2

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## Raison d'être

- SME is the market
- 97 % of the entities are SME
  - Service concept
  - Flexibility
- Lean organisations
- Competitive services
- Familiar environment

3

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## National conditions in the Nordic countries

- Sweden
- Denmark
- Norway
- Finland - Iceland

4

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## Human resources

- Knowledge for sale
  - Education
- Retainment – appraisal
  - Partnership
  - Leadership

5

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## Support services

- Professional sites of other professions
- ICAEW – CCH Practice management
- International resources – IFAC KnowledgeNet
  - National institutes – AICPA / PCPS
  - Net working

6

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## Bench-marking

- Exchange of key figures
- Exchange of experiences
  - National Institutes
- International conferences
  - Net working

7

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## Discussion issues

- Why don't we join a big organisation?
- Do we all have the same general concerns?
  - Could we be better leaders?
  - What can FEE/IFAC do for us?
  - What can we do for FEE/IFAC?

8

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Presentation of

Warth & Klein GmbH  
Wirtschaftsprüfungsgesellschaft

Düsseldorf

WP/StB Prof. Dr. Klaus-Günter Klein

WARTH & KLEIN  
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

A short overview

- Warth & Klein is recognised as one of Germany's leading audit firms outside the big four, and has an established reputation in our nominated market of listed companies and mid-sized businesses.
- Founded in 1958 by  
Karl Warth, Prof. Dr. Günter Klein und Prof. Dr. Dr. h.c. Werner Klein
- Main offices in Düsseldorf
- Additional offices in Leipzig, Dresden, Aachen und Frankfurt am Main

2

WARTH & KLEIN  
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

## A short overview

- 100 partners and senior managers and over 250 professional staff across Germany
- We are a member of the Grant Thornton Network for our international services
- Member of the German professional bodies
- Website: [www.warth-klein.com](http://www.warth-klein.com)



## Our Values

- Every client enjoys the personal contact and attention. At Warth & Klein its integral to the way we work.
- We encourage our people to contribute to various professional bodies and ensure that we are proactive in dealing with likely changes in the professional environment.
- All our people are supported fully in their pursuit of relevant professional qualifications.
- We offer to our clients a consistent high quality on a national and international level

## Key Service Areas

- Warth & Klein provides a comprehensive range of services to its clients
  - Assurance (Compliance & Audit)
  - Corporate Tax
  - Personal Tax
  - Corporate Finance
    - Valuation
    - Forensic
    - Transaction Support



5

WARTH & KLEIN  
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

## Our Clients

- Our diverse client base includes
  - listed companies,
  - mid-sized, growing, entrepreneurial businesses,
  - typically owner managed and
  - tightly held or family owned and controlled companies.



6

WARTH & KLEIN  
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

**Ian Morris speech at FEE conference in Versailles – 7-8 September 2006**

Ian Morris, President of ICAEW and partner in two practices which operate regionally in 8 offices and together have 15 partners, 120 staff and a combined turnover of £7m.

This puts us at the bottom end of the top 100 practices, of firms registered with the Institute. (8,500 firms have just one partner).

We're a general practice. We provide a range of services to family businesses, in particular audit, tax, investment business, advice for start-ups and growing businesses.

I believe passionately in Small and Medium Practices.

Why? People trust us and therefore come to us because we can help them sleep at night.

We help them not just with their business – also with their marriages, divorces, remarriages, their children's education, weddings, etc, their retirement planning, even financial planning for their families when they die.

We're the catalyst that helps their business to be profitable – and so supports their family.

We will always be necessary because we offer a long term trusted personal service.

What are the challenges UK SMPs face?

And top of the list for me is – we need to become more clever. Sounds odd I know. Let me explain.

Technology is changing what people want from their accountants. All the grinding work – churning out standard accounts, compliance – will ever increasingly be done by clients themselves using technology.

Or it can be outsourced. I've seen some examples of how accounting firms themselves use that to service more clients.

Some in the UK are finding it difficult to get good quality people to do that work.

So outsourcing isn't a threat so much as an opportunity for us to concentrate on adding value.

The need in firms is for people who can interpret information – and address the underlying issues. Make professional judgements.

Clients may be looking for processing – that's standard. But what is going to keep them is the professional guidance that makes a difference to their businesses.

Being clever means knowing about new issues – IFRS. What is going to happen next over IFRS for SMEs is obviously a major concern.

It's hugely important that we – as SMPs – engage with our respective institutes to join the debate about IFRS. We should have our voice heard – and not let the standard-setters – or governments – make decisions without consultation on something that's going to have such a huge effect. We should get engaged in the policy debates – as well as the technical debates.

There are many challenges to increasing revenue streams – and the reduction of the number of audits is one of these challenges.

In the UK, we've found a significant number of practices are dropping out of audit. Instead, management accounts are becoming their bread and butter income.

High audit exemption limits, increased regulation of all auditors – it's killing off the audit in the SME market in the UK. Ironical – given the regulatory emphasis on the value of audit at the large company level.

In response to the trend to allow more companies to opt out of audit, the ICAEW has launched a consultation to consider the needs of audit exempt companies. As part of this consultation, we launched a new service for audit exempt companies. The

service is called the ICAEW Assurance Service, and may become very useful where directors want to add credibility to their accounts.

Another trend evident in the UK is the increasingly aggressive attitude on the part of the tax authorities, particularly the Inland Revenue, on tax planning and compliance in general, as well as a significant increase in the complexity of UK tax legislation. The ICAEW understands the need for the revenue authorities to gather tax on behalf of the government, but there is a general feeling that this is in danger of going too far. The ICAEW is speaking on behalf of its members and the business community continues to make representations to the tax authorities. The UK tax system relies, in no small part, on the goodwill of accountants to function and increasing demands on accountants including ever shortening timescales have been successfully resisted so far.

The future of SMPs may well be in specialisation – in particular in market segments – dentists, farmers, doctors, lawyers, landed gentry – or the special needs of private clients in niche sectors. Generalist services will still be needed. But focusing on a market sector or niche makes it easier to build and maintain a reputation. It certainly focuses resources – as well as the mind.

To have a successful small or medium size practice you need the same things as you need in all businesses. The overriding need is for a good team. You need to cut out bad wood early and quickly – it is kinder. There has to be a gentle but iron-fisted and acknowledged leadership and communication in all directions.

## ORFIS BAKER TILLY PRESENTATION



1

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## ORFIS BAKER TILLY, partner of accounting, audit and consultancy.

- One of the foremost independent accounting, audit and consulting firms in the Rhône-Alpes region.
- 9 partners.
- More than 1 500 clients.
- Fee income of around 8 million euros.
- Recognised as a multidisciplinary firm with specialised teams.



2

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## ORFIS BAKER TILLY, 9 chartered accountants to guide you



**Michel  
CHAMPETIER**



**Josiane  
BOTTI**



**Jean-Louis  
FLECHE**



**Edouard  
CORNUT  
CHAUVINC**



**Hervé  
DANDOIS**



**Christophe  
VELUT**



**Bruno  
GENEVOIS**



**Olivier  
BRISAC**



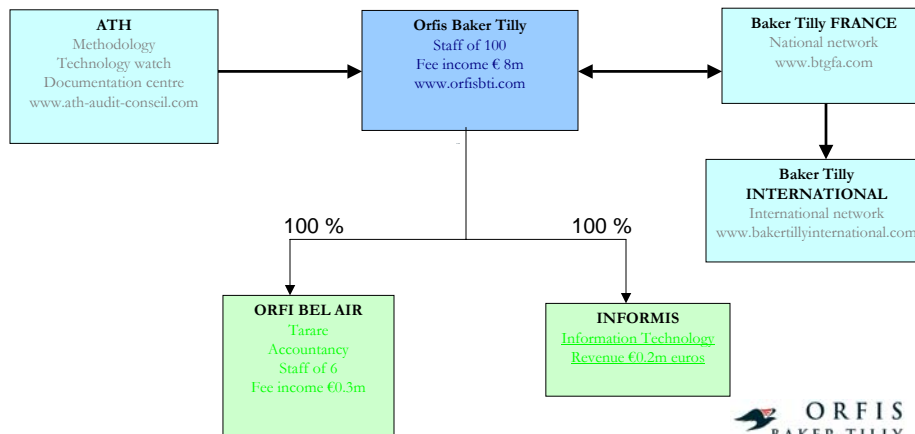
**Martine  
HACKER**



3

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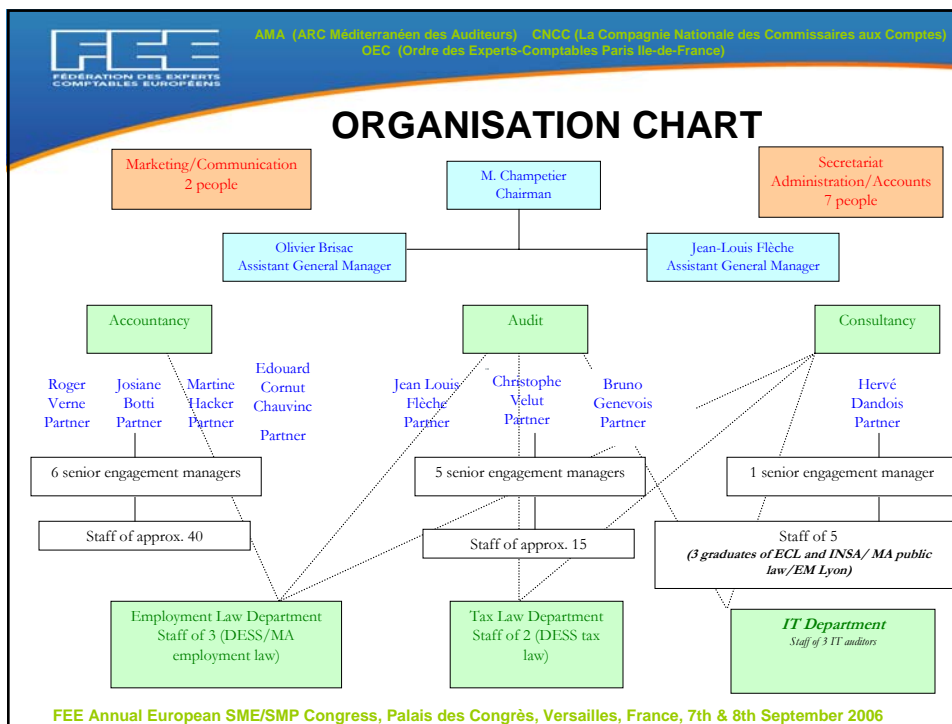
## ORGANISATION CHART



4

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 AMA (ARC Méditerranéen des Auditeurs) CNCC (La Compagnie Nationale des Commissaires aux Comptes)  
 OEC (Ordre des Experts-Comptables Paris Île-de-France)

## ORFIS BAKER TILLY'S VALUES

Orfis Baker Tilly staff apply the following founding principles:

- q Complete **independence** of the firm...
- q ... resulting in the application of values that place the **human dimension and integrity** at the hearth of our approach
- q Quality of work

... built around a **global, integrated approach** that allows our clients to be assisted and supported by a person who can master the complexity of an organisation while taking account of all its aspects

Orfis Baker Tilly is owned by nine non-corporate partners who have no shareholdings in any other advisory firm, IT engineering and services provider, or client of the firm.

  
 6

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## ORFIS BAKER TILLY, 9 partners strongly involved in today's economy and society

- The firm is at the center of economic and social thought and action alongside local institutions, participating effectively and permanently in bodies such as the MEDEF, Lyon Place Financière et Tertiaire, the Franco Italian and Franco-spanish chambers of Commerce, A3E, the professional organisations for accountants, auditors, judicial experts and business values, and the Rhône-Alpes Chamber of Commerce.



7

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## 3 main activities



### - ACCOUNTING EXPERTISE :

- Support for creators of new businesses.
- Bookkeeping : implementing solutions tailored to the business's operation.
- Preparation of accounts.
- Specialised accounting assignment.
- Consultancy : management and organisation, financial engineering, IT.
- Audit : accounting and financial auditing, mergers & acquisitions, business restructuring, information and internal control systems, listed companies.
- IFRS (5 listed clients)
- Support in international operations.
- Audit for local authorities.
- Strategic diagnosis and support.

Orfis Baker Tilly has a wide and very diversified experience of industry, commerce, services and agriculture.

8

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**- AUDIT :**

- Statutory audit
- Contractual audit (accounting and financial auditing, mergers & acquisitions, business restructuring, information and internal control systems, listed companies)
- Support in international operations (due diligence on foreign companies, monitoring of foreign subsidiaries' accounts) : registered PCAOB
- Audits for local authorities
- Specialised accounting assignments (consolidation, operating reports and scorecards, US/UK accounting)
- Consultancy (management and organisation, financial engineering, IT)
- Strategic diagnosis and support

A lot of references in a wide range of sectors (7 short-listed companies).

**- CONSULTING :**

**PUBLIC SECTOR :**

**- Public sector France & International**

- Financial/budgetary, technical and economic assignments
- Management contracts / utilities : audit, from assistance to procedure and negotiation.
- Financial/budgetary audits to local Governments and Public Entreprises

**- Public Sector management**

- Organisation, PE Reforms, Assistance to changes and Control Systems
- Information System / Project management / Quality (ISO 9000 and 14000)

**- Public policy preparation and appraisal**

- Public policies : privatisation, private sector development, tourism, local development...
- Performance audits of structures subsidised by public organisations

## PRIVATE SECTOR

- **Assistance to operational processes**
  - Quality and project management
  - Information systems
  - Assistance to changes
- **Assistance to management processes**
  - Organisation
  - Control system
  - Management consulting
- **Corporate finance : M & A and investment**
  - Mergers and acquisitions
  - Corporate Assessment and Investments Funds
  - Technical audit, IFRS norms, arbitration

## ORFIS BAKER TILLY, specialised departments.

### TAXATION :

- Business and personal tax advice, both nationally and internationally,
- Tax returns for companies, professions and individuals
- Verification of tax assessments
- Tax planning
- Acquisitions and mergers
- Assistance in dealings with local tax commissions
- Assistance with tax inspections
- Representations to tax authorities

**PAYROLL ASSISTANCE AND CONSULTANCY IN SOCIAL MATTERS : ( 3  
jurists and 4 payroll specialists)**

- Employment contracts
- Payroll and bank transfer (2 500/month)
- Social security returns ....
- Implementation of employee representation
- Drafting of internal regulations
- Changeover to the 35 hours week
- Incentive scheme agreements
- Profit sharing agreements
- Social audits

**Legal aspects of disciplinary procedures**

- Relations with official bodies
- Assistance with social security inspections
- Assistance with labour inspectorate inspections
- Case preparation for employment tribunal or social security tribunal hearings
- Availability of subscription-based consultation system for general or specific information relating to your sector of activity.

**INFORMATION TECHNOLOGY ORGANISATION (4 people) :**

- Diagnosis of existing systems, study of requirements
- Assistance in choosing software, equipment and networks
- Development of software for analysis or interfacing
- Security, reliability and durability of information systems
- Creation of e-commerce sites
- Training

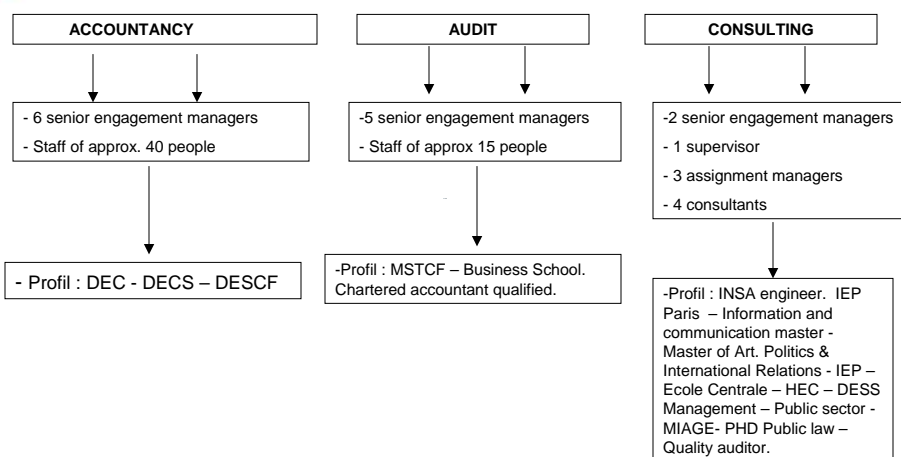
**QUALITY MANAGEMENT SYSTEM CONSULTANCY (2 people) :**

- Presentation of the ISO 9000 standard
- Training on the quality management system approach
- Support to top management during consideration of the stakes, the implications, planning etc..
- Assistance in drafting specifications
- Diagnosis
- Assistance in operating a quality management system
- Explanation of general and quality policies
- .....
- Follow up audits
- ....

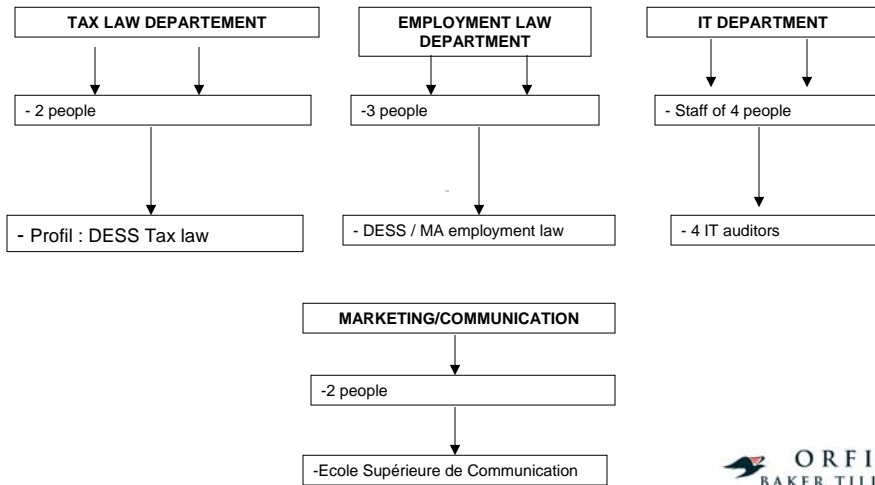
## ORFIS BAKER TILLY, a team of top level professionals.

- A staff of one hundred people.
- Located at offices in Lyon, La Verpillière, Montluel (a branch of 10 people) and Tarare (a subsidiary of 6 people).
- A team with specific expertises enabling to act nationally and internationally in all areas, including accounting, employment, tax, IT, management and organisation.
- Orfis Baker Tilly is an efficient partner and advisor which can accompany businesses of any size in their organic or external growth, in France and abroad.

## OUR STAFF



## OUR STAFF



## OUR STAFF

- With a very selective recruitment programme, Orfis Baker Tilly believes in the value of men and women, skills and technologies.
- We regularly recruit and participate in students forums.
- Excellent integration of new staff with adapted tools and tutors.
- The firm helps staff evolve in their career with for example yearly evaluations interviews.
- Orfis Baker Tilly believes in staff happiness & improvement for high quality results.
- The firm places great importance on in-service training and the professional development on it's staff. A very detailed training plan with a budget of more than 4% of payroll, managed by a partner and an engagement manager, enables technical developments to be monitored and staff trained.



## OUR STAFF

- The firm places great importance on the quality of its staff, the tools implemented and investments in techniques and technology.
- All teams are formed on the basis of the skills and specialisations required by the specific features of the companies audited. Staff's skills are backed by an appropriate infrastructure and equipment.
- Orfis Baker Tilly is a member of ATH, a training body that provides both tools and technological and technical monitoring services to its members.

## ORFIS BAKER TILLY'S DEVELOPMENT

### OBJECTIVES :

- To increase our customers' loyalty,
- To acquire new customers,
- To develop our notoriety and standing on a local, national and international scale,
- To increase our visibility.

## ORFIS BAKER TILLY'S DEVELOPMENT

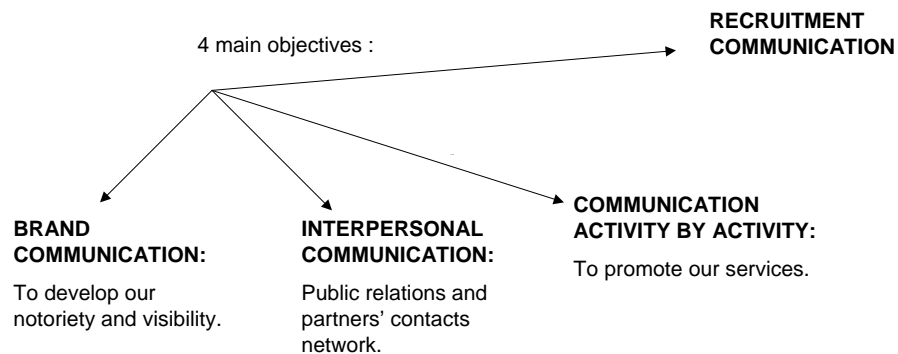
### POSITIONING :

- A strong, multi-disciplinary firm with good regional coverage and a strong national and international influence.
- Close to our clients/ excellent client care.

### MEANS :

- Orfis Baker Tilly has a very strong market position and has elaborated a clear marketing and communication strategy.

## COMMUNICATION STRATEGY



## COMMUNICATION PLAN

### - BRAND COMMUNICATION :

- Press inserts
- Press relations
- Institutional brochures
- Trade shows and forum

### - INTERPERSONAL COMMUNICATION :

- Public relations : membership of Olympique Lyonnais, musical evenings (Nuits de Fourvière), festival, jazz evenings...
- Partners' contact network

## COMMUNICATION PLAN

### - COMMUNICATION ACTIVITY BY ACTIVITY : To promote our services

- Articles on social management
- Technical conferences
- Themed breakfast mornings
- Technical publications

### - RECRUITMENT COMMUNICATION :

- Recruitment advertisements
- Student's forum

## ORFIS BAKER TILLY, CLOSE RELATIONS WITH OTHER PROFESSIONALS

- Development of several special working relationships that complement its own internal resources : law firm, consulting engineers in waste disposal....
- **active member of the Baker Tilly France network :**
  - 4th national network of accountancy, audit and consultancy firms (excluding integrated firms)
  - 20 firms all over France, some French speaking African countries and the french overseas territories with more 100 accountants in public.



27

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## ORFIS BAKER TILLY, CLOSE RELATIONS WITH OTHER PROFESSIONALS

- **Active member of Baker Tilly International network :**
  - 8th accountancy, audit and consultancy network in the world
  - Head office in London
  - Present in more than 75 countries
  - 122 firms and 501 offices
  - 18 600 partners and staff
  - Annual aggregate fee income US\$ 1,82 bn.
  - One partner belonging to european board.
  - One partner belonging to audit comitee.



28

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