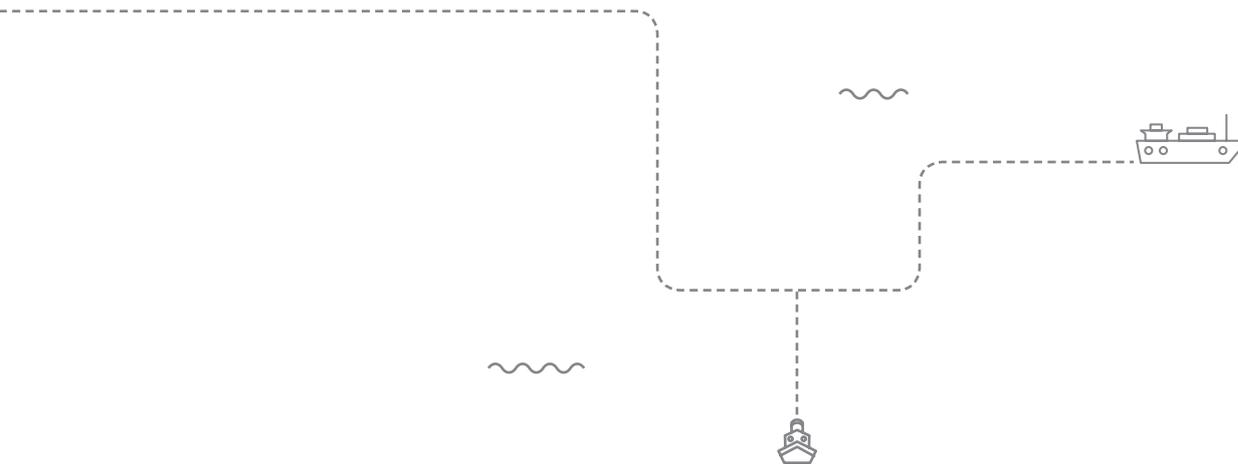


WHERE NEXT FOR PROFESSIONAL SERVICES?

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

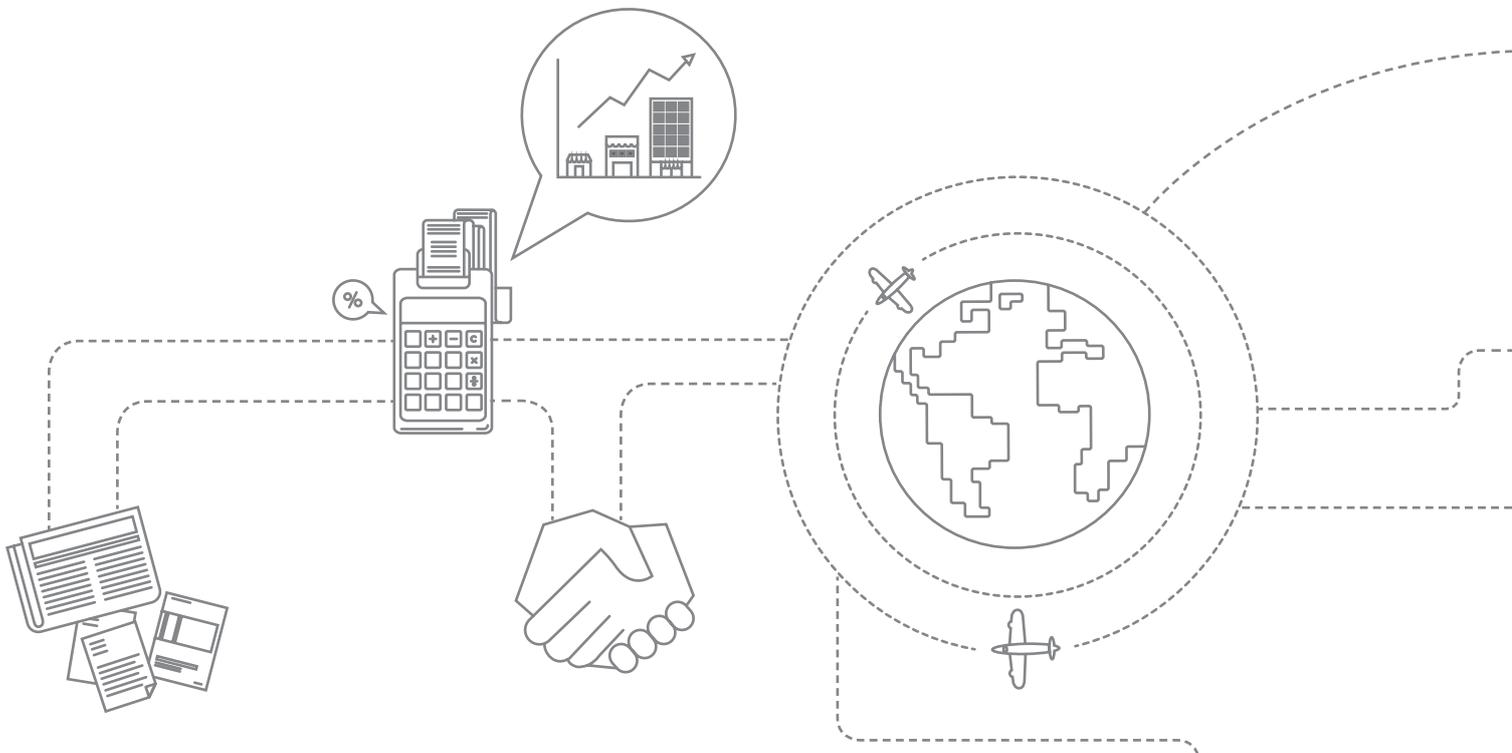


THE UK IS HOME TO A WELL-ESTABLISHED AND THRIVING PROFESSIONAL SERVICES SECTOR BUT FUTURE GROWTH IS NOT GUARANTEED. OVER THE SHORT TO MEDIUM-TERM, BUSINESSES MUST ADDRESS A SERIES OF CHALLENGES HEAD-ON IF THEY ARE TO ENJOY THE SUCCESSES THEY HAVE EXPERIENCED IN RECENT YEARS.



The sector recovered well from the recession as it took advantage of a growing need for specialist advice to support business expansion and the development boom. But clients are now looking for ways to reduce the amount they spend on external expertise. In this new era, gaining market share from rivals is a key route to growth.

Today, competition across the sector has never been higher. Firms are battling for new client opportunities, skilled staff and competitive advantage. To remain profitable and sustainable, businesses need to execute a clear and effective strategy, attract top talent and deliver an excellent service at an acceptable price.



ARE YOU CONFIDENTLY MOVING IN THE RIGHT DIRECTION?

In today's competitive market, a robust strategy is more important than ever. The right plan can help firms stand out from the crowd. Without it, they are rudderless, unable to properly mitigate risks or take advantage of new opportunities.

The right strategy helps businesses gain competitive advantage. Setting out a clear vision encourages differentiation, guides confident recruitment decisions and ensures management make informed judgements about the right path to growth.

In recent years businesses have seen mergers and acquisitions (M&A) as a way to fast-track success. But the wrong transaction or ineffective integration procedures can ultimately stunt growth. A robust strategy helps guide M&A decisions that ultimately create stronger organisations, with united processes, systems and workforces.

Not all strategies are created equally, however. Businesses should focus on creating an evidence-based plan that allows management to make confident decisions about the future. It should be underpinned by up-to-date operational information and flexible enough to deal with short and long-term market fluctuations.

When creating the strategy, management must put in place the necessary internal resources to make the vision a reality. This is often significantly underestimated, with businesses lacking staff with the time and skills to successfully embed change.

- Q Do you use out-dated information to predict your future?
- Q Can you react quickly to market fluctuations?
- Q Will your M&A decisions create a stronger organisation?
- Q Do you have the resources to make change happen?



WILL YOUR BUSINESS STRUCTURE HELP YOU REACH YOUR GOALS?

Professional services businesses embody a range of structures, each with their own tax rules. The right set-up supports the realisation of strategic ambitions. The wrong one can dampen future growth prospects.

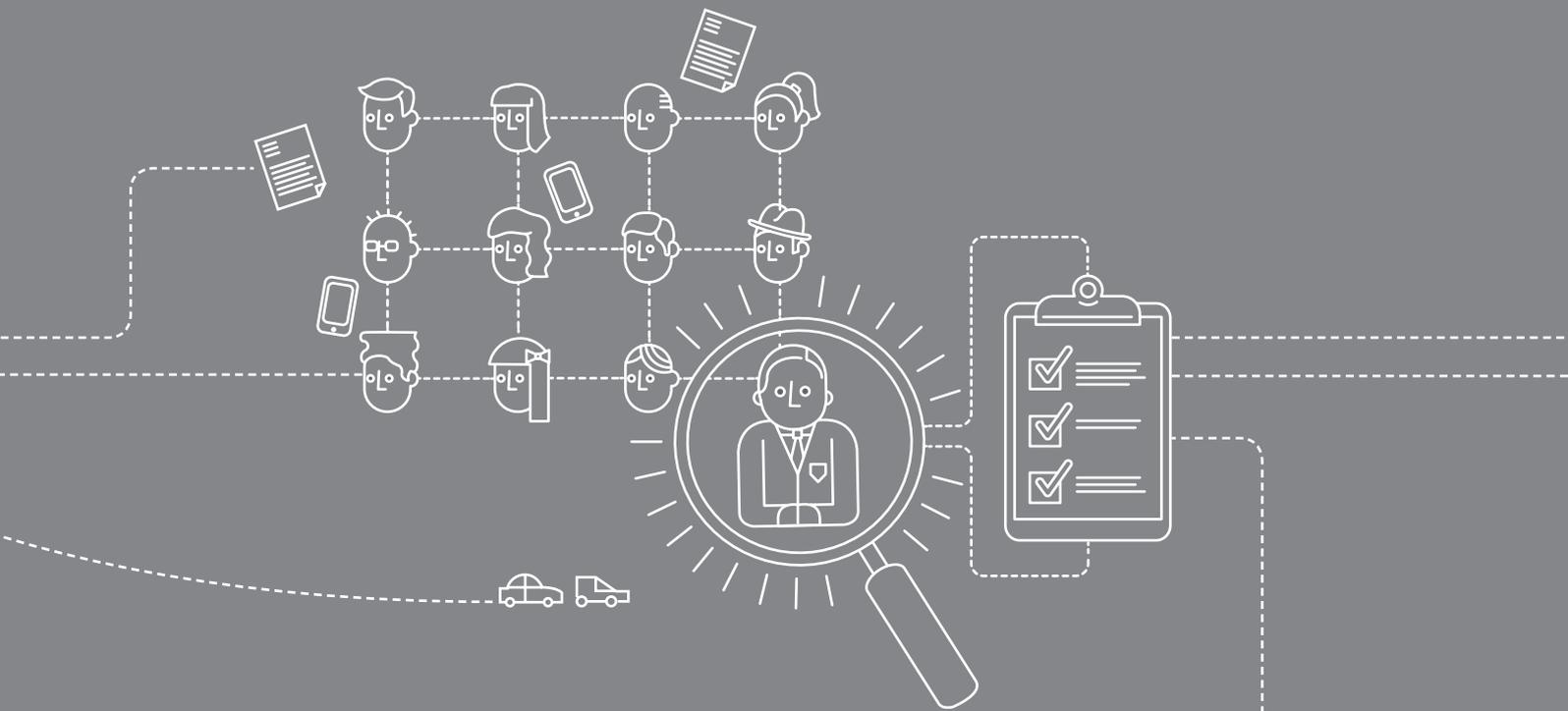
Professional services firms typically operate as a corporate entity or a Limited Liability Partnership (LLP). Both structures have their own advantages. But these will only be realised if the set-up aligns with the future goals of the business.

A corporate entity allows firms to reduce the amount of tax they pay on retained profits. It is often an attractive option for businesses looking to reinvest revenues to support future growth and reward employees and owners with share ownership structures. An LLP, meanwhile, provides flexibility and cost-efficient profit extraction.

However, LLPs are also bound by salaried member reporting rules, which can attract significant national insurance costs. To avoid these provisions, businesses must be able to demonstrate that the partners do not meet one of a trio of conditions set by government. Robust reporting processes and safeguards are crucial.

Today, firms continue to expand their international footprint. Driven by client demand, UK-based businesses are becoming bolder, looking beyond the EU and US and increasingly focusing on growth further afield. The wrong structure can, however, hinder expansion plans and prevent firms from maximising overseas opportunities.

- ❓ Is your current business structure fit for purpose?
- ❓ If you are an LLP, do you have the right safeguards to capture salaried member reporting?
- ❓ How robust is your international tax reporting?
- ❓ Does your firm fall within the new Base Erosion and Profit Sharing rules, and if so, will your reporting hold up against HMRC challenges?



ARE YOU INVESTING IN THE LEADERS OF TOMORROW?

In a sector where the success of a business depends on the skills and expertise of their employees, recruiting top talent is a key driver of growth. But competition for staff with the right experience has never been higher.

Attracting and retaining staff with the right skills is an acute problem across the sector. While businesses often have clear career progression routes and reward policies in place, many fail to properly communicate these options to staff. When employees cannot see their future at a firm, they look elsewhere.

Today, many businesses face a succession time bomb. Unable to find the right talent, they are struggling to develop the leaders of tomorrow. When senior management teams retire, businesses will be left without the expertise they need to successfully balance opportunity and risk.

In an effort to keep hold of existing staff and attract new talent, many businesses are starting to introduce or enhance international secondment opportunities. While this appeals to an ever-more globally focused workforce, it brings with it a series of new challenges. Businesses need the right controls to avoid falling foul of international HR regulations.

- Q Is recruiting and retaining talent a challenge?
- Q Do you have clear reward policies and career progression criteria?
- Q Do you have an achievable succession plan?
- Q Are you correctly structuring international secondments and transfers?



IS TECHNOLOGY HELPING OR HINDERING GROWTH?

Outdated IT systems weigh an organisation down, making it inefficient and uncompetitive. To maximise opportunities, businesses must harness technology to improve internal processes and deliver better client services.

IT is a big issue for today's businesses. Many have outgrown their technology infrastructure. Others have the right system in place, but lack the in-house expertise needed to properly leverage the data and information it produces. Few have properly mitigated the growing threat of cyber-crime.

It can be a daunting decision to change systems. In resource-constrained environments, businesses need certainty that any updates – incremental or widespread – will lead to tangible benefits. But many are unable to access the necessary advice and expertise to support these critical decisions.

The right IT changes, however, can support business growth, delivering significant back-office savings and efficiencies. Technology can ensure client time is accurately captured and invoices are paid on time. Finance staff are able to shift their focus from managing transactions to dealing with more strategic matters.

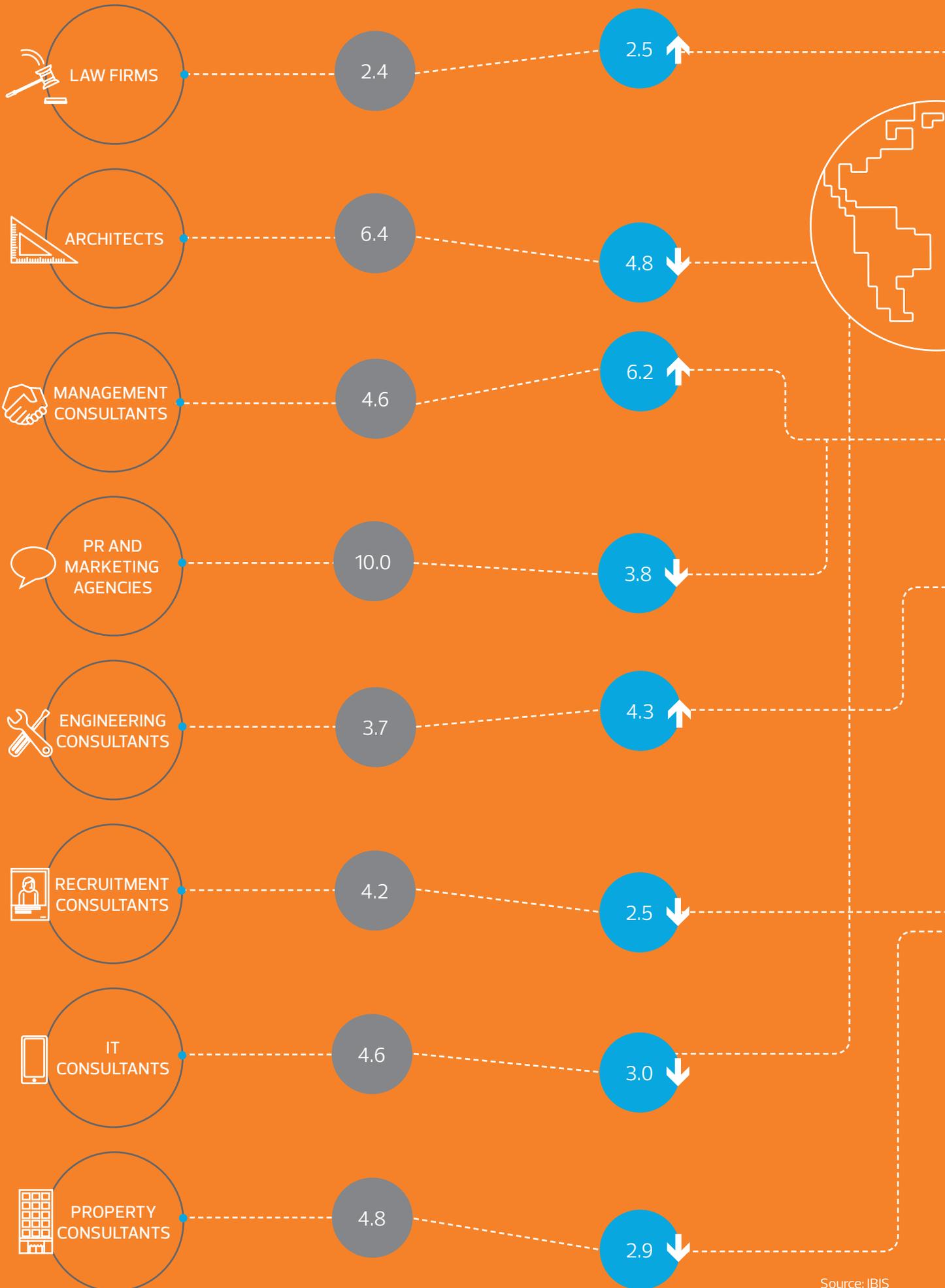
Technology can also help businesses deliver better client service. An integrated Customer Relationship Management system can improve understanding of clients' needs. Requests can be dealt with faster, communications can be targeted in the right way and ultimately stronger relationships can be formed, which helps boost loyalty.

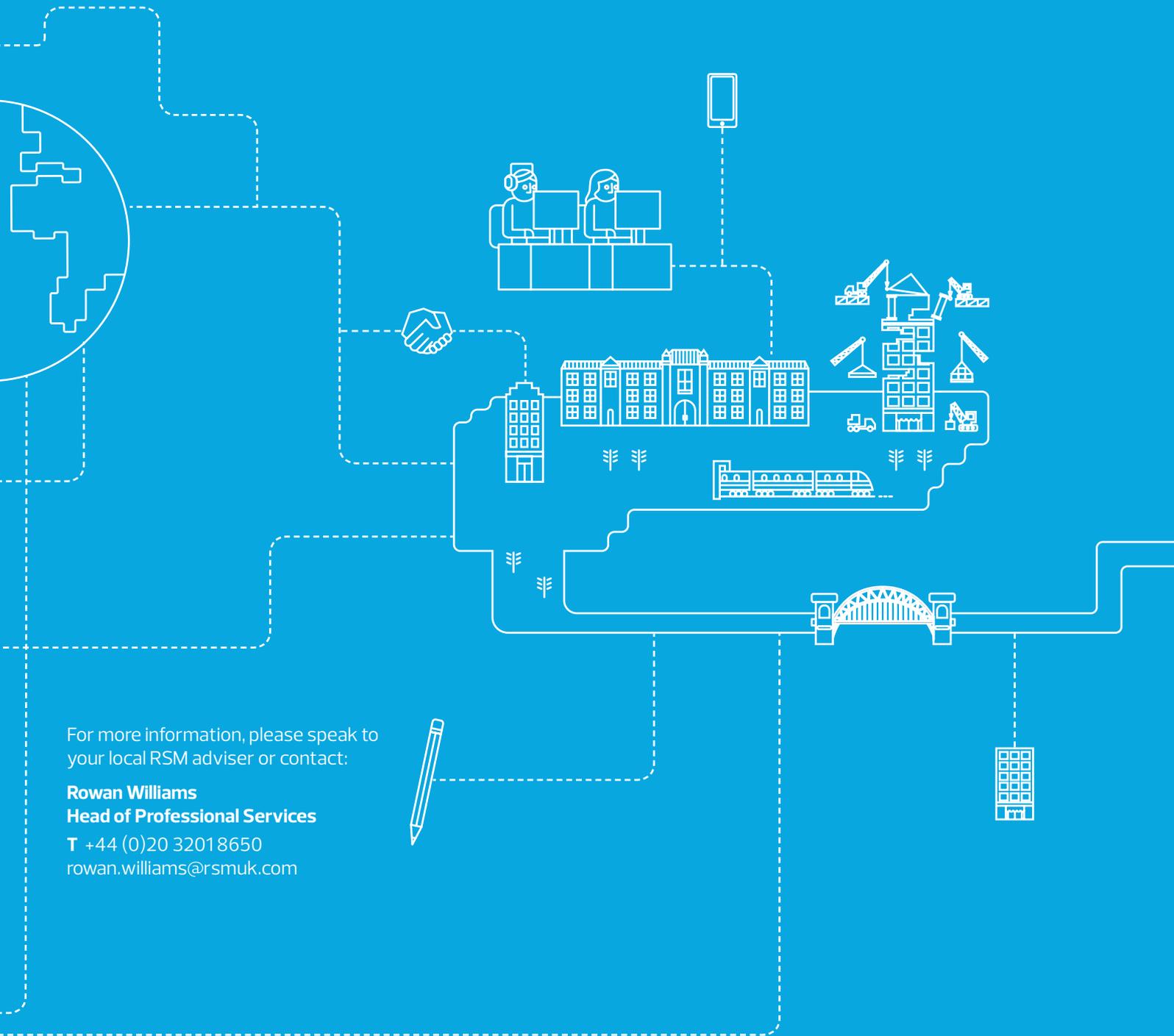
- ❓ Do your IT systems support business growth?
- ❓ Are you using technology to deliver a better client service?
- ❓ Are you properly protected against cyber-crime?
- ❓ Are controls in place to ensure an effective finance function?



ANNUAL GROWTH
2011-16

GROWTH FORECAST
2016-21





For more information, please speak to your local RSM adviser or contact:

Rowan Williams
Head of Professional Services

T +44 (0)20 32018650
 rowan.williams@rsmuk.com

rsmuk.com

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