

# Chartered Accountancy use in Company Development

Leech and Partners is a partnership firm who is specialized in Chartered Accountancy, Business Advisors and Tax. It has 2 branches located in Ashburton and Christchurch. Leech and Partners employee's 37 staffs of which 6 are Directors and 2 are Associates. According to European Union, a company with fewer than 10 employees is categorized as "micro", those with less than 50 employees as "small" and with less 250 as "medium". Leech and Partners fits in perfectly and has all characteristics of a small organization.

## Mission Statement

Leech and Partners mission statement is that they strive to really get to know their clients. They aim to offer the best service they can to meet all their clients financial and accounting requirements with an objective of developing quality long-term relationships. They are not just about providing accountancy services as clients get to know them, but are about offering the best expertise, advice and mentoring assistance they can to assist their clients ventures.

## Vision

Leech and Partners vision is to provide the most up to date and relevant financial skills and advice possible for clients business in a manner that will enhance their business profitability, quality of life and wealth.

## Strategic Goal

Leech and Partners are committed to forming close partnerships with their clients. This way they can understand client's unique situation and customize the assistance they provide to suit their needs. Their commitment to excellence is evident in the hardworking nature of their staff, and the exceptional service they offer.

Leech and Partners Team Commitment to the clients:

You will receive friendly, courteous, awesome service. You will be respected and not taken for granted.

We believe totally that your perception of our performance is always reality.

We will honor our commitment to you absolutely.

Our service and advice will always be of an exceptional quality and designed to add significantly to your business.

Our services will rarely, if ever, be the cheapest on the market. Our fees will though, always reflect the type of assignment and value so that you can get real benefit from them.

Your feedback is critical to our continuing to innovate and improve. We're always looking forward to your ideas, your comments and your suggestions.

We will be honest, truthful and 'up front' with you at all times.

We will acknowledge any communication you have with us before the end of the next working day.

You will always be able to seek our help to implement any of our recommendations to your business.

We will communicate with you frequently and openly as we build a win-win long term partnership with you.

Our people have the authority to work directly with you without the need for referral.

In my previous assignment, I chose The Warehouse Group which is large organization in New Zealand and employee's adequate staff that the company is categorized as a large organization.

## Strategic Cultural Analysis

### Organizational Culture

Organizational culture is the shared values; norm, assumptions, beliefs and expectations that govern the way people approach work and cooperate with other members of an organization. At Leech and Partners, they are committed to have a close relationship with clients by hardworking employees who offer exceptional service. They are passionate about their work which means they provide with a friendly teams of professionals who are eager to use their expertise to help clients succeed.

#### 2.1.1 Cultural Web Analysis

##### Stories

Leech and Partners has been operating for more than 20 years. It started from 2 staff and has grown over the past years and currently with 37 staffs.

Reputation - they keep all the information confidential such as financial statements and personal documents and they are honest, truthful and up front with their clients all the time.

Employees look up to Gary Leech as the hero of the company when they perceive the history of Leech and Partners and treat him as a well respected person.

### Rituals and Routines

Leech and Partners are dedicated to solve customer's problems in less time as possible. They look after customers by providing tea and coffee with magazine and lollies and toys to keep their clients children happy.

All clients will be given friendly, courteous, awesome service and be respected and not taken for granted.

All employees try to work within budget so that the fees charged to clients are reasonable and affordable.

Employee's timesheet being monitored to ensure that they are productive and efficient with their work.

### Symbols

Jargon – Leech and Partners jargon states that “Your Success is Our Motivation” and “We aim to be the first choice accountants and advisors based on quality, expertise and value’.

Dress Codes – Every one at Leech and Partners has a formal dress code including Directors. (Directors – Suit, Men- shirt and tie and Women – Formal wear). Leech and Partners also has a sports outfit for its staff with its Logo on it.

Logo - Leech and Partners has L & P logo with colour blue and green. Their Office are also painted blue and green so that people can recognize it.

### Organizational Structure

Leech and Partners adopts flat structure where the Directors are at the Top Hierarchy following the Accountants.

They have a formal working environment. Relative and family members are not employed with in.

Team Work - is one of the core components of the organization. For examples, if a staff is unable to complete all of their GST before due date then other staffs are there to help.

### Control System

Costs are highly controlled by the directors. Every minute spent on a clients work are billed.

Accuracy is very important to Leech and Partners. Every work is reviewed by the partners before it is sent out to the clients. Clients are being interviewed by the employees before preparing their account so that all information is gathered.

If employees exceed budget, the company writes off the extra and employees pay are not affected.

### Power Structure

Although employees have the authority to work directly with the clients, Directors hold the real power as all accounts are being reviewed and major decisions are being made by them.

Employees try to maintain productivity because every month each employees report is produced on their performance. This performance is discussed with the directors with each staff individually so that they can improve on their performance.

### 2.1.2 Strategic Drift

Strategic drift illustrates the circumstance that arises when a company develops strategy in an incremental way and thus does not keep up with the changing environment. The environment changes at a faster pace than the company is capable of, as a result of its culture and history. Culture and history are two important factors that can lead to incremental change, which in return leads to strategic drift. It's hard to underestimate the significance of history in shaping a company's culture.

Leech and Partners Ltd do not experience a strategic drift. In this rapid changing environment, Leech and Partners manage to keep up with its changes in technology, customer relationship, training and educating staff and treating people in their day-to-day behavior. As new technology was introduced, managers of Leech and Partners changes it strategy of dealing and solving the issue. For example, when they brought computers, they trained their staff how to use it and new ways of performing the task which could have been different while they were using pen and paper. Another example would be where clients can now log-in to account and view their accounts, where as before they had to walk in to the office to do that.

### Symptoms of Strategic Drift

The problem of hindsight - Managers may be understandably be suspicious of changing as they are happening and might only consider as they are a passing fad in the market or temporary downturn in demand. It might be easy to identify changes with hindsight but it may be difficult to spot the significance of it.

Building on the familiar – Managers may sometimes be able to identify changes in environment, they would look for answers which are familiar and have served them in the past. This would lead to a bias towards continued incremental change in strategy.

Core rigidities- Past success may have been well based on capabilities that are unique to organization and difficult to copy. However, the capabilities that have been bases of advantage that can be difficult to change, in effect core rigidities (Johnson, Scholes & Whittington, 2008). This extraordinarily reason may make them very difficult to change without major transformational change.

Relationships become shackles – The organization is successful probably due to the basis of exceptional relationship with clients, suppliers and staff. Nevertheless, this relationship may make it difficult to make essential changes to organization strategy, identify new opportunities, change suppliers and changing required skilled staff which might cause disturbance with the workforce.

Lagged performance effects – The effects of strategic drift may not be visible at an earlier stage. First response could be cost cutting and becoming more efficient which can give a short term relief but in long-run, there is no future for the company as it is heading in wrong direction.

#### 2.1.4 Importance of Strategist

A strategist is a skilled person involved in designing and planning action and policy to achieve the overall goal of organization (Wikipedia, 2009). It is usually the owner or manager of the organization in SME who acts as the strategists. The importance of the strategist in Leech and Partners are that:

They have the organizational experience to make important strategic decision.

Strategist understands the history which helps them understand the strategic position of the organization.

Avoiding recent bias meaning understanding the current situation in terms of past and changing strategies according to the change in environment and leaving the taken –for-granted philosophy behind.

Capability of detecting and avoiding strategic drift as they are most likely to answer the 'What if' question and ability to change the strategy.

The taken-for-granted aspects make it really important in relations to strategy and management of strategy. The two primary reasons are:

Managing culture – it is difficult to examine, identify and control that which is taken for granted, it is difficult to manage

Culture is a driver of strategy – Organization can be captured by the culture and find it very difficult to change their strategy outside the boundaries of culture. Managers faced with varying business environment are most likely to deal with these situations.

### Strategic resource-based assessment

What is resource-based view?

A resource-based view of strategy is the competitive advantage and superior performance of an organization is explained by the distinctiveness of its capabilities (Johnson, Scholes & Whittington, 2008). It looks at the valuable resource in an organization rather than a particular product/market combination. The primary principal of resource-based view is the basis for a competitive advantage of a firm which primarily lies in the application of the bundle of valuable resources at the firm's disposal (Wernerfelt, 1984). A firm's resources includes all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc; controlled by a firm that enable the firm to conceive of and execute strategies that improve its efficiency and effectiveness (Daft, 1983).

### Strategic capability

This are the resources and competences of an organization needed to stay alive and thrive.

### Resources at Leech and Partners

#### Tangible and intangible resources

Physical resources- This includes computers, printers, photo copiers, etc which the staff uses to perform their job.

Financial resource- such as cash, capital contributed by directors, debtors and creditors of the business.

Human resources- include the employee's skill and knowledge of employees at Leech and Partners.

Intellectual capital- these are an intangible resource that includes brand name, business systems and customer database, reputation and patent.

#### Unique resources and core competences

Unique resources are a resource that critically emphasizes competitive advantage that others cannot easily imitate and obtain. Core competences are the ability and skills to which resources are organize throughout an organization's activities and processes to

achieve competitive advantage in ways that others cannot obtain or imitate. The unique resources and core competences of Leech and partners are:

**Cost efficiency-** To be cost efficient is one of the most important strategies of the organization. Leech and Partners have to ensure that the amount they invoice to their customers is reasonable and affordable and this is done by monitoring the staff performance. By having monthly performance reports, staff at Leech and Partners get encouraged to be more productive and efficient. This way, they manage to utilize all of their human resources which results in a huge difference to the business.

**Competitive rivalry-** To stay up and running and compete with the rival firm is also a very core component. Leech and Partners compete with other firms and manage to grow over the past years. Its location could also be a factor because there are not a lot of rivalries in Ashburton where its main branch is located.

**Experience –** Experience can contribute a lot when it comes to growth of the business. A lot of clients would prefer to have their accounts at Leech and Partners because they have so many years of experience. Their staffs are also well experienced so clients would prefer to have their work done with a professional.

#### Competitive advantage

Competitive advantage can be accomplished if the current strategy is value-creating, and not currently being implemented by present or possible future competitors (Barney, 1991). Even though competitive advantage has the ability to become sustained, this is not necessarily the case. The theory of competitive advantage was developed presuming that the portfolio of product market position that a firm takes is reflected in the portfolio of resources it controls. A firm has a competitive advantage when it is implementing valuable product market strategies not currently being implemented by several other competing firms. A firm has a continuous competitive advantage when it is implementing valuable product market strategies not currently being implemented by several other competing firms and where efforts to imitate those strategies have ceased. Utilizing all its resources and capabilities, Leech and Partners gained competitive advantage in the following way:

**Location and specialization-** the location gives a good competitive advantage for Leech and Partners. It has two branches covering a wide area of Canterbury right from Christchurch to Ashburton so clients can easily reach them if they have to. They specialize in farm accounting and Canterbury is specially all farming areas.

**Tax specialist-** They have a tax specialist who is originally from the United Kingdom (U.K). He has overseas accounting standards knowledge which would be a competitive advantage for investors as not all firms have a specialist like him. For example Leech and Partners offers U.K pension transfers whereas Brophy Knights, a similar size firm does not offer that service.

Training- Leech and Partners send their staff for courses to keep up to date with all the changes in accounting standards. Their staffs are fully informed of what changes are happening and upcoming, where as other firms do not do that.

Up-to-date- At Leech and Partners, they always keep up-to-date with the software's so any changes with tax codes or other accounting changes from Inland Revenue Department will automatically be updated.

### 3.4 Implication

To be sustainable in performance, resources should meet three criteria's. These criteria's are:

Valuable - resource must allow a firm to employ a value-creating strategy, by either outperforming its competitors or cut down on its own weaknesses (Barney, 1991). This means that buyers are eager to purchase the output of the resources at price significantly above their costs. Transaction costs associated with the investment in the resources will not be higher than discounted future rents that flow out of the value creating strategy.

Rare - ensures that buyers cannot turn to competitors with the same or substitute resources. Resources must be rare where in a perfect competitive factor market for a resource, price of resources will reflect the expected discounted future above the average returns.

Imperfect imitable - if valuable resources are controlled one particular firm; it could be a source of competitive advantage (Barney, 1991). This means that it is difficult for competitors to imitate or purchase the resources (Barney, 1991). An important fundamental factor of inimitability is casual ambiguity, which occurs if the source from which a firm's competitive advantage stems is unknown. If resources is knowledge based or socially complex, casual uncertainty is possibly to occur as these types of resources are more likely to be characteristic to the firm (Peteraf, 1993).

Non-Sustainable – Although resources are rare, imperfectly imitable and possibly value-creating, an equally important aspect is lack of substitutability. If competitors are able to counter the firm's value-creating strategy with a substitute, prices are driven down to the point that the price equals the discounted future rents (Barney, 1991), which will result in zero economic profits.

### Strategic thinking and position

Strategic thinking concentrates on discovering and developing unique opportunity to create value by allowing a challenging and creative dialogue among people who can affect a company's direction where strategic position is concerned with the impact on strategy of the external environment, and organizations strategic capability, expectation

and influence of the stakeholders. Strategic thinking and strategic planning are related as the role of strategic thinking is to seek innovation and visualize new and different strategies where strategic planning is to realize and support strategic development throughout the strategic thinking process.

The Environment- Leech and Partners lays in a context of a complex political, economical, and technological environment. Due to the changes in these factors, the company is affected. For example, change in legislation or development of new tax laws affects the historical and environmental context of the organization.

Strategic Capabilities- this is made up off the resources and competence of Leech and Partners. In other words this can be looked at by considering the companies strength and weaknesses. It is the competitive advantage of Leech and Partners that offer advantages against its competitors to find it difficult to imitate its strategies.

Competencies and skills – All staffs employed by Leech and Partners are qualified and experienced. They are competent in doing their work accurately and providing useful advice to the clients.

Cultural and Historical influence – Culture influence can be organizational, divisional or national. Culture influence can occur when it is difficult to observe, control and identify changes which are taken for granted are difficult to manage. It is very difficult to change the strategy which lay outside the boundary of culture. Culture is in effect, unintended driver of strategy. Historical influence can create lock-in on particular strategic path. The impact of these influences can be strategic drift and fail to create necessary change. History and culture are important influence of the strategy of Leech and Partners. This leaves the question that directors have to ask is that what can be done in managing history and culture. Perhaps, there is little to be done about managing history. What is apparent to managers is to become path creates in strategy development and need to be able to challenge, question and potentially change path depended capabilities routed in history and culture. To do this, Directors have to at least learn to be questioning of the history that they have, perhaps, been part of or let to their existing position. It should be evident that one of the major requirements of manager of strategy is to be able to persuade the questioning of that which is taken for granted.

Strategy design in small and large organization

Strategy design in small organization consists of a mission, vision, goal, objective and strategic capability. A small organization consists of less than 50 employees. Where as, in large organization strategic design is similar to small organization which also consists of a mission, vision, goal, objective and strategic capability.

The element that distinguishes small organization from large is that their vision, goal, objective and strategic capability are not as complex as large organization. Small organization has limited resources and competence. Their unique resource and core

competence which organizations use to achieve its strategic advantage are different from what large organizations resources strategic capabilities.

The structure of business model and product and services they provide may also vary. Large organization such as The Warehouse is capable of providing a wide variety of product to a wide variety of customers. Where as small organization normally specialize in few products and services such as Leech and Partners offering just accounting services and business advise to people. In large organization such as The Warehouse have decentralized structure of business, in the top hierarchy are the Directors and the Shareholders, followed by the department managers including human resources, marketing, accounting and others. Finally, the staffs are at the bottom of the hierarchy who are managed by the various department managers. Staffs in Large organization cannot make major decisions but has to consult the manager in charge where as in small organization such as Leech and Partners, staff could be authorized or hold certain amount of decision power that they can make.

In large organization their operational control is different than small organization. Normally in large organization there are various types of managers for specific area in organization. For examples, store manager will be in charge for a particular store and a general manager to administer the whole regional managers.

The core important difference of large and small organization would be level of strategy they use and the strategic choice involves understanding the underlying basis for future strategy at business and corporate level. Corporate level strategy concerns with the scope of an organization which includes diversification decisions about the portfolio of products and spread of market.

The environment of both small and large organization also differ as the economic, social, technological environment changes and one scenario such as the global recession might affect deeply to one organization where as it might not hit that hard on the other one. For example, when we had recession in New Zealand, there was a big change in economic, political and social aspect. A lot of small organizations were forced to close where as some large organization such as The Warehouse was not affected that badly.