

SevenKeys
to Successful CPA
Firm Management



Seven Keys to Successful CPA Firm Management Executive Summary

www.SevenKeysCPA.com
info@SevenKeysCPA.com

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The Seven Keys to Successful CPA Firm Management

The Seven Keys to Successful CPA Firm Management is based on research conducted over the past two years including thousands of survey responses and interviews with leading authorities. Our research identifies the best practices and common characteristics that separate the competitively successful firms from the not-so-successful. We're calling them 'The Leaders vs. The Laggards.'

Leaders Get Results

Early results are confirming the research hypothesis that the most successful CPA firms are distinguished by a few key characteristics. As part of the project, we are filtering the survey results to separate the "leaders" in the profession from the "laggards."

The essential methodology involves sifting the thousands of survey responses by a critically important measure: Is the firm a "Leader" or a "Laggard?"

"Leaders" are firms that evidence above-par, even world-class, performance in the generally accepted metrics of practice management, such as:

- Revenue growth
- Profit margins
- Technical excellence
- Client satisfaction
- Staff morale and tenure
- Professional reputation and brand value.

"Leaders" clearly do things differently. And they clearly get superior results.

Key #1. Leadership and Management: New Rules for the New Normal

Leaders are nearly 3x as likely to adhere to a clear set of values.

What do you stand for? Does your staff know what your firm and its partners stands for? What do your clients think you stand for? What is the vision, mission and core values of your firm? It is important to adopt and communicate your values consistently and continually.

“Vision, mission and core values are critical to your firm’s strategy if they are enforced and non-negotiable.

- David Maister

The AICPA commissioned Applied Research & Consulting LLC to study the CPA brand. Using in-depth interviews, focus group interviews, online surveys, and secondary research the research findings included:

- CPAs are viewed more positively than any other business professional by investors (41% positive perception)
- CPAs are viewed more positively than any other business professional by business decision makers (48% positive perception)
- The perception of CPAs by business decision makers in small to large companies, investors, CPAs and young professionals are consistent including **integrity, competence, and objectivity.**

Leaders are also:

- Twice as likely to have management that leads by example.
- Twice as likely to conduct performance evaluations that are useful.
- Nearly twice as likely to hold top management accountable.

Key #2. Technology Trends: Investment and Implementation Planning

Leaders are 17x more likely to follow a strategic technology plan.

1. Identify, analyze and prioritize the technology initiatives that are required to achieve the firm's strategic goals.
2. Conduct an assessment to determine the state of the firm's current technology.

"A firm's technology plan should be part of the firm's overall strategic plan."

*- John Higgins
CPA Crossings*

3. Perform a Gap Analysis to determine where the firm is currently, relative to where it wants to go, and the technology required to get there.

A technology plan should also include a timeline and a budget.

Develop a Strategic Technology Management Plan for your Firm

- Have the right team in place.
- Develop a comprehensive understanding of the firm's current IT infrastructure.
- Evaluate the firm's current client mix and services.
- Create a list of prioritized projects based on fixing short-term issues and addressing long-term needs of the firm.

Leaders are also:

- Eight times more likely to provide thorough and continuous training.
- Six times more likely to work with the best equipment and software available.

Key #3. Marketing and Business Development: Trends and Strategies 2010

Revenue growth of leading firms is 19x more likely to surpass that of competitors.

How does this happen?

- Leaders have written marketing plans.
- Leaders target niches.
- Leaders fire clients that don't fit their target.
- Leaders get everyone involved and accountable for new business development efforts.

"Client was too demanding, not appreciative of work and took long time to pay."

- Seven Keys CPA respondent

How can firing clients be considered a marketing activity? Bad clients have an impact on profits, productivity, staffing, and being named a best place to work. Consider rating your clients based on annual revenue, payment history, growth potential, referral history and potential, profitability/realization, job risk or complexity, timing of the work, and satisfaction/enjoyment working with the client.

Use this criteria to identify your A-B-C-D clients: "A" clients are your most valuable clients and "D" clients are the least valuable – those to consider firing.

Typical D Clients:

- Can't attract and retain quality staff
- Demonstrate low commitment to technology
- Have unreasonable expectations
- Show little willingness to follow advice
- Have poor teamwork and commitment
- Pay late
- Continually put your firm at risk

Key #4. Client Service and Satisfaction: How to Retain Clients and Grow Revenues

Leaders are nearly twice as likely to have a formal program to monitor client satisfaction.

However, the majority of CPA firms -- 51% -- have NO client satisfaction program.

57% of respondents rely on real-time client feedback - unstructured, casual conversations – to determine the level of service they are providing to clients.

Any system will do, but you need a system, whether it incorporates face-to-face interviews, telephone interviews, mail or online surveys. It's so easy, but too hard for many firms to do regularly.

In today's economy your competitors are targeting your clients more than ever. You need to ask the tough questions to ensure client

satisfaction and retention.

Leaders are also:

- Four times more likely to have clients that don't resist fee increases.
- Three times more likely to empower every staffer to do what it takes to satisfy a client.
- Nearly twice as likely to have clients that belong to the firm, not to an individual.
- Nearly twice as likely to obtain new clients mostly from referrals.

Key #5. Creating a Great Place to Work: Attract and Retain the Best Talent

Leaders are four times as likely to work as a team, not as individuals.

Teams should have a representation of strengths in four areas¹:

Successful teams require finding the right balance of people prepared to work together for the common good of the team.

1. Executing
2. Influencing
3. Relationship Building
4. Strategic Thinking

Although individuals need not be well-rounded, teams should be. This impacts how teams are built, how you can contribute to a team, and who you need

to surround yourself with.

Fundamental Features of Successful Teams²

- Strong and effective leadership
- Precise objectives
- The ability to make informed decisions
- The ability to act quickly on these decisions
- Free communication
- The requisite skills and techniques to fulfill the project at hand
- Clear targets for the team to work toward

Leaders are also:

- More than 4x likely to have fair and competitive compensation levels.
- Nearly twice as likely to support a healthy work-life balance.
- Twice as likely to have a lower turnover rate than their competitors.

¹ Strengths Based Leadership, Tom Rath and Barry Conchie, Gallup Press

² Managing Teams, Robert Heller

Key #6. Building the Learning Organization: How to Be Agile and Adaptable in a Changing World

Leaders are 3x more likely to conduct training that supports their business strategy.

Similar to technology plans and marketing plans learning/training plans should be developed with your firm's overall strategy in mind. Consider the industry niche and service specialty areas your firm promotes. These are a force for growth. What type of training do your people need to succeed?

"In today's world people are taking a clear perspective that making the investment in people pays back multiple fold in the risks that you avoid because people know what they're doing."

*-- Jon Andrews,
PWC, London*

"Human capital systems are critical," says Mark Koziel, Director, Specialized Communities/Firm Practice Management, AICPA. "People are our greatest asset and they walk out the door every night. Firms don't invest enough in training and the people that they have. Some firms don't want to train their people because they figure they will just leave anyway. Yet, my friend Ron Baker asks, 'What happens when you don't train them and they stay?' Then, they're not ready because the firm didn't make them ready."

Leaders are also:

- Nearly three times more likely to conduct training that supports personal goals.
- Nearly three times more likely to conduct training that their people *need*.
- Two and one-half times more likely to conduct training that their people *want*.

Key #7. Strategy Execution: Managing for Peak Performance

Leaders are 10x more likely to have specific and measurable business goals.

One of the pitfalls of execution is being vague about what you want. Change happens when your goals are precise and everyone sees the same future.

Writing down your goals makes a huge difference in execution. Written goals help make you and your team accountable to each other. Be sure that your goals are SMART:

“Many of us fail because we haven’t turned our goal into something to actually do ... Actions tell you HOW you’re going to do something ... To succeed you must know what actions you’re going to take.

-MJ Ryan

- Specific
- Measurable
- Attainable
- Realistic
- Time-Bound

For example, “To generate \$100,000 in new consulting services revenue by December 31, 2011” is a SMART goal; “To grow consulting revenue” is not.

Leaders are also:

- Fifteen times more likely to meet regularly to check progress against their plan.
- Six times more likely to articulate how they are better than their competition.
- Four times more likely to develop business plans with input from everyone.
- Three times more likely to hold individuals accountable for results.

About Us

Bay Street Group LLC

"Connecting People and Ideas... Turning Ideas into Growth"

www.baystreetgroup.com



Bay Street Group LLC provides actionable information, strategic insight, and results-driven solutions to the professional tax, accounting and finance communities -- and the vendors who serve them. Services include: Custom research and business intelligence, new product development and strategy, organizational alignment and improvement, and executive leadership training and team building.

Rick Telberg is president and chief executive of Bay Street Group. He is a veteran analyst, commentator, publisher, editor, and media professional. As Editor At Large for AICPA Media, he is the profession's most widely-followed commentator. He blogs at <http://cpatrendlines.com>.

Capstone Marketing

www.capstonemarketing.com

<http://capstonemarketing.blogspot.com>



Jean Caragher is an award-winning, recognized industry expert with 25 years accounting marketing experience. Known as a knowledgeable, experienced, and tenacious marketing consultant to CPA firms Jean uses a practical, relationship-based approach to help CPAs achieve marketing success. Her approach is based upon her experiences as a CPA firm marketing director, a CPA

association executive director, and her 13 years of consulting experience since forming Capstone Marketing.

Capstone Marketing provides a variety of services including:

- Brand SurgerySM
- Marketing Plan Development and Implementation
- Retreat Facilitation
- Training
- Marketing Director Recruiting

Next Steps

To learn more about the Seven Keys to Successful CPA Firm management go to:

www.SevenKeysCPA.com

The program is designed with your busy schedule in mind. You can pick-and-choose any *one or all* of the Seven Keys, depending on your immediate need. And you can select *how and when* you want the program delivered to your desktop or office.

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Contact

Use info@SevenKeysCPA.com or contact one of us directly:

Jean Marie Caragher
jcaragher@capstonemarketing.com
757.673.6826

Rick Telberg
rtelberg@baystreetgroup.com
631.604.1651