The Competitive Edge

The Whetstone Group

Growth Tools for a Competitive Edge

Be The Firm You Want To Be

Every organization is perfectly designed to produce the results it's producing. If you want a different result – you must change something. The originator of this phrase is debatable. Its premise is not.

The business case for change is that firms that continue to do things as they have always done at some point will be forced to react to what is happening outside of the firm. Often those changes firms are forced to make aren't ideal or in alignment with the firm's goals. If they choose not to react to those market forces they risk becoming less relevant in their markets and marginalized in the M&A world.

Transforming your firm is, ideally, a proactive process. There are varying degrees of transformation based on where your firm is now and ultimately where you see your firm in the next five years.

Firms taking ownership of their own transformation are looking more closely at how the firm can reach its desired state by focusing on these five elements:

1. Vision – Change begins with leaders and emerging leaders in the firm coming to agreement on the vision for the future. What will the firm look like? What kind of identity will you have? How big do you want to be? Firms eager to increase their value for the purpose of either remaining independent or making themselves attractive for an up-market merger often think about what will need to change in order to meet their objectives.
2. Leadership — This goes beyond just the number of leaders and emerging leaders, but the depth of those individuals' leadership skills. Can they delegate? How are they at mentoring? Do they have the ability to think strategically? Are they skilled communicators? Will they cultivate followers? Are they willing to spend personal development time to improve their abilities?
3. People – Transformation involves holding a mirror up to the firm's culture and being honest about the reflection. Do you have a culture that aligns with your vison? Are you attracting and retaining the right people? Do your people all understand *why* you do what you do? Are they fanatical about client service? Do you have the right training and coaching in place to make your people successful? Does leadership's version of success align with younger professionals' version?
4. Clients – Understanding the value of loyal clients and creating more processes and consistency around client service is another transformation element. Firms at the forefront of transformation are stepping back to evaluate the attributes of client service that are truly differentiating, and defining specific behaviors at all levels of professional that will create loyalty.
5. Revenue – There is a necessary component of strategic thinking about the cash flow needed to deliver the desired income per partner. What top-line revenue do you need to produce given what's happening with operating expenses? How much revenue can you generate from existing client relationships, and how much from new relationships? What is the average lifetime value of a client relationship, and how do you maximize that? How do you focus growth efforts to meet profitability objectives?

Finally, firms that are most successful continually assess and challenge the alignment of all these elements. Every opportunity should be tested against the firm's vision. If it doesn't align with the firm's overall vision, why do it? With looming retirements on the horizon, emerging leaders waiting to step up and a new generation of workforce eager to make its contribution now is the time for firms to define who they want to be and take a proactive approach to getting there.

Inside Public Accounting – Expert Q & A

Increasing the ROI of Partner Time Spent on Business Development: An Interview with Larry Bildstein, CPA, CEO, The Whetstone Group, Inc.

Here Larry Bildstein, The Whetstone Group's CEO discusses partner accountability for ROI on time spent engaging in business development activities. And why firms should care.

Q1: Why should firms be concerned with ROI on partner time spent on business development activity?

A: The practical reality is partners do not have a lot of extra time to do business development during the year. In addition to the consistent demand for chargeable hours, firms of all sizes have to invest many hours in staff recruiting and retention activities. With little time to spend on business development efforts, partners need to not only "do the right things" they have to do the "right things right."

Q2: How do you calculate ROI on partner time spent on business development?

A: Individual partners can use the following approach to determine if the time they are spending on growth is worth the effort:

Use average partner income plus a factor for partner expenses on the financial statement. Take that cost times the number of hours you spend with growth activities. Compute a 20% return on that investment and then consider the margin on the average dollar of revenue the firm produces to determine the revenue that must be generated from the investment of the time in business development activities. Here's an example:

- 300 hours per year on growth @ $150/hour
- Cost per partner = $45,000
- 20% ROI on partner time = $54,000
    - ($45k + 20% of $45k)
- Revenue at 30% margin = $180,000

Q3: What should we do with this information?

A: This scenario demonstrates how important it is to focus on the right activities. Once a partner sees that they will need to bring in $180,000 in sales this year, they will likely concentrate on activities that produce results. After thinking of ROI on business development in this way, partners should ask themselves:

- Am I spending too much time but not getting the results? If so, maybe I need training.
- Am I positioned with the right centers of influence to attract this much annual volume?
- How am I going to accomplish this goal? Should I spend all of my time promoting one time project work (i.e. cost segregation studies) instead of pursuing businesses that will pay us $25,000 per year for an average of 10 years?

Q4: How can our firm improve the overall ROI of partner time spent on business development activity?

A: One of the best ways to improve the return on business development time invested by the partners is to formalize the role of sales manager in the firm. The sales manager is usually the managing partner but can be delegated to a business development partner. For firms that are organized in niche teams, the team leader can take the role of sales manager for the team.

To improve ROI and have a successful sales force, a sales manager needs to perform certain duties including:

- **Lead**: Facilitate internal sales meetings and determine everyone's role in growth.
- **Motivate**: Hold success rallies and formally recognize success both with existing clients and new client acquisitions.
- **Energy: Keep the business case for taking action in front of the sales team.**
- **Training**: Plan and schedule growth training for groups and individual partners.
- **Tracking**: Measure and track results; make adjustments as needed.
- **Accountability**: Meet with sales team individually once per quarter; monitor activities.

Q5: How can I take specific business development activities and increase ROI, such as networking?

A: If a partner goes to a networking event a couple times per month, chances are good that he/she leaves the office just in time to make the event, talks to those around them, says "Hi" to several clients, and meets a new commercial banker in town -- and then goes back to the office and waits for the phone to ring. This is not the right way to maximize ROI.

Instead, take 15 minutes before the event to ask yourself "Why am I going to invest two hours in this business development activity. What do I expect to gain from this time?" Think about who is going to be there, who do you want to meet, what questions do you want to ask to engage the new banker and get him interested in your firm? The day after the event commit to picking up the phone and following up with the people you met and suggest the next step in building a referral relationship.

Q6: How can I increase ROI on community involvement?

A: I was speaking with a partner that serves on the Board of Directors of an area hospital along with two other CPA firm partners in competing firms. He shared with me the fact that during a board meeting the administrator announced a new agreement with a physician group that would lead to several specialists moving into the community. Immediately after the board meeting he asked the administration to introduce him to the group. The other CPA firm partners went back to their offices and hoped the phone would ring as a result of being listed as hospital board members.

Guess who got the client? The partner taking action spent the right amount of time positioning himself on the board and moved to the next step in the sales process and proactively asked for the sale. The other two spent hours of their time on positioning on the board but didn't get a return on that time because they didn't capitalize on the positioning.

Q7: How can I increase ROI on working centers of influence (COI) relationships?

A: Centers of influence (COI) are an important business development tool. Many partners spend a lot of time getting to know COIs in the community. They know 10-15 people by name but really don't establish a close relationship with any of them and you can usually count the number of referrals in a year on one hand.

A quote from an email that was sent by a banker who had referred a manufacturing company to a CPA:

"As you know, when you refer a client to someone you put your own credibility on the line. Of course, I knew your firm would take good care of my customer but I still wanted to pass along my thanks to you for making me look good!!"

You will get a much better ROI in the time you invest with COIs if you spend the time with two or three vs. 10-15 and really build the relationship to the point where the COI feels no risk at all in recommending you.

Q8: Should all the partners have the same goals and expectations for business development results?

A: No. Partners will do the things they have passion for. They will find the time to do the things they like to do and feel confident in their ability to perform. Activities they have not been successful with in the past, or situations that cause them fear are the activities partners never have time for.

Sales managers should assess strengths and weaknesses of every partner and, based on honest feedback, determine with the partner the activities that do make sense. A sales manager shouldn't pressure partners to do activities that won't work for them.

I was with a 50 + year old partner who told me he was not very good at small talk but was going to work on it. My reaction – sure he will work on it, but is that really the right way for this partner to spend his time? We discussed what he felt confident in and laid out a plan of activity to create white papers to be used in direct marketing campaigns, to get him published in the local business journal, and to help write the technical content of the next seminar. If a sales manager allows partners to be frank about what works and doesn't work for them, and is willing to spend the time to put a specific plan of activities together, the firm will realize a much greater ROI in the time invested vs. expecting the same things from every partner.

Congratulations to Our Own Carrie Steffen

The CPA Consultants' Alliance has approved a slate of new officers following CPACA's annual meeting in Tampa, Fla., and issued a new report on the most pressing issues for 2015 for CPA consultants.

During the meeting, CPACA members approved the following slate of new officers:

- Terry Putney, CPA, CEO of Transition Advisors, LLC – President
- Tamera Loerzel, Partner in ConvergenceCoaching, LLC – Immediate Past-President
- Sarah Johnson Dobek, Founder and President of Inovautus Consulting – Vice President
- Dustin Hostetler, Shareholder, Boomer Consulting – Secretary/Treasurer
- Rita Keller, President and Founder of Keller Advisors, LLC – Membership Chair
- Rick Solomon, CPA, CGMA, CEO of Thriving Firm – Deliverables Chair
- Carrie Steffen, President and Co-Founder, The Whetstone Group – Marketing Chair

In addition, CPACA members shared their experiences and insights into issues of the CPA profession in a new report on the most pressing issues for 2015: [People at the Center of CPA Firm 2015 Top Issues].