

INTRODUCTION

The older I get, the more I see a straight path where I want to go. If you're going to hunt elephants, don't get off the trail for a rabbit.

T. Boone Pickens

You gotta have a plan.

Whether you're hunting elephants or building a successful accounting practice, a plan for how to get to where you hope to be is essential. Long before a pilot settles into the cockpit, he has made the necessary advance preparations. The route is mapped out, the weather has been checked, the plane carefully inspected...you get the picture. So it is with your practice. The journey is before you. Whether you've just purchased a practice or partnership or are a more seasoned owner, having a sound strategic plan will get you to your final destination with greater surety, success, and satisfaction than flying by the seat of your pants ever will!

I am lucky to have developed a unique perspective as to the management of accounting practices through my work in selling them. I get to talk with accountants—from around the country and representing a broad diversity—on a daily basis, evaluating the strengths and weaknesses of the firms they own or the firms they hope to own. These professionals have been generous with me in sharing the steps, and, yes, the secrets, to their success. I'm very thankful for the lessons they've imparted. The most valuable concepts presented here are just good common sense,

presented in a practice-specific context. There is power in simplicity and integrity and old-fashioned hard work. I hope some of these concepts will work for you, too.

Funny thing: I never planned to write a book. (Note: the best plans are flexible!) When I got into the business of helping people buy and sell their accounting firms, I started keeping a “deal journal.” It’s a humble-looking thing—full of notes, anecdotes, rants, and raves—the scribbles of years of work and over one hundred practices sold. I write in it when I’m frustrated and when something goes really well. One truth I discovered years ago as a result of this journaling is that it’s more important to focus on what works rather than to dwell on what doesn’t. As a result, I made an effort to pay particular attention to recording the successes. A deal would seal or a business owner would tell me an interesting success story, and I’d go to my journal and make an entry. Some billing-conscious owners may think that’s a waste of time, but I’ve gotten terrific insights through my writing and found it to be enjoyable. Better still, I’ve been able to share those insights with others. Nearly all of the material in this book came from my little black book. I was flipping through it one day, and it dawned on me that the information I have gathered was worth passing along.

This book is a little different from other business “how-tos” in that I have included several questions at the end of each chapter for your notes and reflections. Writing down your goals and plans will dramatically increase the odds that you will actually implement and achieve them.

So, think big, and grab a notepad and pen to begin mapping out your firm’s flight plan. Your future will no doubt change for the better if you do.



Brannon Poe, CPA

Letting your customers set your standards is a dangerous game, because the race to the bottom is pretty easy to win. Setting your own standards—and living up to them—is a better way to profit. Not to mention a better way to make your day worth all the effort you put into it.

Seth Godin



4 | THE CLIENT OF CHOICE

Whether the relationships are professional

or personal, we are inevitably identified—and impacted—by the company we keep. Given the collaborative nature of the accountant-client liaison, the people with whom you do business have a profound effect on your career satisfaction. In turn, that satisfaction has an enormous effect on the success of your practice. The good news is that you have the freedom to pick and choose your clients, building a roster that is both profitable and pleasing.

Defining, developing, and editing your client pool is vital to your practice's health. Certainly, the focus of your firm's work along with your personal and financial goals will impact the decisions you make as you sign—or resign—clients. How large a roster do you prefer to manage? Is there a specific industry you have expertise in and so want to concentrate on, or do you thrive on exposure to a wide swath of businesses? Rubin Cohen, a Toronto-based chartered accountant (CA), discussed the rationale behind his client roster with me.

From the time I started articling, I realized that I preferred to have lots of smaller clients rather than a few larger ones. I remember working for bosses who would turn pale with anxiety when told by the receptionist that the practice's largest client was on the phone. From that time, I was determined to build a practice where no one client held the purse strings, a practice that would not be paralyzed in case of an economic downturn in a particular industry. Of course, that meant more phone calls and meetings and more names to remember, but as I look back on my career, the diversity of my client base was critical to my success.

Whether you lean towards vast and varied or small and centered, if you're like ninety-nine percent of the accountants I've worked with, the

client roster you have is sure to include some of the good, some of the bad, and some of the downright ugly.

Ever heard—or lived—the line that “a bad client is worse than no client at all?” You can probably think of several examples of undesirable clients. They are universal and often unavoidable. Quick to complain and blame, they typically present their material to you in terrible shape. They are routinely slow to respond to requests for supporting information and even slower to pay. You’d actually be relieved if they took their business elsewhere. Bad clients are usually easy to spot—and tough to shed.

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In contrast, consider your best clients. Better still, imagine your ideal client. I am amazed at how few of the accountants I speak with have actually defined their perfect client. If you haven’t already done so, it’s a great exercise that I highly recommend. Model your ideal after your current top clients. Write down the detailed reasons why you like these clients. (Hint: they are the clients that leave you smiling after you meet or talk with them.) Are their businesses especially interesting to you? Are you particularly competent in the specific industry or type of work required? Do they appreciate your service and value your partnership? Do they pay in a timely manner? The more definitively you can describe your ideal client, the better.

Once you clearly comprehend the client characteristics you want, the more effective you will be in recognizing, retaining, and prospering with these clients. The act of committing this information to paper is very much like goal writing. These ideals become woven into your thoughts—and your practice—and you are naturally drawn to opportunities that align

with your vision. You will appreciate your good clients that much more. You will provide them with better service. And, just as importantly, you will be able to generate referrals to find other clients like them.

Once you've defined the type of client you want, review and rank your existing clients. How do they measure up to the ideal? A simple A, B, C, D method is effective. This isn't a one-time assignment, but something you should do periodically, perhaps as regularly as once a year.

The A and B clients rise quickly to the top. The Cs are apparent enough. And then there are those D clients. As you consider the headaches these clients cause, the question begs to be answered. Why do you continue to do work for these people? For most practice owners, if you measure the time you invest in your D clients (hopefully, there are only a handful), add in the hours your staff expends, and then calculate the revenue you actually collect for the accumulated total, you will likely find that you are losing money on these clients as a whole. Looking beyond the numbers, the equation is probably easier. I'm willing to bet that these clients take a tremendous toll on your energy. Figuratively speaking, they can suck the life right out of you and your practice. They turn work into drudgery, accounting into angst. If you had a week scheduled with nothing but D clients, how eager would you be to head to the office on Monday morning?

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How do you rid your practice of these unsuccessful and unsatisfying client relationships? How do you delete the Ds, so that you can focus more attention on attaining and advancing A-list partnerships? Taking a

page from Donald Trump’s playbook, you fire them. Can you afford to lose their business? This can be a difficult call. Perhaps you should have an F category for clients—those people for whom you truly would not work, at any price. A carefully crafted letter will generally solve this problem.

Here’s an interesting aside related to D clients. I’ve seen that when many practice owners decide to pare down their D clients, they do so by raising fees, anticipating that the higher price will drive the undesirables away. This can be an eye-opener. Practitioners are often very surprised to find that when they raise rates, the clients *don’t* leave. Though frustrating in the short-term, such a response is a great confidence builder and important to remember when implementing fee increases. It supports the idea that clients are typically not as fee-sensitive as you might believe them to be.

There’s another tactic to consider. How can you turn a D client into an A or B customer? What responsibility do you bear for tolerating D behavior—and what can you do to change the dynamic? I’m a firm believer that people will keep pushing—as long as you keep accepting the shove. If a client tells you to “jump,” is your response, “How high?” If so, you’re rewarding your client’s unreasonable demands—and inadvertently inviting more of the same. You get what you reward! Some simple correcting of expectations (along with commensurate fee increases) may actually do wonders to improve the relationship.

Some dogs are slow to learn new tricks. Try as you might, there are those clients you won’t be able to change—at first or at all.

An illustration of this predicament would be the client who submits his information in absolute disorder. Happy to have handed off the material, he’s given no thought to the cost implications of his own disorganization.

This behavior can be improved over time if you will directly articulate the consequences of collateral chaos. The client needs to understand that you are perfectly willing to wade through the muck—at a price. Clients also need to understand the advantages to organizing their own data. They gain a better handle on their own business and avoid accidentally omitting critical information.

Some dogs are slow to learn new tricks. Try as you might, there are those clients you won't be able to change—at first or at all. The frustration this causes you likely comes from your tendency to internalize *their* problem. Perhaps you haven't adequately clarified the situation because you just "don't want to go there." In an attempt to avoid an uncomfortable confrontation, you enable the client's dysfunction—and fuel your aggravation in the process. Get over that. Try it a few times; it will get easier. If you can help your clients understand that their poor recordkeeping is costing them hard-earned dollars, they may be very thankful for the urge to improve. They may even be willing to completely turn over their bookkeeping or consider engaging you for additional services to help them get their systems in better order.

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Ultimately, however, you don't want a practice stacked with stalled C and D clients. You want a practice full of A and B clients. How do you do this? Be consistent and firm with your Cs and Ds; bill them in a way that is equitable to your time and tension. Over time, those low-level clients will begin to fade away. Or better yet, they will become A and B clients, to their benefit and yours.

On a more positive note, it is vital that you constantly nurture your relationships with your top-tier clients. If you are serious about cultivating your business through referrals, then it's imperative that you provide your clients—especially your best clients—with exceptional service. Apply your expertise to their needs, be unfailingly responsive, and thoroughly professional. This brand of excellence naturally leads to referrals. But don't take unsolicited client recommendations for granted. If you're certain that you're supporting your clients to the very best of your firm's ability, get in the habit of asking them for referrals. To learn more about referral strategies, take advantage of the abundance of advice readily available on the subject. One of my favorite authors on this topic, Seth Godin, has a great blog at <http://sethgodin.typepad.com> that showcases his publications.

Staying hungry for referrals is a sure way to keep you at the very top of your game. It keeps you focused on your clients in a tremendously positive way. If you work to wow your clients in order to grow your referral business, you will instinctively provide them with premium service. Instilling this vision in your staff becomes a powerful overarching theme that drives great customer service. If you build it, they will come.

Q+A

This question, first posed in Chapter 1, is critical enough to bear repeating: how would I describe my ideal client? Be as descriptive as possible.

Who are my best clients and why do I enjoy doing business with them?

What are my definitions of B, C, & D clients?

I will have my client list ranked by _____ (insert date).

What things do my clients wrongly assume about doing business with my firm? What expectations are not being communicated?

How can I better delineate client responsibilities to my existing and potential clients?

What penalties/rewards can be implemented to improve client relations?

What does my firm need to do to get referrals from our current A and B clients?

How do I teach my staff that our priority goal is to provide service worthy of a referral?