

Seasonality Success

WINNING STRATEGIES FOR PROFITABLE FIRMS



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PCPS
PRIVATE COMPANIES PRACTICE SECTION

A TOOL FOR SUCCESS FROM PCPS

Seasonality Success, Winning Strategies for Profitable Firms, is a quarterly PCPS newsletter dedicated to helping CPA firms enhance their peak season possibilities. Each quarter, we focus on great ideas in four key practice management areas:

- **Positioning**
- **Client Strategies**
- **People**
- **Systems and Processes**

Every article will look at practical, hands-on solutions that can make your practice more effective and efficient based on the experiences of other successful practitioners.

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POSITIONING

Identifying the Ideal Client

Who is your ideal client? No firm can be all things to all potential clients. For small firms in particular, it's important to zero in on people and companies that you can best serve and that represent the greatest opportunities for your practice. A properly focused firm is in a better position to get the most out of its marketing efforts, enhance its profitability, reinforce its brand in a particular niche, and hold on to staff members who gain satisfaction from serving the right clients.

Ranking Clients

Who are your firm's best clients? If you can answer that question, you can begin to better focus your firm's energies on the most profitable assignments. Practitioners talk about "A," "B" and "C" clients, but what exactly do they mean by those ratings? Here's are some suggested definitions based on a presentation given at this year's Practitioners Symposium by Bill Pirolli of DiSanto Priest & Co., CPAs.

- An "A" client is one of your 80/20 clients—one of those 20% that provide 80% of the firm's revenues. These are well-established companies that are interested in new services and that pay on time. They are also often good referral sources.
- "B" clients are growing companies that may need additional services in the future. They have the potential to become "A" clients.
- "C" clients are interested purely in compliance work. They will never need additional services. However, they pay on time and are easy to work with.
- "D" clients could fall into any of the other categories, but they are high-maintenance and abusive. They either pay late or don't pay what you're worth—or both.

Additional Factors

These definitions are an excellent way to begin thinking about how clients should be categorized. To take the process one step further, PCPS has created a Client Evaluation Template that members can use that is based on pricing, timing, stress, risk level, and overall satisfaction. It can be found at <http://pcps.aicpa.org/Resources/Firm+Practice+Management/Client+Evaluation/>. The categories in the template include:

Job risk/complexity. How much risk is associated with this client based on the nature of the engagement, management attitudes and competence or other factors? Give the client a 5 for no risk, a 4 for below average risk, 3 for average risk, a 2 for above average risk and a 1 for high risk.

Job recovery/profitability. What recovery percentage are you seeking? The scoring system in the template is based on a PCPS recommendation, but firms can change the criteria to reflect their own choices. Ratings: 5 = 100% or more; 4 = 90%-99%; 3 = 80%-89%; 2 = 75%-79%; 1 = 74% or less.

Referral source/client tie-in. This factor is important to the overall profitability of the firm, so the rating scale takes into account a client's relationships

with other clients. Ratings: 5 = excellent referrer/tied to "A" client; 4 = occasional referrer/tied to another client; 3 = possible referrer if asked; 2 = tied to another client; 1 = no referral/no tie.

Additional potential services. The potential to provide more services for a client could improve that client's rank if it is below an "A". Ratings: 5 = could be doing more; 4 = some added opportunities; 3 = full now, but future potential; 2 = reached full potential; 1 = does not value what we do now.

Timeliness of payment. This factor is highly quantifiable. Ratings: 5 = 30 days or less; 4 = 31-60 days; 3 = 61-90 days; 2 = 90-120 days; 1 = over 120 days.

Satisfaction with client. We usually think of this issue from the client's standpoint, but this ranking focuses on the firm outlook. Is the client enjoyable to work with? Do they treat your staff well? Ratings: 5 = great to work with and our team enjoys them; 4 = good environment; 3 = OK job that we get through; 2 = can be stressful at times; 1 = client does not respect us and treats our people poorly.

The PCPS template provides an automatic calculation based on the overall score to determine if the client ranks as an "A", "B", "C", or "D". Three of the six criteria are based on statistical evidence, one criterion can be considered engagement objectivity, and two can be considered subjective. That provides a statistical foundation but still leaves room for some negotiation within the firm.

Next Steps

Performing this type of evaluation on your client base will probably confirm your feelings about some clients and may offer surprising insights about others. With this information in hand, it's now time to decide what to do next.

In a partner retreat or firm meeting, consider these questions:

- Based on our evaluation, who are our most valuable clients?
- Which clients are not a great match for our firm?
- What are the best next steps? Should we, for example, transition some clients to another practice?
- Now that we have a better sense of our ideal client, what changes should we make in our practice development efforts?

CLIENT STRATEGIES

Mining for Gold in Client Surveys

“One of our core values is client satisfaction,” says Raleigh Cutrer, CPA/PFS/ABV, treasurer of Matthews, Cutrer & Lindsay, PA, in Ridgeland, Mississippi. “We believe most of them are satisfied, but we wanted to hear it from the horse’s mouth. In particular, we wanted to know if there were areas where we were falling down on the job that weren’t apparent to us. Also, we wanted to see if there were other services that we could be offering to our clients.” To get answers to those key questions and more, the 20-person firm this year launched its first post-season client satisfaction survey.

The months just following peak time are an excellent time to take stock of the firm’s accomplishments and weaknesses during the season and to make plans to address outstanding issues and institute change. While many practitioners start out with this intention, some are bogged down because they don’t know how to get this information from clients or don’t have a plan in place to follow up on what they do learn. This article will focus on how one small firm is using a client satisfaction survey to diagnose its performance during busy season and seek out opportunities for improvement.

Putting It on Paper

As we noted in our last issue, there are a number of Internet-based survey options for firms that want to perform client surveys (see box). Cutrer’s firm pulled ideas from a number of online sources to create its own. It asked for feedback in six areas:

- Firm responsiveness to clients.
- Firm services provided.
- Work performed.
- Billing policies.
- Communication.
- Overall satisfaction.

The survey also listed all of the services that the firm provides and asked clients whether they might need any one of them immediately, would need them in the near future, would not expect ever to need them or were using another professional for them. This section not only elicited information about possible new service opportunities for existing clients but also alerted clients to all the firm has to offer.

Cutrer, the partner in charge of the survey initiative, worked with the firm’s office manager and another CPA in the practice who had marketing experience to create the survey. A temp receptionist set the survey up in an Excel document and recorded the results. “If any client indicated on a survey that they needed a new service now or that they were unhappy with the firm, she sent that information to the partner in charge of the client immediately,” Cutrer says. “We did not wait until after tax season to respond to those clients.”

The firm was generally pleased with the results it received, but it would change some things about the survey process based on its experience. “We learned we give pretty darn good service,” Cutrer says. “However, we

would change our rating scale next time.” The survey had three ratings: a 3 for better than expected service, a 2 for service as expected and a 1 for less than expected. Next year, Cutrer says, he may add at least another number to get a better sense of the quality of firm performance. In the meantime, firm members are contacting clients who rated any area less than 2 to discuss how to improve.

The firm distributed 475 surveys and received 130 responses, a very encouraging return rate. Cutrer attributes this achievement at least in part to the temp receptionist, who handed the survey to clients when they came to the office and pointed out that their answers would help the firm better serve them. Having the receptionist act as a project champion was a key to success, Cutrer says. “If we had gotten 30 responses, it would have been a waste of time and money,” he says. “We spent a number of hours developing, refining and perfecting the survey.”

Given its success, the firm will now make further refinements, to the survey and to its own procedures, based on all that it has learned.

Survey Sources

Here are some Internet-based surveys that firms can investigate for more information on the process:

- Zoomerang (info.zoomerang.com).
- TurboSurvey (www.turbosurvey.com).
- Survey Monkey (www.surveymonkey.com).

Action Agenda

ACTION ITEM	TEAM CHAMPION	DUE DATE
1. Assign an administrative person to collect client satisfaction surveys from online sources, other CPA firms (in the firm's network, for example) and elsewhere.		
2. Name a group to take charge of creating the survey. It should be a good mix of people from different levels within the firm, particularly those who have client contact or marketing knowledge.		
3. Identify the areas you want to cover, then create your own survey using the samples collected in step 1 as a guide.		
4. Assign a receptionist or administrative person to distribute the survey and act as project champion. Encourage them to let clients know that their feedback will be used to improve service.		
5. Ask the champion to alert the appropriate partner to requests for more service or to complaints immediately.		
6. Once busy season ends, review the results that the project champion has gathered. They may form the basis of a firm meeting or a partner retreat. Questions to consider: <ol style="list-style-type: none"> 1. What are we doing right/wrong? 2. What areas got the best/worst scores? 3. What patterns can we find? Are clients in certain areas happier or more dissatisfied than others? 4. What improvements do we need to make in the next six months? The next year? 5. How can we refine the survey to get better insights next time? 		

PEOPLE

Call in the (In-house) Experts

Information overload is a daunting challenge for the leaders of small firms, who must not only follow new developments in standards, technology and elsewhere, but must also ensure that their staff members are up to date. One firm has decentralized the process to spread out responsibility and enhance staff members' presentation and leadership skills. This is an especially good approach for small firms, who can leverage their own resources to enhance overall staff competency.

Technology updates. At Anders Minkler & Diehl LLP in St. Louis, firm members are chosen to become "experts" in each new software package the firm implements, according to technology director Theresa Stearns. A manager is given overall responsibility for the process, and he or she assigns a senior or associate to be the "expert." Once that person has become familiar with the package, he or she does a presentation on how it works for other firm members who will be using the software. In addition, this "expert" trains new staff on the software, getting each one started on a tutorial and helping the new person practice applying the software on sample services or client contacts.

The firm also posts information on new technology on its Intranet, allowing firm members to access what they need when they need it and work at their own pace, Stearns says. The postings include links to helpful sites where they can find online tutorials or vendor information and FAQs.

Technical expertise. New standards and regulations are handled in much the same way, according to Stearns. Staff members are assigned to gather information on developments in tax or accounting and auditing, depending on their own expertise. The tax and A&A teams each meet regularly to share the knowledge each person has gained.

Business development training. The practice, which has roughly 100 people, has also introduced training aimed at enhancing firm members' ability to market, network and cross sell services, according to marketing director Donna Erbs. As a starting point, the firm has developed an approach that includes in-house training and guest speakers. But they have also developed a method to use the subject matter "expert" approach even within this area. For example, when a staff member has received training or been to a conference, he or she might participate in a panel discussion attended by staff members. There is a moderator and the panelists describe what they've learned and also share insights about their own approach to business development. "The method used has to suit each person's personality," says Erbs, with some who are natural rainmakers and others who are more reticent. By allowing different panelists to talk about their various approaches to networking, developing business and working with clients, the firm shows staff that there are options for different personality types.

The practice also uses in-house experts in firm book clubs, in which different individuals report on assigned chapters in readings on business develop-

ment subjects. The firm members create a reference card for their assigned reading that summarizes the material for future readers.

A Good Approach for Small Firms

This delegation approach distributes responsibility across the firm, taking it off the shoulders of the managing partner or other firm leader. As a result, it's a method that would serve smaller firms well, according to Stearns and Erbs. Other advantages include:

- Staff are encouraged to take ownership of the subject matter and taught accountability.
- It develops mentors who can help other staff members with the material.
- Asking staff to introduce new software packages or standards to other firm members improves their presentation skills.
- It enhances staff members' confidence and sense of accomplishment and fosters a greater connection to the firm and its work.

Action Agenda

ACTION ITEM	TEAM CHAMPION	DUE DATE
1. Create a list of topics with which your staff will need to become familiar in the coming months. Include new standards, tax regulations, software and anything else that applies in your practice.		
2. Assign each topic to a firm member, who will take responsibility for becoming an "expert" on the subject. Make assignments based on their experience, and don't forget to include support staff, who can take on technology or other administrative topics.		
3. Schedule meetings in which firm members give a presentation on their assigned area. Encourage presenters to be practical and concise. Remind them that they are not presenting a term paper on the subject but, instead, are trying to help others put the information into practice. Their presentations should answer these questions: 1. What is the new development? 2. How will it affect our practice? Will it change our current procedures? 3. How will it affect our clients? What do they need to know about it?		

SYSTEMS AND PROCESSES

Assessing the State of the Firm

The end of busy season is a great time to examine issues such as work flow, scheduling, and technology and training needs to determine what could be improved before the season rolls around again. And one great source of information on all of these areas is your own staff.

"Getting feedback from the staff about how we did during tax season is of the utmost importance," says Bob Blankman, of RBSK Partners, PC, a 28-person Indiana-based firm. "Sitting at my desk, I see the final product, but I'm not the person using the tax software. It's important to get ideas from those who are inputting and reviewing, so that we can see the areas of weakness."

Blankman's firm once gathered this feedback informally, but in the last decade it began to conduct regular surveys, which are e-mailed to staff between May 15 and May 31. The survey touches on 13 different areas, with subsections that cover issues in all key systems and processes. This article will describe the process—and offer suggestions on how even very small firms can glean ideas from staff members.

Survey Topics

"A number-one concern is long-range scheduling" and how well it worked, he says, including weekly and daily schedules. "We ask whether the 1040s came in as expected and what suggestions staff will have for improvement." The firm also tracks the progress of business year-ends. It poses questions about the efforts of preparers, reviewers and support staff, asking firm members if they believe the firm was well staffed at all levels. The survey also covers client relationships, asking about problems and whether any should be fired. Questions on tax software address what glitches were encountered and call for suggestions for improvement.

Staff are also asked whether they feel they should receive additional training to enhance their performance. "We used to allow staff members to choose their own CPE courses," Blankman says. The staff still lists courses they would like to attend, but the tax committee now uses the survey data to pinpoint weaknesses and follows up with recommendations for outside courses or in-house training.

Keeping the Ball Rolling

When conducting a survey, it's important to plan ahead and ensure that the results are analyzed and, most important, that the firm acts upon the great ideas and insights gathered. At Blankman's firm, the administrative group compiles the results and they are reviewed at a meeting in June that all team members attend. "The questions raised in the survey lead to good discussions," he says.

To guarantee follow up, the firm's tax committee meets after the staff meeting and puts together a project list that spells out initiatives to be undertaken through the rest of the year. The tax committee, which is composed of Blankman, another tax partner, two tax managers, a supervisor and a staff person, is responsible for keeping the momentum going on projects, with each member given responsibility for an initiative. By planning not only for the survey, but also for making use of its results, the firm is able to make productive changes that enhance the next busy season.

Small Firm Options

A formal survey may not be realistic in a very small practice, but that doesn't mean that small firms can't adapt the process to their own situation. Options include a post-season evaluation meeting to which the entire firm brings observations and ideas or informal one-to-one discussions with staff. In either case, firms can use the same basic framework: identify areas you'd like to hear more about; survey or meet with staff to get their input and evaluations; consider how to address the results; and assign responsibility for follow-up.

Action Agenda

ACTION ITEM	TEAM CHAMPION	DUE DATE
1. As a first step to learning what worked and what didn't during tax season, consider which systems and processes you'd like to know more about. Areas to include could be scheduling, the review process, tax software, other technology, interaction with clients, training needs and staffing.		
2. Survey your firm members to gather their opinions on each area. This can be done through a formal written survey distributed to staff with a set due date so the results can be reviewed at a firm staff meeting. Another option for a smaller firm would be to schedule meetings with each individual and circulate your list of topics to be discussed beforehand. Ask everyone to bring their observations and ideas on problems in each area to the meeting.		
3. Analyze the results of your survey and create a to-do list of priority items that must be addressed before the next tax season.		
4. Assign responsibility for follow through. The best idea is to have one overall champion for the project (a person or a committee) who will make individual assignments with by/when dates.		
5. In the fall, before the coming tax season, assess your progress. What has been accomplished? What is yet to be done?		
6. Assign responsibility for unfinished projects as needed.		

COOL TOOLS

Cool Tools to Boost Your Firm's Marketing

by Roman H. Kepczyk, CPA.CITP

Today's technology can not only make your tax, audit and accounting production more effective, but it can also help your firm in its marketing efforts, as well. Say "marketing technology," and most CPAs automatically shy away, thinking of CRM (customer relationship management) applications that were expensive and had a high failure rate in the past. Say "enhanced practice management" and they will listen, as most of today's time and billing systems have improved list management for managing client information and for prospects and industry niche information, as well. With newer practice applications linking directly to a public folder in Outlook, a firm finally has one reliably current updated database. So, with the big issue behind us, let's take a look at some other cool tools that can enhance your firm's marketing efforts.

CardScan Scanners: Think about all the times you came back from a conference or a mixer with a stack of business cards that you were going to have someone input into your marketing database. More often than not, they were filed away in a drawer and forgotten, leading to missed opportunities. With CardScan business card scanners, the information from these cards can be "read" with optical character recognition (OCR) and the data placed into your Outlook or other CRM application. The software is smart enough to identify that (F), FAX, and Facsimile all refer to your fax number

and can bring it into the appropriate field. Since the cost of these devices is under \$200, the investment is usually recouped the first time you use them.

USB Flash Drives with Firm Logos: Virtually everyone today needs a flash drive to back up or store data. They have proven invaluable to auditors to transfer files and especially to clients that need to back up their accounting data. With applications like QuickBooks requiring almost daily backups, firms should consider *giving* clients a memory stick with the firm logo imprinted on it, so that the client will be reminded daily of their CPA. Customized flash drives can be purchased from companies such as Lexar and CustomUSB. Don't forget to include a USB extension cable for clients that might have an older computer with the USB drive located in the back.

Lobby Marketing: Prices on flat panel screens have come down significantly in the past few years, so now they are not much more than traditional office lobby signage. Imagine the impact of a 40" screen over your front desk that pans between your firm's logo, your services and community involvements, and features members of your team. It's subtle marketing that is high tech and high impact, and that you can update with PowerPoint or other editing tools.

Laptop/Phone "Skins:" When working outside the office, you can show off your firm brand with custom cover skins made to stick on your laptop or phone. A company called Skin-It has templates for most popular laptop brands and models and will let you upload an image to preview what the skin will look like on your specific laptop model. For approximately \$35 the laptop skins will make your clients and prospects take notice.

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