

Seasonality Success

WINNING STRATEGIES FOR PROFITABLE FIRMS



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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 and the advice of top consultants.

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POSITIONING

Value Pricing in Practice

About eight years ago, Las Vegas-based Johnson Jacobson Wilcox switched to value pricing for all its engagements. “We don’t do individual returns unless they are related to a business client,” explains managing partner Gary Johnson. “We don’t have any once-a-year 1040 clients. We have very few clients that we see only once a year.”

Instead, about 60% of the firm’s clients are now on a fixed schedule of annual fees for all services that the firm negotiates at the beginning of the year, along with a payment plan. The annual fees cover tax services, compilation, review or audit, telephone support and quarterly business meetings.

The firm is part of a quiet shift away from the idea that value equates to time, according to Ron Baker, founder of the VeraSage Institute, a think tank dedicated to eliminating the billable hour and timesheets from the profession. He estimates that roughly 7% to 10% of the approximately 90,000 firms in the English-speaking world value price, while 500 practices have dropped timesheets entirely. A large percentage of that group is made up of small practitioners, he says. That’s because large firms must gain many levels of approval to embrace a new paradigm and then must change processes across an extensive hierarchy, roadblocks that sole practitioners or other smaller firms don’t face.

Indeed, it is usually internal partner reluctance that is the most difficult to overcome. “Clients are all for this,” Baker says. “The people who resist are usually the CPAs. Clients hate being billed by the hour and not knowing in advance what the total price will be.”

Johnson confirms that clients appreciate the change. “There are no surprises” for the firm or the clients, Johnson says. “We meet with clients regularly and maintain an ongoing dialogue.” The firm can make recommendations about current or emerging business challenges or opportunities as they develop, which may lead to additional engagements outside the original service schedule. Those added services are handled with change orders. A typical example might be when a real estate developer tells the firm he or she is beginning a new project and the firm offers to help with structuring the new venture. In one case, a construction company client wanted to sell the business, so the firm offered to quarterback the other professionals involved, working with the attorney and with an M&A team to create a plan to market and sell the business.

“For the most part, potential clients are pleasantly surprised that we commit to being so proactive,” Johnson says. “We don’t discuss fees right away. First, we explain our availability to help them address significant issues, and that we will insist on meeting with them regularly throughout the year. We tell them that we put the meetings on our tickler system and will call to get them scheduled. Nine out of 10 prospective clients tell us that’s just what

they're looking for." Even when the firm's fee has been twice that of a client's previous firm, Johnson says his practice hasn't experienced much resistance. "Most potential clients understand that they get what they pay for, and they want more than they're getting from their current firm," he observes.

Existing clients also were enthusiastic when the firm first introduced the value pricing concept. The CPAs pointed out the advantages, including the regular business meetings and fee transparency. "We were almost always able to increase the fee by 10% to 15% over the previous year," he says.

This approach also makes scheduling easier. "When we meet with a client, we're getting paid for our time," Johnson notes. "We can spread out the workload, with billable time delivered to the client throughout the year."

CLIENT STRATEGIES

Putting Client Service Front and Center

For solo owner Bob Fay, providing excellent client service is a strategic objective. "When clients leave a medium-size firm and come to a sole practitioner, they are not looking for lower fees, they are seeking better service," says the Canton, Ohio-based CPA. "They want somebody to talk to who will become part of their team. And I have to make sure my two staff members understand that the biggest reason that we have clients is because of the individualized service we provide."

As firm members work through the long days of busy season, it may be difficult at times for staff to remember that client service involves more than completing a document and moving it onto someone else's desk. That means it's important that staff understand how their work is used and what their services mean to the client. For example, in his dealings with his staff—a paraprofessional and a manager-level CPA—Fay explains their own connection to the clients. "Some people may believe that a financial statement will go directly into a filing cabinet, but that just doesn't happen with a small firm and its clients." To get the point across, he describes the impact that financial results will have on clients and what he will cover in his meetings with the business owners.

Client satisfaction is paramount at firms of all sizes, of course. "Clients stay with us because we are there for them when they need us," notes CPA Sheryl Martin, executive director, firm operations, at WithumSmith+Brown in Princeton, New Jersey. A commitment to client service is included in the 375-person firm's mission statement, and the practice follows this up with practical resources, including a smartphone given to anyone from manager level on up to stay in touch with clients. There's also client service training for managers and the concept is incorporated into the firm-wide mentoring program and acknowledged in its awards programs. In addition, both Martin and Fay emphasize the importance of leading by example. "If they don't see us making it a priority, they won't understand what's expected of them," Martin says.

Action Agenda

- Think about the meaning of client service in your firm. What would you like your staff to know about what constitutes good service and about your commitment to excellence?
- Communicate with staff about the importance of client relationships. Methods to get the message across range from including it in your mission statement to reviewing documents with staff and explaining how the partner will present the information to clients and how the clients will use the information.
- Set an open door policy so that staff can approach you with questions about clients and their services for them.

To reinforce the importance of their own contributions, Fay asks staff members to contact him when they have a question. He also takes the time to talk to staff about mistakes they may have made so that they can learn from them. "It's important for them to understand that if the work is going to be presented to a client, it must be perfect."

Accuracy and timeliness, of course, are the key elements Fay expects of his staff, but he also urges them to use their critical thinking skills to look for problems hiding beneath the surface. "The clients are not involved in sophisticated transactions," he says, "but my staff may review the general ledger and notice an inconsistency that points to a larger problem."

Both practitioners agree that communicating the client service message to staff should be a core concern. "Being pressed for time is no excuse," Martin notes. "No matter how busy you are at any level, you should be aware that client service is a top priority."

Action Agenda

- Remember the importance of career growth. This is a key consideration for promising young CPAs, so remind them of how business season can help advance their prospects.
- Emphasize the positive. Talk with staff about the chances to take on new responsibilities and expand contact with clients and other firm members.
- Consider financial incentives, such as spot bonuses for high producers or paid overtime.
- Have fun. Allow staff breaks when needed and plan outings or parties to boost camaraderie and ease stress.

PEOPLE

Busy Season: A Great Time for Career Growth

"The profession's busy season has given me the opportunity to gain a lot of experience in a short period and to advance faster than my peers in industry," says Steven Vertucci, a new partner at Malone & Bailey in Houston. "I'm excited about what I can learn."

We all know about the stressful workloads and long hours that represent the downside of busy season, but is your staff aware of the benefits for those who meet the challenges it presents? To enhance firm morale and your retention efforts, it's best to position this time of year as one filled with opportunities rather than as burden and obligation.

In the most recent PCPS Top Talent Study, promising staff members cited career growth opportunities as the chief reason to join a firm and the number two reason to stay with one (after "respect for company mission statement"). For most practices, busy season is an extremely lucrative time of year and one when CPAs have many chances to make client contact and to learn more about further service opportunities with existing clients. Given these benefits for firms, it's important to let staff know that this is an advantageous time of year for them, as well, one that promises chances to hone their skills and increase their visibility within and outside the firm.

"Typically, the less complicated work goes to newer staff, but during busy season there are opportunities for newer people to take on more challenging assignments," notes Colby Williams, a manager at Faulk & Winkler in Baton Rouge, Louisiana. Additionally, the increased exposure could provide cross-selling opportunities, so it's important to remain conscious of other value-added services by which your existing clients may benefit.

"It's a great chance to interact with many clients," Vertucci says. "It can certainly help you learn how to organize your schedule. You learn time management skills that will help you in any area of your life. If you can juggle the busy season pressures, you can juggle anything."

While pointing out the advantages to the season, it's also important for firms to be realistic about the workload. At Faulk & Winkler, firm members start working half days on Saturdays in mid-January to avoid opening the office on Sundays and keeping very long hours later in the season, says Williams. In addition, firms could consider offering spot bonuses to higher producers to maintain the steady level of momentum needed. "It's great to reap some of the rewards in the middle of the busy season," he says. "When you get to mid-March and April, your energy level is not what it was earlier in the year," so the bonuses provide a welcome incentive. Vertucci's firm pays overtime during busy season, providing financial motivation for accepting the added hours.

And many firms take steps to lighten the load with enjoyable activities, such as the firm softball team that plays even during busy season at Malone & Bailey. "A few hours a week is not going to make a difference in the success or failure of the firm, but it is a nice break," Vertucci says.

SYSTEMS AND PROCESSES

Seven Reasons for the "Less Paper" Journey

by Roman H. Kepczyk, CPA.CITP

Our profession is going through a profound transition towards a "less paper" environment, in which information is captured, managed and used primarily in a digital format. This transition will require that firms change not only the applications they use but also their processes so they can take advantage of these tools. Firms that are already on this journey have found that it streamlines production processes, improves access to information and, overall, helps to better service clients. For those that haven't yet begun, here are seven key reasons to make the transition.

1. **File access.** During the heat of every busy season, an e-mail or call goes out asking the entire firm, "Where's the Jacoby file?" As each firm member opens the message and tries to remember if they touched the file, the entire team has been distracted from the current project and will have to take time to refocus on the task at hand. Those who have touched the file begin the hunt to find it. This exercise happens countless times during busy season and robs the firm of significant "brainshare." That's because paper files are easy to misplace, whereas today's document management systems can search the entire database of documents, and even look for keywords within documents, usually within seconds. As a result, file access is a primary driver towards implementing a paperless system.

- 2. File backup.** According to the 2007 AAA Paperless benchmark survey, 25% of firms back up digital files via the Internet at least monthly, which protects the data in the event of a disaster. Documents stored on paper are not only at risk of being lost or misplaced, but they can also be easily destroyed in a fire or flood. Digital files on the network can be backed up easily and taken offsite using the firm's regular backup procedures.
- 3. Secure access.** Most firms do not lock up their file rooms at night and even fewer require staff to return all files to storage when they are finished using them. This exposes the files to any outsiders with access to the office. Firm members need a logon, password and authorization to access digital files, and most higher-end document management applications can create an audit trail and keep prior versions of documents.
- 4. Remote access.** Paper files either must be taken offsite or sent via delivery or fax. With proper security, digital files can be made available to any authorized user via an Internet connection. If you forget a file at the office, instead of driving back, you can connect to the firm and access it.
- 5. Multiple access.** Unless copies are made, paper files can only be accessed in one place at a time. With digital files, anyone with the authority to access a file can do so, with multiple people able to see a file simultaneously. If one person has checked out a file to make changes, others accessing it are notified but can still view it onscreen.
- 6. Document storage** The cost of storing paper documents and installing a document management system can be significant. Firms tend to store paper files onsite for the first few years and then offsite beyond that, which involves not only storage costs but also staff time and fees to retrieve documents. The cost of digital storage continues to shrink, further reducing long-term storage costs.
- 7. Document destruction.** Paper files must be physically shredded, which requires staff time. Staff also must usually review the files to sort out those that should be retained. With document management systems, digital files can be tagged for deletion in alignment with the firm's document destruction policy *on the date they are created*. Firm personnel then verify that the files can be deleted when designated.

By transitioning data to digital solutions, firms can provide improved client service and better protect information that has been entrusted to them. Remember, though, that any technology solution should serve the entire firm, not just one department. Accordingly, when planning paperless solutions, it is important to involve members from each department, including administration and information technology, to consider current production processes and capabilities. It is also imperative to provide ongoing training for all levels of staff until they are comfortable with digital tools and the new digital processes. The best way to sidetrack any process change is to allow some people to continue to do things the old way.

Roman H. Kepczyk, CPA.CITP, is President of InfoTech Partners North America, Inc. and works exclusively with accounting firms to implement today's digital best practices. His e-mail address is roman@itpna.com.

COOL TOOLS

Remote Deposit

by Roman H. Kepczyk, CPA.CITP

Since the approval of the Check Clearing for the 21st Century Act, usually referred to as Check 21, the banking industry has been transitioning to more effective tools for streamlining payment systems in the event of a disaster such as the terrorist attacks of 9/11/2001. One resulting development that can benefit CPA firms is the advent of remote deposit that allows firms to scan in checks within their office and have them deposited to their own accounts digitally. Before Check 21, checks from clients had to be physically brought to the firm's bank, where they were physically shipped to the authorizing bank, which could take a few days to clear a check. The firm also had to spend staff time filling out deposit slips and then having someone physically deliver these deposits to the bank, which could easily take two to four hours per week of staff time. This time can be drastically reduced by remote deposit, which was a feature offered by at least one-third of U.S. banks in March 2007, according to a survey done by financial research firm Celent.

While scanners and processing were initially expensive, today banks are providing scanners for free or a nominal cost, or allowing the firm to use their own scanner. In addition, the bank charges a minimal monthly processing fee that is usually much less than the administrative cost involved for delivering the check. The scanner is placed in the CPA firm and the staff logs into a secure site to upload the image, where the bank's software "reads" the image with optical character recognition and the sender verifies the information before it is deposited. This reduces the number of errors and can reduce fraud as checks clear the next day with fewer people having physical access. While these deposits could be instantaneous, most banks observe a one-day "float" to allow the sender to cover the check within the same day that it is sent. As the software is all maintained on the bank's secure site, the firm has minimal responsibility for software maintenance and security. The most significant change for the firm is the destruction of the client check, which it is recommended that the firm hold on to for 10 days before disposal.

With the upcoming busy season and accompanying major inflow of client checks, now is the time to contact your bank about remote check deposits and take advantage of this cool tool.

Roman H. Kepczyk, CPA.CITP is president of InfoTech Partners North America, Inc. and consults exclusively with CPA firms to implement today's digital best practices. His e-mail address is roman@itpna.com.

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