Corporate Taxation Insider


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Take these strategic-planning steps to help boost firm revenue

This is the time of year to look at everything from forecasting and budgeting to marketing and practice development.

June 3, 2013
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With the April 15 tax deadline and calendar year audit reports now well behind us, it is an excellent time to either review or, in some cases, begin your firm's strategic-planning process.

There are several key aspects to developing a strategic plan that achieves individual partner buy-in and accountability to ensure short-term and long-term success. With 33 years of public accounting and private industry experience, I have seen my share of best practices, as well as policies and procedures that should never see the light of day.

Following are five strategic-planning suggestions that firms of any size can use to reach their full potential.

Forecasting/budgeting

It is still unclear who first said, "You cannot manage what you cannot measure." The quote is often attributed to one of several well-known business leaders, including Hewlett-Packard co-founder Bill Hewlett. No matter who coined the phrase, it represents timeless advice to any partner, practicing CPA, or business owner.

Managing partners should have these words carved on their doors and desks—and younger partners might even consider memorializing this sage advice on a tattoo. The sad reality is that CPA firms are great at gathering internal data but are often too busy to sort it all out in real time.

Preparing, monitoring, and updating your firm forecast is one of the most important elements of your strategic plan. I highly recommend that firms use a bottom-up approach by requiring each partner to provide his or her goals and revenue forecast broken out by expanded revenue from existing clients and new work from prospects. Partners also should include estimates for lost revenue from existing clients. This ensures accountability and partner buy-in.

In addition, you'll need monthly evaluation of actual-to-budget results, a look at year-over-year trends, and the development of key dashboard metrics. These include partner-level billings, average rate per hour, realization percentages, aged work in progress, over-90-day accounts receivable, staff overtime, and chargeability percentages. These metrics give management the tools to take quick corrective action when needed.

Partner goal-setting and incentive system

Firms also must evaluate and update their partner compensation systems. Systems range from pure seniority to eat-what-you-kill—with every iteration in between. An effective compensation plan will encourage team building, practice development, profit focus, quality client service, and technical competence, as well as soft skills, including mentoring managers and staff.

The starting point should involve the individual partners rating their prior-year performance and then establishing (or updating) current-year goals. Similar systems should be implemented for managers, staff, and administrative personnel.

Performance evaluation process: timely and direct feedback

An equally important step after the goal-setting process is the evaluation process. To create a firm environment with a "constant improvement" culture, both positive feedback and constructive criticism must be provided in a timely manner.

Because of the variety of practice sizes, technical abilities, client profitability, and soft skills, the evaluation system must possess both flexibility and a standardized measurement system.

To that end, I generally recommend a system whereby 10 or fewer specific goals are weighted (customized for each partner) for a total of 100 maximum points (this makes the math easier for us tax folks) to be awarded during each evaluation period.

Marketing

Firm-level and partner-level marketing are keys to achieving firm goals. Marketing plans should be focused on leveraging partners' and managers' industry and technical expertise via low-cost and high-impact social media, the firm website, and networking with trade organizations. Proper execution will stretch your marketing dollars and allow you to evaluate partner and manager effectiveness.

Encouraging partners and managers to write white papers and to give speeches will challenge them to stay current and also result in a higher firm profile and more web traffic.

Practice development

It is important to solidify your practice development efforts so you can keep the pipeline filled and meet firm growth goals. Every practice has some level of controllable and uncontrollable client turnover. Fortunately, there are significant low-hanging fruit opportunities to increase billings on existing clients—generally at higher margins than chasing a brand-new prospect.

CPA firms have significant amounts of client financial and tax data in their files that can be organized, analyzed, and benchmarked for the benefit of the client service team, as well as the client. This benchmarking and multiyear trend analysis can yield many interesting revelations and open up topics of discussion with clients. Also, 2013 tax changes offer fertile ground for new business opportunities with existing clients. These projects are perfect for the traditionally slower spring and summer periods.

Firms should also be analyzing their niche practice areas, including relative profit margins and hours capacity in various market segments. This will provide insight as to where future practice development efforts and recruiting/training should be focused.

Again, partner accountability and ongoing monitoring are necessary to achieve firmwide goals.

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