



CONSULTANTS TO THE CPA INDUSTRY



# **CPA Firm Growth: Keys to Practice Development**

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The Growth Partnership

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## MEET OUR CO-AUTHORS

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# 1

## The Upcoming Disruption

### The Evolution and Future of the Accounting Profession

Many firms today seem to believe they can simply buy their way to growth. In other words, if they just figure out what the “right” marketing strategy or the “right” business development initiative is, they can simply write a check to fund those programs and growth will happen in and of itself. Unfortunately, this does not work in the real world, including CPA firms.

We strongly believe that if firms want to develop a culture of sustainable, profitable growth, they must return to the foundational principles of business development. This begins with the keen understanding that *this is a relationship business*. The profession demands that its practitioners forge a great deal of professional intimacy with their clients, prospects and referral sources if they truly want to succeed.

With that as a backdrop, let's examine how the public accounting profession has evolved over the past several decades. This is an important perspective for practitioners who want to successfully navigate the disruption that lies ahead.

## **Profession 1.0: The Family Farm**

The historical accounting profession shared a lot with the agricultural economy. Like those early family farms, early CPA firms were somewhat self-contained and almost totally self-reliant. All firms were somewhat homogeneous, with one local firm basically indistinguishable from the next. Competition for clients and staff was virtually nonexistent and practitioners were an apprentice-based profession that rewarded technical excellence above all else. The collegial nature of the environment led to public accounting being known as a “gentlemen's profession,” and it served as a gateway for many children of traditionally blue-collar families to make the jump to the white-collar world.

Up until the late 1970s, you could pluck a practitioner out of a firm based in St. Louis and drop him or her in a firm out in San Diego, and while the décor and office ambience might be a bit different, the day-to-day reality would have been almost identical. The sole emphasis of a CPA in the historical model was technical excellence: debits toward the window, credits toward the door, wear your green eyeshade, and keep your pencil sharp. If you did those things well and built a solid reputation for yourself and your firm, everything would take care of itself.

## **The first disruption**

In 1977 the public accounting space experienced a major disruption that changed the collegial nature of the profession forever. The case of *Bates v. State Bar of Arizona* served as a major turning point for all professional services firms (go figure, it was the lawyers who got us in trouble) and ultimately led to the culture of competition that exists today.

# 2

## Overview: CPA Firm Practice Development And Growth

*99% of all CPA firms are below \$25M in annual revenue. This book is primarily directed at that audience, though ALL our material applies to firms of all sizes.*

***“As long as the roots are not severed, all is well. And all will be well in the garden.”***

That great line is from the 1979 movie *Being There*, starring Peter Sellers as the simple-minded Chance the gardener, whose unpretentious dialog is misinterpreted by titans of government and industry as being extraordinarily prescient. This line is a perfect way to begin our book on CPA firm marketing and growth. The “roots” of revenue growth are these:

- Growth *is* change, and if your firm doesn’t change, it’s easier for other firms to take your clients. Like most organizations, without growth and change, CPA firms become complacent, stagnate, are condemned to a lifetime of mediocrity and eventually wither away.

# 3

## Definitions of Terms

The key terms in this brief glossary will be used throughout this book.

**Accountability.** There is a consequence that results when someone fails to achieve a goal or expectation, which was specified in writing. The goal or expectation must have been discussed face to face with the individual who fully agreed with and committed to it. Without accountability, the goal or expectation is much less likely to be achieved.

**Blog versus newsletter.** The two are very similar. Their purpose is identical: It's a great way to keep your name in front of your clients, prospects and referral sources on a regular basis. Blogs and newsletters demonstrate your thought leadership, educate readers and stimulate their thinking in ways they wouldn't have themselves. These publications should be written on topics that recipients are interested in reading and should relate to their business.

Here are some distinctions between blogs and newsletters:

1. Blogs are online. Newsletters are usually paper publications that are often snail mailed.
2. Blog posts are usually much shorter than newsletters. In today's world, people have a much shorter attention span than in the past. So most blog posts are usually under 1,000 words, whereas paper newsletters are often four pages or more.
3. Blog authors are more likely to dispense advice. Newsletters are usually more fact and information based.



# 4

## History of CPA Firm Practice Development

Sir Winston Churchill (and others) said: “Those who fail to learn from history are doomed to repeat it.” That’s why we have included a chapter on the history of practice development at CPA firms. Read this history and see if your firm has learned from the many milestones in the evolution of accounting firm practice development.

We include innovative *practices* in practice development as well as historical *milestones*. They are mostly in chronological order. In some cases where dates are given, it represents when the practice or event began. In other cases, it means the point in time when these practices became widespread among CPA firms.

### **In the beginning ...**

CPA practices used to be very simple. All firms did the same thing, soliciting for business wasn’t allowed and there was little competition. It used to be a pretty straitlaced profession.

The sole emphasis of CPAs in olden times was technical excellence. If you got results and met clients’ needs, you were able to build a solid reputation and everything else took care of itself.

# What Your Firm Should Learn From the History of PD

## Summary

1. Understand the difference between marketing and selling.
2. Never be satisfied with what you have. Complacency kills a firm.
3. Solicit new business; increase your at-bats to maximize the frequency of your hits. Stop acting as if the *Bates* decision never happened.
4. Differentiate your firm from others.
5. Actively and tastefully promote your firm to clients, prospects and referral sources.
6. Be sure to get your name out there regularly. Use social media, blogs and newsletters effectively.
7. Run your firm like a *real business*.
8. Create and manage an active marketing function.
9. Establish partners' accountability to bring in business.
10. Train staff in practice development with mentoring and sales training.
11. Aggressively but professionally cross-sell your services.
12. Develop consulting services to work in tandem with compliance work. Provide one-stop shopping.
13. Offer financial services to your non-attest clients.
14. Specialize in focused niche and service line areas.
15. Join AAM (the Association for Accounting Marketing).
16. Join a CPA association to avoid living in a cocoon and to expand your geographic and technical footprint.
17. Use marketing to drive selling opportunities instead of relying exclusively on individual efforts to grow the firm.
18. Sell to and service clients in teams.
19. Consider a merger to supplement organic growth.

# 7

## Discipline 1: Protect and Grow Existing Clients

This chapter and the next three focus on each of the four Disciplines of CPA firm practice development. Here is how firms commonly spend their time on each Discipline:

	Marketing Activity	Time Allocation
Discipline 1	Grow and protect existing clients	50%
Discipline 2	Develop and nurture referral sources	30%
Discipline 3	Prospect to attract new clients	15%
Discipline 4	Perform support activities	5%
<b>Grand Total</b>		<b>100%</b>

This chapter focuses on Discipline 1: growing your existing clients.

### The three sources of revenue growth

All internal revenue growth comes from three sources:

- Existing clients 50-60%
- Referral sources 25-30%
- Prospecting/new clients 15-20%

# 9

## Discipline 3: Developing Prospects

There are three sources of new business:

- Existing clients, in the form of expanded services and referrals to other clients.
- Referral sources such as lawyers and bankers.
- Prospective clients.

We further stated the following, based on countless experiences and conversations with CPA firms:

- The time you spend prospecting for new clients should be roughly 15% of your time. The bulk of your time should focus on existing clients and referral sources.
- You can expect that roughly 10% of your growth will come from new clients. The bulk will come from existing clients and referral sources.

The lower success rate anticipated from prospecting for new clients partially explains why firms have such a huge appetite for merging with smaller firms. It's often easier and less costly to *acquire* clients than prospect for them from scratch.

# 12

## Business Development Training

As with just about anything, people can be taught business development skills if they study hard, apply themselves and, most of all, have a healthy, positive attitude towards bringing in business.

“Can people be taught practice development skills?” In 20 years of consulting to CPA firms, we have been asked this question hundreds of times. The answer, most certainly, is “YES.” Note, the question is not “Can people be taught to be *rainmakers*?” The answer to that question is mostly “no.” There is a big difference between being a rainmaker and learning BD skills.

People may not know it, but every person has a meter on his or her forehead that is visible only to others. It’s a business development meter, with a number ranging from 1 to 10. A “10” is a rainmaker who can walk into any room of people and walk out with an order or two. A “1” wouldn’t know a BD opportunity if it hit him or her in the nose. In fact, 1s hyperventilate at the mere thought of selling. There is nothing anyone can do with a 1 or a 2. But with the proper attitude and training, a 3 can move to a 5; a 6 can move up to a 7 or 8. It’s probably impossible to move someone up to a 9 or 10 because one needs natural BD skills to earn such high ratings. But people *can* move up levels if they have a positive attitude toward BD and receive the proper training and mentoring.

# The Four Disciplines of CPA Firm Marketing

**Before you begin the 4 Disciplines:**

- What is your firm's vision and growth target?
- PEOPLE create growth, not marketing plans
- Differentiate your firm
- Need a champion to drive marketing execution
- Establish services to sell and cross-sell
- Develop specialties and niches

**DISCIPLINE 1**  
**Mining Existing Clients**

Exploit existing clients potential  
Increase clients' NPS  
Client SpotLight  
Cross-selling

**DISCIPLINE 2**  
**Referral Opportunities**

Identify/nurture referral sources  
Networking  
The Referral Event

**DISCIPLINE 3**  
**Prospects: Attract New Clients**

Networking  
Be active in organizations  
Business development campaign  
Nurture campaigns  
Niche marketing

**DISCIPLINE 4**  
**Support Activities**

Seminars	Direct mail
Speaking	Write articles
Advertising	Blogs, newsletters
Websites	Social media

**ENABLING SYSTEMS:**  
**Engines That Ignite the System & Keep It On Track**

- Firm management
- Business development training
- Mentoring and coaching
- Individual marketing plans
- Marketing budget

- Accountability
- Financial incentives
- Finding the time
- Marketing director
- Marketing consultants

# Individual Business Development Plan

## Personal contacts

	Entity Name	Contact Name	Target Meetings	Type of Interaction	Progress	Next Step	Deadline
Clients							
1							
2							
3							
Etc.							
Referrals							
1							
2							
3							
Etc.							
Prospects							
1							
2							
3							
Etc.							

## Other business development activities

Activity	What to do?	By When?
Speeches, seminars		
Write articles, blogs		
Join an organization		
Serve on org. committee		
Serve on org. board		
Build online brand via social media		
Networking activity		
Other		

Many years ago, I came across research on goal setting that was very persuasive and powerful. It centered on

1. The correlation between success in life and goal setting.
2. The fact that goal setting without a written plan is just a wish.
3. The acronym SMART, a short, useful way to describe how a goal should be defined.

**HOW PEOPLE LIVE**

**ROLE OF GOAL SETTING**

