

Extracting the Gold from Within your Practice

If you are like most accountants in public practice, it doesn't take long to build a large list of clients.

How many tax returns does your firm lodge each year? Hundreds, and probably thousands.

And, if you were like me, you are extremely busy and constantly under pressure to meet deadlines.

I'm going to change your professional life forever, and to mark this occasion I'm going to use a metaphor that you will remember for the rest of your life. Read on ...

The First Step

Let's cut to the chase. I want you (or better still), one of your employees to prepare an Excel spreadsheet. I want you to list every single client of your firm on that spreadsheet, ranked from biggest to smallest.

By client I mean 'groups' of clients. If your client has a company, and a trust and you look after the tax affairs of the directors and family members, that is one group and by definition one client.

I want you to rank every single client (group) on a list starting with the biggest fee earner of the firm at the top of the spreadsheet. If your firm was like mine, then the list will be several pages long.

Here's the thing:

Just scanning your eye over this spreadsheet is going to be like turning on a light in a dark room.

Knowledge is power. And with this information, you can make brilliantly informed business decisions.

This is basic analysis that any strategic consultant would compile. You can take this analysis a few steps further ... but, please don't get hung up (like some accountants tend to do) and become paralysed in analysis. Paralysis by analysis! Here is my suggestion:

1. List clients (in groups) from largest fee earner to smallest. Every single one of them.
2. Allocate a partner name, and a manager's name, against each client
3. Segment into broad industry groups (retail, services, wholesale, health, education, technology, non-profit, etc)
4. You can prepare spreadsheets for different financial years. It's useful to look at trends, so it would be ideal if you can prepare at least two years' data

The Next Step

I'm assuming you now have a printed copy of the two spreadsheets sitting in front of you.

I have done this exercise with hundreds of businesses, and here's the most important step I want you to take next:

I want you to draw a horizontal line across one of the pages. From this day forward, you (and your fellow partners) are going to spend 99% of your (productive) time above that line. You are forbidden from spending productive time below the line.

Above the line, we are going to label these as your 'A' clients. Let me share a secret:

Your list is probably more than 10 pages ... but, the line you just drew will be about half way down page one! Right?

Below that line, you can draw more horizontal lines to segment 'B', 'C' and 'D' client groups.

I will leave you to define and classify your clients: A, B, C & D. However, I warn you, this is a critically important and strategic task. Most business owners mess this up. It's best left for discussion covered in your Strategic Planning process with all key decision makers and a facilitator in attendance.

Pareto Principle

Next, I want you to add up the value of the 'A' client fees, and divide by the firm's total revenues. How many 'A' clients do you have? How many B's, etc. What are the percentage of revenues from each category?

I want you to check your firm's fee profile against the 80/20 rule. I'll bet that you mirror, or pretty closely align to the 80/20 rule (meaning that 80% of your fees come from around 20% of the clients).

IMPORTANT (please read this and take note)

In my experience, and that covers a lot of businesses, there is a huge chunk of the client base that is losing you money.

Yes, I mean it's causing you to incur losses. It's possibly 25% or more of the client base.

Do one more calculation for me.

What are the revenues from the bottom 10%, 20% and 30% of your client base? Now think about the labour and resources required to service these clients. If you allocate the labour and overhead correctly (meaning correspondence, filing, invoicing, collection, etc.) then you will quickly realise that a large part of the client base is actually losing you money.

Again, this is an important strategic decision which will require proper consideration, but in most cases you should 'fire' those 'D' clients! In my case, I sold off 500 tax returns to another firm that were delighted to take them over.

Picture this ... I want you to imagine that you standing in front of a big pond. You are dressed in a nice suit. The pond is covered in green slim, pond-scum. Now I want you to dive into the pond. Yuk!

These 'D' clients are 'pond-scum'. And you need to take a shower! Meaning, you need to remove the pond-scum from your firm. It's consuming your time, it's consuming your firm's resources, and it's killing your profits.

You are busy, you are overloaded, you are stressed and you stink! Please take care of the pond-scum.

This step will change your professional life.

One final piece of advice

Once you have cleaned up, guess what?

Your firm will be breathing again (and you will smell good!). You will have excess resources available to do what? Some of you will be thinking about cutting costs. OMG! Please don't do that.

Use the excess resources to better serve the clients that make the firm money and who are currently most likely being ignored.

Here's an example of what I'm referring to ... I visited an accounting firm a few years back and we were looking over his client list. I asked a question about one of his 'A' clients. He told me he had never visited that client, and did not even know where the business was located!

Spend your time above the 'line'. Visit your 'A' clients regularly. Take an interest in their business. Ask questions, and walk around their premises. Take the client to lunch, and don't bill them a single cent. Tell them that they are important to you and the firm. Show them that you care.

The gold will come to the surface and reveal itself. Of course, this is just the tip of the iceberg ... I have so much more to share to help you drive practice performance and make a difference in your life and your clients. Implementation and discipline are a key to unlocking the gold.

Thanks for reading, and don't hesitate to email me if you want to chat further. I'm here to help you.

Until next time, have a great day!

Marc R. Bruce

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