

Quest for growth begins at home

Clients may point the way to profitable opportunities

By Richard F. Stolz

The straightest path to profitable growth begins not by scouring the horizon for some hot new untapped market, but by looking inward for clues to why the firm may have hit a plateau. Ultimately, that self-examination might lead firms to expand into new markets -- or instead find untapped sources of growth that have been under their noses all along.

The classic impediment to recognizing and seizing new growth opportunities, suggests industry consultant Gale Crosley, CPA, is starting with the premise that one's current expertise is of intrinsic value in the marketplace. Unfortunately, it might not be.

"Existing talents aren't relevant because the market doesn't care," she says.

"What the market wants is what you have to deliver." Doing so might require a more than a superficial makeover.

Koltin Consulting Group's Allan Koltin strikes a similar theme. "Instead of saying, 'we are your audit and tax firm,' you have to think of yourself as being in the business of helping clients with their business and financial problems," he says.

That broader self-perception is personified in Lou J. Fuoco, CPA, Managing Director of Fuoco Group. "I am a businessman who happens to be an accountant," he says (see sidebar).

Beyond Hourly Billing

Another key element of the paradigm shift that some CPA firms need to undergo before they can grow significantly, Koltin asserts, is to supplement the time-based billing business model. "Making money unrelated to time," as Koltin calls it, can involve flat fees for services, performance-based fees, contingent fees and even sales commissions.

Many firms have already begun acting on that idea, as Illustration 1 indicates. [Insert Illustration 1 -- Top niche services] More than half of the firms participating in an *Accounting Today* survey earlier this year reported they have increased their business in such typically non-hourly billing-based services as business valuations, forensics/fraud, litigation support, M&A, retirement plans and employee benefits.

Other emerging service areas highlighted in that survey that frequently are not paid based on an hourly billing model include business plans, investment

services, cost segregation, employment search and “financing arrangements.”

Finding customers for new services begins with one’s existing clients, says Koltin. He says he’s surprised how rarely CPAs survey their own clients to identify areas of need that aren’t being met. Basic elements of a client survey -- whether administered through a personal interview or a survey instrument, should include their satisfaction level with current services, and inquiries about other services they may be receiving from other service providers.

The follow-up question to responses about services clients are already receiving elsewhere, Koltin says, is “Are these services we should be providing you?”

This exploratory process with top clients should be treated more as a brainstorming process than a customer survey, he adds.

Along similar lines, Troy Waugh, CPA, CEO of The Rainmaker Companies, urges his accounting firm clients to “serve your ‘A’ clients as if they were your prospects [i.e. lavish attention on them], and serve your ‘B’ clients well enough to turn them into ‘A’ clients.” Only after you have adopted that pattern should you focus on cultivating new clients, he suggests.

Defensive Posture

Charles Hylan of The Growth Partnership shares that perspective, but approaches it from a defensive perspective. “While we are all talking about growth, growth, growth, you can’t afford to let any clients fall out of the back door,” he warns. He reminds clients of the classic 80/20 principle, that 20 percent of clients generate 80 percent of the profits.

But Hylan and others also emphasize that focusing on existing clients can open the door to new services niches and new clients as well. Hylan is a fan of industry specialization. For some firms, the best strategy is to “go an inch wide and a mile deep,” he says.

Many firms have made half-hearted efforts to develop a niche practice. “Ninety-nine percent of the accounting firms that say they have a niche practice really don’t.” Hylan says. “The ones that really do are active in that industry and have expertise beyond accounting, auditing and tax,” he says.

The challenge then becomes finding a viable niche. Sometimes it just occurs through happenstance, but success is more likely when firms use a comprehensive research methodology.

Crosley guides her clients to conduct research that will allow them to unearth genuine opportunities -- both with existing clients and new ones. Simply “hobnobbing with bankers and lawyers” to explore the marketplace is inadequate, she says. “You have to get out there and interview lots of people, all kinds of people.” Besides current clients, those people include thought leaders, university professors, even competitors.

Crosley developed a process she has named “The Research Call.” Its purpose is to help CPAs “learn all you can learn about the ecosystem in which you are swimming” to identify growth opportunities. Although sales leads may be unearthed, they would only be a byproduct of the effort.

Exploiting Egos

An interview request can simply begin with a statement that the firm is expanding its services in that sector and that you want to “pick the brain” of the source. Typically people will agree because, Crosley says, “accomplished people love talking about themselves.”

At the interview’s conclusion, a crucial question to ask is for names of other sector experts for you to contact. After that, the final question can be, “Is there any way I can be of help to you?,” Crosley suggests. Typically it won’t lead to a new client, but sometimes it will -- a bonus, because it wasn’t the interview’s primary purpose.

Sometimes a probing interview with existing clients will yield insights on desired services that could become a new product line for other existing clients. For example, one of Crosley’s clients used to just perform audits for public sector entities. The interview process revealed that one such client, very price-sensitive with regard to its audit, wanted help improving its operational efficiency. The upshot was that the firm packaged the audit with an operational efficiency improvement service, and laid the foundation for a source of profitable growth.

When the analysis of particular markets concludes that a sector shows promise, firms should be prepared to invest in a high-profile leader to champion that niche, urges Hylan. One of his clients that conducted audits for several local hospitals decided to dive deep into the regional healthcare sector.

It did so by recruiting a hospital CEO to lead the practice. That individual was a fixture within the local healthcare community, sitting on several boards and frequently giving speeches.

The investment has led to growth in the number of the firm’s healthcare sector clients, and to the scope of the firm’s work for those clients. “They’re not just doing the ‘need-to-have’ services but are getting the ‘want-to-have’ projects,” Hylan says.

Sometimes those “want-to-have” services require highly specialized expertise that would not typically exist within a traditional accounting firm. Such services may include R&D tax credit and cost segregation studies.

The firm then faces the build-buy-lease decision with respect to delivering such specialized services -- or entirely new services, such as international tax, to attract new clients. For many, the solution is to leverage external service providers rather than build the capacity internally.

For example, accounting firms that work with Engineered Tax Services, a provider energy tax services, cost segregation studies and other specialized analytical products, partner with the firm both to expand relationships with existing clients and to give them “a competitive advantage to secure new accounts,” according to Heidi Henderson, the firm’s marketing director.

Alliantgroup, another specialty tax services provider, employs engineers, biologists, software developers and manufacturing experts in addition to accounting professionals, to allow CPA firms to effectively expand their menu of services, the firm says.

A new accounting service that may be promising in one market may not be in another, of course. “I hesitate to say ‘this is hot,’” Crosley says. The only way to find out, she says, is to do your homework.

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SIDEBAR

Becoming your clients’ *consigliere*

When Lou J. Fuoco, CPA began his accounting practice in a Queens, N.Y., neighborhood with many recent Italian immigrants, he honed a skill that has enabled his firm to grow and thrive. Fuoco Group, an independent member of the BDO Seidman Alliance with offices in New York and Florida, currently offers fifteen services as wide-ranging as transaction advisory, estate planning and technology consulting.

His command of Italian enabled him to connect Italian-speaking neighbors with wide range of resources beyond the scope of accounting. “People came to me for everything,” he recalls. “If somebody needed a plumber, I would set him up.”

An accountant who takes a narrow view of his role is merely an expendable “vendor” in clients’ eyes, Fuoco believes. In contrast, being a true “trusted advisor,” or *consigliere* as he likes to think of himself, opens the door to providing a myriad of services, either directly or through strategic relationships with specialty firms, as Fuoco does.

But there is no shame in outsourcing, Fuoco says. “Don’t pretend you can do it all yourself.”