



Recommendations to Transform the CPA Firm Business Model

During the CPA Consultants' Alliance recent meeting in February 2020, this working group of thought leaders discussed key issues facing the public accounting profession. We created recommendations that firm leaders can prioritize and then take action in five fundamental areas of focus. Doing so will transform the business model in their firm into a future-ready model that attracts and retains the next generation of talent and clients.

Firm Leadership/Management

1. Embrace a leadership mindset and firm values that ensure the firm's long-term legacy (versus focusing on short-term rewards).
 - a. Key attributes of a leadership mindset include genuine interest, curiosity, empathy, resilience, optimism, persistence, and a willingness to embrace the unknown.
2. Create an inclusive leadership structure which gathers input from all levels of the firm regarding the firm's vision and strategy. Make ownership opportunities available to all.
3. Leverage a corporate governance model, including roles such as Chief Executive Officer and Chief Operating Officer. Do not allow those within three years of retirement to serve in key governance roles, such as the Executive Committee or Service Line Leaders.
4. Institute an innovation center with a clear charter, funding and results expected.
 - a. Leadership should drive innovation initiatives that align with the firm's vision and strategic objectives and include people at all levels and in all departments.
 - b. Allocate time for small teams to evaluate, review and innovate new and existing services and processes.
5. Identify and use metrics that emphasize measurements beyond billable time, including:
 - a. Allocation of revenue amongst clients and services (e.g., average revenue per customer; percentage of fees from advisory versus compliance services)
 - b. Delivery (e.g., human vs automated output required to complete a project, such as number of tax returns prepared; revenue per employee)
 - c. Satisfaction (e.g. client and employee satisfaction, retention, expansion of services to existing clients)
6. Develop a five-year strategic plan that includes setting specific targets for service lines (e.g., revenue targets, people targets, number of clients, average revenue per client, profitability, etc.).
 - a. Prepare for a reduction in distributable partner income to make investments required for a sustainable future for the firm.
7. Ensure the firm's buy/sell model is sustainable for the future:

- a. Perform a reality check on the firm's buy-out/buy-in model to ensure appropriate assumptions for growth, costs and investments required.
 - b. Create versions of the buy-out/buy-in model that illustrate the loss of simple compliance work overtime. Negotiate changes to the buy/sell program as needed to anticipate these possibilities.
8. Discuss exit strategy options openly and honestly along with the risks, costs and advantages with firm owners. If the true intent is to remain independent, identify and prioritize the investments needed to do so.
9. Clarify which owners are committed to the above behaviors to move the firm forward and transition out resistive partners.

Learning and Development

1. Establish a continuous learning environment, with accountability for all levels, starting on the day someone joins the firm.
2. Create a learning and development path for advisory services:
 - a. Identify the people on your existing team who have the most promising potential to deliver advisory value to clients. Create capacity for them to participate in advisory learning programs and deliver advisory value with existing clients.
3. Create a strong client experience program to capture client feedback:
 - a. Understand what clients (including NextGen clients) want and set delivery standards according to client needs.
 - b. Train people and deploy brand messages that respond to these needs and better support the client relationship.

Technology

1. Invest in existing and emerging technologies to accelerate the digital transformation of the firm.
2. Elevate the role of technology professionals. They should have a seat at the strategic management table and emerge as a valuable service line to your clients.
3. Develop a 5-year technology strategy and roadmap for investment.

Talent

1. Ensure performance measurement systems, including the performance evaluation and compensation process, support your firm's vision, values and strategy:
 - a. Emphasize and value human skills as much as technical skills.
 - b. Evaluate and compensate based on demonstrated alignment of an individual's actions and contributions with the firm's mission, vision, values and strategic objectives.
2. Develop a coaching culture:
 - a. Teach coaching skills (e.g., active listening, powerful questions, genuine curiosity, setting an agenda and creating forward motion) to your professionals to strengthen their mindset and skillset in leadership, client service and business development.
 - b. Train career managers in coaching skills and have them meet regularly with employees to support their ongoing development.

- c. Invest in professional coaching to help your people navigate ambiguity, create meaning, shift mindsets and think more creatively and innovatively.
3. Revisit recruiting strategies to ensure they are meeting current and future needs, including:
 - a. Focus on candidates that bring disciplines that the firm needs to remain relevant (e.g., shift from compliance to advisory).
 - b. Hire in advance of immediate needs.
 - c. Hire for human skills (e.g., curiosity, empathy, relationship development), not just technical skills.
 - d. Leverage non-traditional staffing and other capacity-creating activities (e.g., the virtual and gig workforce) to provide relief to staff with unbalanced workloads.
 - e. Move lower-level compliance work out of the business or to lower-cost staff.
4. Hire non-traditional personnel (e.g., data scientists, security specialists, technologists, non-CPAs and remote employees) to provide deeper support for the firm's primary (and future) clients.
5. Allow people to co-create and adapt their own unique roles over time, based on alignment of their strengths with client and organizational needs.

Growth

1. Ensure business development is embedded in the firm's culture in a way that everyone feels responsible for it. Provide rewards for business development and ensure credit is shared appropriately amongst all parties.
2. Lead with advisory services, where you serve as the outsourced financial advisor for clients, which includes tax planning (versus leading with tax compliance and expanding to advisory).
3. Identify the "hot" consulting services that are most needed for your firm's future and how they fit into the firm's growth strategy. Are there opportunities to deliver these services to existing clients, or will you need to attract new client relationships? How does this impact the firm's expected results and required investments?
4. Bill based on the value of the engagement (i.e., the type of services and benefit provided to the client), rather than hourly billing.
5. Measure and track client satisfaction/experience using net promoter scores or other surveys. Perform reviews of wins and losses.
6. Engage with various firm communities to expand learning and growth.
7. Appoint a firm growth leader to set the firm's profitable growth strategy, ensure decisions are appropriately evaluated based on their impact to both short- and long-term growth (within the existing client base and outside of it), and determine investments (e.g., infrastructure, dollars and people) required to meet growth goals.
8. Define specific ideal clients for each service specialty, then grow through narrow, deep segments, with 50% of revenue sourced from advisory and consulting services.