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# Managing Growth Effectively Requires Firms To Possess The Right Plan, The Right People And The Right Clients

Expert Q&A

*Managing growth is one of the biggest challenges faced by executives at middle-market accounting firms. It falls just behind staffing issues and succession planning on the list of obstacles faced by accounting firm leaders, IPA research shows. This month, renowned consultant Jean Caragher, president of Capstone Marketing, shares growth management strategies and techniques.*

**Q: What resources should I use to set and manage growth goals for my firm?**

**A:** Setting goals for growth is crucial to managing growth. When establishing growth goals, keep in mind the overall vision and strategic direction of the firm. Then, determine if you have the resources to manage growth, including the following:

- A managing partner who can lead the effort;
- Partner buy-in and accountability;

- Talented partners and staff;
- Strategic marketing plan;
- Staff recruiting and retention plan;
- Succession plan;
- Internal professionals, outside consultants and alliances to assist you with human resources, training, technology, and marketing.

**Q: What is the most overlooked aspect of managing growth?**

**A:** Many accounting firms overlook the opportunities that exist within their client bases. First, determine the 20% of clients that generate 80% of your revenue. Create a client service plan for each of these clients to ensure satisfaction and loyalty – and to identify cross-selling opportunities. Cross-selling is the easiest, least risky way to generate new revenue. Second, your clients should be your best referral sources. Be sure your clients know the types of new business you're looking for. Don't be shy about asking clients for leads and referrals. Third, working with your clients is a great way to introduce your non-partner professionals to sales and marketing skills.

**Q: Is firing clients an effective way to manage growth?**

**A:** Yes. Eliminating problematic clients or those that hinder the firm's goals is a great way to manage growth and profitability. Following are key criteria for evaluating clients:

- Fees generated;
- Realization;
- Ability to pay;
- Year-end;
- Opportunities to cross-sell;
- Growth potential;
- Risk;
- Leads received (or expected) from client;
- Does the client enable the firm to establish or build a niche?
- Does the client need the firm's expertise?
- Can our firm still serve the client to the best of its ability?

Determine whether you can increase the fee or refer the client to another firm. I find firms that go through this process annually are more profitable, focus on their best clients, and have happier staff members. Many firms are turning away new business due to the

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staffing shortage, but firms are more likely to accept inappropriate clients and fire them in the future than they are to decline the business in the first place. A formal client acceptance process that uses the criteria listed above helps prevent clients from passing through the revolving door.

**Q: Where do mergers fit into growth strategy?**

**A:** Mergers can be an effective method of managing growth. Consider the following factors when evaluating candidates for a potential merger:

- Chemistry between the partners;
- Skills and specialties of all professionals;
- Client base;
- Financial information, including revenue, realization, profitability, billing rates, partner compensation, and benefits;
- Firm culture;
- Vision for the new, merged firm;
- Expectations regarding marketing, client service, and leadership.

Firms should not merge simply to become bigger. Mergers are viable options for obtaining talented, qualified people; starting or strengthening niche specialties; entering new geographic markets or enhancing the ability to obtain and serve larger clients.

The importance of evaluating a merger candidate's culture is enormous. The deal may look great on paper, but if members of the merged firms cannot get along or have conflicting goals and expectations, they'll be de-merging in short order.

**Q: We're not achieving our growth goals. What should we do?**

**A:** Despite the double-digit growth of many firms across the country, some are experiencing no growth at all. At most of these firms, partners are doing work that should be delegated to lower levels of staff.