

**Business
Model Basics™ in
The Modern Firm®**



The basics of running a modern firm

Modern firms are agile, scalable and have a strong brand presence. This is accomplished when you work to enhance the core parts of your firm—the guts of your business model.

Understanding the core elements that make up a high-performing practice is the first step in your journey to The Modern Firm. The good news is you don't have to figure it all out on your own. We've already done the work for you by identifying what we call the **Business Model Basics: Rootworks' proven and tested roadmap for firm leaders to follow as they create their modern business.**

Having worked with thousands of firm leaders and their staff over the years, we realized that while every firm is different, they all have the same set of challenges to solve. This realization helped us identify the **13 Business Model Basics** that make up a modern firm—from culture and client onboarding to technology stack and marketing communications.

Our main goal is to help firms not only develop a business model to support a sustainable and profitable practice, but to accomplish that goal by following a logical, effective roadmap.

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The following sections explain each Business Model Basic in more detail, organized within four main categories:

- 1 Leadership
- 2 Operations
- 3 Products
- 4 Experience

Leadership

Leadership means many things to many people. In the world of accounting, it represents the beating heart of a successful firm.

It's important to understand that leadership extends beyond the partners, and that it's so much more than managing people and processes. True leadership permeates every facet of your business to both create an exceptionally healthy culture and attract and retain your ideal clients.

1 Culture

Your firm's culture is central to your success. A positive culture drives a profitable, successful firm because at the heart of it all is a happy team of professionals who love their jobs!

At Rootworks, we guide you through the four Cs required to build a modern and healthy culture:

Clarity

Define the future you want and determine how you're going to get there. Until you have a clear vision of who you are, you can't expect to grow a healthy culture.

Candor

Clearly express where you stand and what needs to be accomplished in your firm. When you maintain an environment of openness, empowerment and honesty, it eliminates any elephants in the room.

Connection

Ensure that all staff feel a strong connection with leadership. Firm-wide buy in on your vision and a strong inner connection among your team are critical to building a winning culture.



2 Consistency

Get to a steady rhythm in your firm so staff can "see" the deep commitment to what matters most—like supporting them with the proper technologies, offering flexible work schedules, and executing authentic communications so everyone stays informed.

2 Ideal clients

Identifying your ideal clients is another core Business Model Basic—one that deserves your full attention. Here's what it comes down to: The days of taking anyone who walks through the door are over. It's time to ditch this old model, which only serves to support individual client needs and disparate ways of working with each. This model directly works against process standardization and streamlined efficiency.

To identify your ideal clients, the first step is to think through the clients you're both good at serving and like to serve. When defining your ideal clients, consider these questions:

- Do we enjoy serving them?
- Are we good at serving them?
- Do we have the skill set to support the vertical (e.g., construction, attorneys, franchises)?
- Is the client a good candidate for advisory services?
- Do they fit our fee goal?

"Ideal" will look different from firm to firm. So, make sure you identify what is uniquely ideal to you.

Operations

Firm operations are comprised of client communications, security protocols and overall practice management. The goal is to master these basics to take back control of your firm.

Client communications

Never forget about your existing clients. This includes not only developing content to share with your client base but also requires thought about how you deliver communications—including email, social media channels and other platforms. Overall, your client communications plan should be consistent and intentional.

The key to a sound and powerful communications program is consistency and frequency. While it's important to generate leads via a strong marketing program, your current clients need to consistently feel connected to you and your staff as well. For example, this requires that you stay active on social media and send digital communications regularly.

Of course, a sound communications program requires that you create content, and we understand that this can be a challenge. With this in mind, we've provided a few ideas here to get you started:

- Begin with timely, seasonal communications such as office hour changes, estimated tax payment reminders and important tax code changes.
- Next, move beyond standard communications to diversify your client communications program. This can include "lighter" materials, such as a client magazine or community-related social posts.
- Finally, layer in a few brand-awareness communications that showcase additional services clients may need—like higher-value advisory services.

The ultimate goals are to keep your firm front of mind and continually strengthen the client-advisor relationship.



Our team can provide you with agency-quality communication pieces that you can push out to promote a professional brand and keep you connected to clients all year long.

4 Security

In an era where data breaches are practically weekly news, it's imperative that security is always at the forefront. Don't allow security policy and practice to be an afterthought.

It takes exactly one data breach to potentially bring a business down. As such, firms need to offer regular training for employees. For example, consistent education on how to spot phishing emails and suspicious links.



Moving away from email is another sound security move, as over 90 percent of data breaches start with a single email. Adopting internal instant messaging applications like **Slack** or **Teams** can greatly reduce email traffic.

And finally, moving your technology stack to the cloud provides a much higher level of security than maintaining on-premise servers.

This Business Model Basic focuses on overall firm security. Our team can provide you with the guidance and technology recommendations to keep your client data safe and your firm's reputation secure.

5 Practice management

This Business Model Basic is focused on helping you take back control of your firm. Ask yourself: Are you running the firm or is your firm running you? If the answer is the latter, it's time for change.

Rootworks helps you build a firm for the modern era by shining a spotlight on such areas of your business as:

- Your client base—Are they your ideal clients?
- Your billing process—Is it cumbersome and time-consuming?
- Your staff—Do they understand their role in the firm?

Each of these elements (and more) are key to running a profitable and sustainable business—and are all focused on elevating practice management to a whole new level.

Inside this Business Model Basic, our team can help you develop best practices, identify the right practice management solution, inventory existing clients (and identify those that are ideal), implement a value-based billing model, develop an employee handbook and more.

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Products

Modern firms have defined a core set of products and the technologies that support frictionless delivery of services. This all leads to process standardization and, ultimately, elevated profitability.

6 Client accounting

Ensure that your client accounting workflow is defined end to end and that appropriate staff members are trained. Start by tracking the technologies used to support each client and the services provided. This creates a map of sorts that allows you to identify inconsistencies in your model, as well as clients who need to move into your modern business model.



Example:

Identify clients who are still uploading QuickBooks® backup files and then work to transition them into your firm's preferred model—whether that includes hosted QuickBooks or QuickBooks Online. This will help standardize your workflow and allow you to track client data with far more ease and consistency.

7 Business tax

Many firms have a fairly good business tax process in place. Nonetheless, you'll still want to identify the technologies that support a standardized workflow, and then train your staff on the applications that comprise your tech stack.

The common struggle here tends to be annual tax clients and the rush of year-end work. This is where getting the right technologies in place can fuel efficiency. For example, if clients are on hosted QuickBooks or QuickBooks Online, you can access their data directly instead of waiting for clients to deliver data to you.

8 Individual tax

As in other models, it's critical to identify the technologies that support a standardized tax workflow and train your staff. And as with business tax, most firms do have a good process in place for individual tax, including source document collection via portal or scanning and online delivery of Form 8879.

The key here is creating balance. Do you have the staff for the volume of returns you process? How many returns actually require review (complex vs. simple)? And are you maximizing staff to establish new revenue streams—for example, audit protection services? Audit protection services can also be offered to business clients.

Example: Audit protection services

Audit protection represents a lucrative new revenue stream and a much-needed service for many tax clients. Audit protection provides clients with an advocate should they be audited by the IRS. The firm handles the paperwork from initial contact to final resolution. Modern firms commonly offer the following services under audit protection:

■ IRS representation

For the current year tax return, the firm serves as the client's representative on both the state and federal levels up to the appeal or litigation process.

■ IRS notices and letters

The firm develops and submits responses compliant with IRS notices and letters in a timely manner on behalf of the client.



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Advisory services

Offering value-priced advisory services is key to elevating profitability. For many firms, however, the issue is lack of awareness in relation to client services needs.

With this in mind, for this Business Model Basic, start by asking yourself a few key questions:

- Are you leveraging detailed client data to proactively offer clients higher-value advisory services they often need?
- Do you have a front-office solution that allows you to slice and dice client data and identify new product opportunities?

For example, do you have the technology in place to easily identify clients who require added services? Services can include anything from entity type analysis, retirement plan selection, accounting system setup, cash flow planning and/or CFO services.

The goal here is to transition out of an antiquated, reactive business model and work with clients proactively to provide them with added, higher-value services needed. Having real-time views into client data is the key to mastering this basic!

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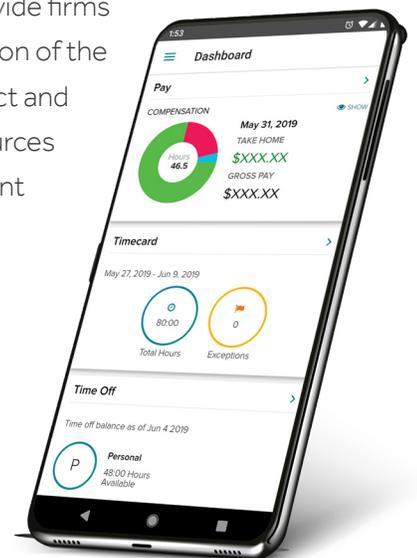
Payroll

As with your client accounting model, you must first work to identify the technologies that support a standardized workflow and then train your staff. From there, you can develop a payroll model that best fits your firm.

It's important to note that, historically, firms have had two options for payroll: **Outsource** or **process in-house**. If the firm launched a new payroll practice or planned to grow its existing payroll base, this meant either giving away profits (outsourcing to a third party) or assuming the risk of processing payroll in-firm. Neither are ideal choices.

The good news is that there is a third option: the **hybrid approach**. This approach enables firms to scale their payroll business without the pain points associated with a traditional payroll model.

This third and recommended model calls for firms to adopt a hybrid payroll solution. Solutions include top-tier brands such as RUN Powered by ADP® Payroll for Partners and QuickBooks Online Payroll. This places control of the payroll process in the hands of firm staff while supporting them with proven technologies and defined processes. These systems also provide firms with an accountant version of the consumer-based product and offer the tools and resources required to run an efficient and pain-free payroll operation.



Make payroll easy for clients with mobile access when you adopt the hybrid approach and a leading payroll solution.

Experience

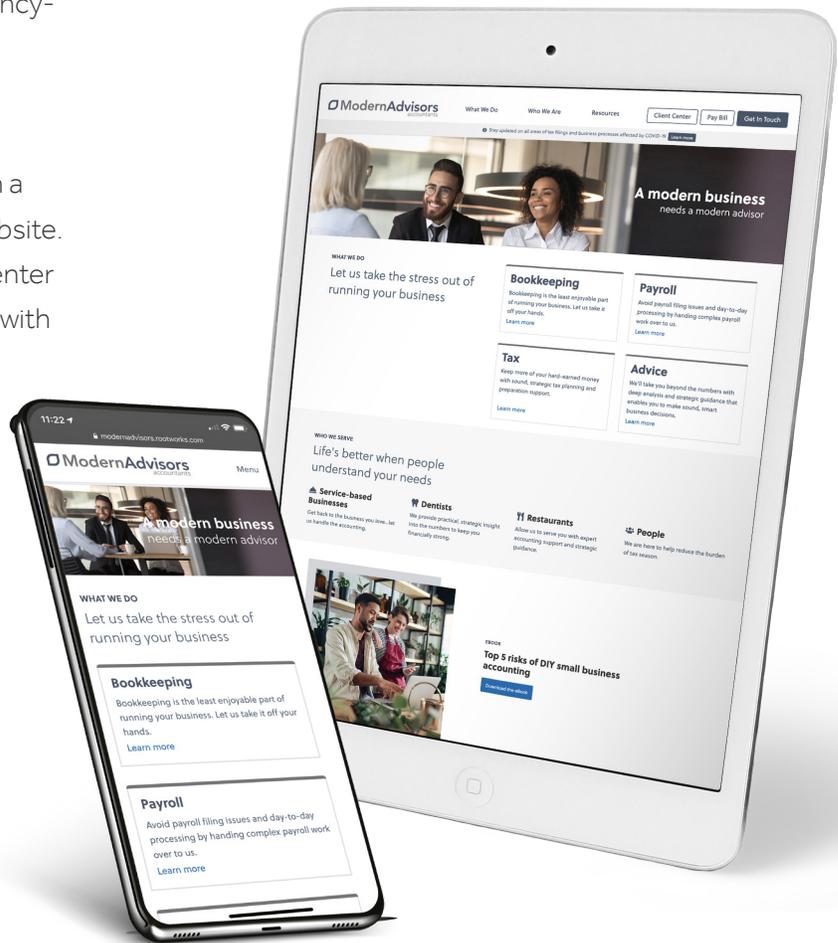
The goal here is to ensure a rich, frictionless experience for clients and prospects at every communication stage. This is only possible when you adopt modern technology, commit to digital processes and settle for no less than agency-quality sales materials.

1 Web and mobile

Ensure a great first brand impression with a mobile-friendly, dynamic and modern website. Your website should come with a client center where your clients can conduct business with your firm and access their technologies and data.

Your website should also be a place where prospects can easily learn about what you offer and the value you bring to the table via timely, education-based content that is pushed out regularly.

Modern firms are offering helpful and engaging content like client magazines, short-form business articles, blogs and more.



With so many business owners working on the go, a mobile-friendly website is key to offering a rich client experience and building client loyalty.

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Marketing and sales

You can't begin to market and sell your services until you've identified your ideal clients and defined your products. Once accomplished, you can start to build a sound, consistent marketing and sales program and craft messaging that resonates deeply with your select audiences. A sound marketing communications program will also help as you build relationships with referral sources.

A powerful communications plan requires quality content. This includes marketing materials like email campaigns, fact sheets and social posts to help generate leads. It also includes sales materials like professional, high-quality presentations and proposals to help close deals.

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Client onboarding

It's important to standardize onboarding procedures for new clients. This ensures that every employee follows the same steps to offer a frictionless and rich client experience. Onboarding sets the stage for the client experience, so make sure it's frictionless and enjoyable.

Your process will look a little different for businesses versus individuals and across services and verticals, but each should be standardized and streamlined as much as possible. This requires you to train staff accordingly and make sure you provide your team with the right technology tools.



Create off-the-shelf sales kits to streamline and structure your sales process.

Now that you have the basics, what's next?

Start by asking yourself, "What kind of firm do I want to operate? And do I need help making it happen?"

For those who need a little help, the Rootworks team has decades of cumulative experience to help you figure out how to refine each of these Business Model Basics and create the high-performing, scalable business you want to operate.



Don't stop now!

Make your next move toward running a better firm...
You don't have to make this journey alone. Rootworks provides you with the Business Model Basics platform, an interactive roadmap and the community to support you in developing a firm for the modern era.

Register for our FREE Modern Firm and Business Model Basics workshops. You'll hear from several of our seasoned executive Rootworks team members as they help you further explore everything Rootworks has to offer.

Register for these webinars now:

rootworks.com/webinars

Or contact sales for a demo today:

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