

The background is a vibrant green with a pattern of overlapping, curved, leaf-like shapes that create a sense of movement and depth. The colors range from a bright, lime green to a darker, forest green.

Developing a client action plan in The Modern Firm[®]



When is a business model not a business model?

Developing and sticking to the right business model is critical to the success of your firm. Why? Because business model is at the heart of any operation and can either make or break a business.

Your business model is made up of many things—including services, clients and technology. To get to the right business model, you have to ask yourself some key questions:

- What do you want to sell (what services are you good at and like to support)?
- Who do you want to serve (ideal clients)?
- How do you want to deliver services (what does your technology stack look like)?

Each aspect of developing your business model is important. Of course, if you're unable to deliver on it, it's not a business model at all.

In this eBook, we will dive into the importance of data and gaining deeper insight into your client base to define and operate within a sound business model. We will discuss data at the technology, business and financial levels and how this insight leads to creating "off-the-shelf" products that are scalable and profitable—and what your clients both need and want from you.

So, let's get started!

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Information is queen

Information is most certainly queen—ruling over all aspects of your business. Data is key because it leads to better information and deeper insights that enhance your business model.

Let's start by understanding what I mean by "data" in this context. If I asked you how many QuickBooks® backup files your firm receives each year to prepare accounting services or annual business tax returns, would you be able to easily pull that report? What if I asked which accounting solutions each of your clients use—or what version they use, or the serial number of that version? This is data.

With a significant amount of effort, this data could be compiled by someone and turned into information. Think of data as raw materials that when put together, creates something meaningful—which in this case is information.

Over the past several years, data has become one of the most important assets an organization can possess. And accounting firms are notoriously bad at collecting and organizing the data that's all around them.

Just so you understand the types of data I'm talking about, let me provide you with several examples broken down into three categories: Technology data, business data and financial data. Each category of data is then further focused on your SMB clients.

Technology data

- What accounting software is used, where is the software located and what version of the software is being used?
- What solution(s) does the client use for digital document storage?
- What solution is used for accounts payable?
- What solution does the client use to prepare payroll?
- Does the client use direct deposit for payroll?
- What technology is used to communicate with the client: Slack, Teams or email?

This is just a small sample of the tools you can track. Wouldn't it be helpful to know all the technologies clients are using in order to make a plan to move clients from disparate applications to your defined technology ecosystem? Imagine the efficiencies you'd gain by standardizing technology—which is why much of the data you collect should be related to technology.



This process really isn't as overwhelming as it might initially seem, especially if you follow this simple three-step action plan:

① Collect the data (inventory your clients)

It's important to use a tool that makes the process as frictionless as possible. Consider a process that allows you to easily survey your clients to collect and update information on a consistent basis.

② Develop an action plan

Evaluate each client to determine who is in compliance with your business model and who isn't. Some clients may be partially in compliance, which also requires action.

③ Work with your clients

Each week, meet with your team to assign responsibilities for transitioning a set group of clients into your model. Your staff needs to be fully familiar with and trained on your desired technology stack. Over the course of a year, you'll see significant changes and improvements in efficiency as clients are transitioned into your defined ecosystem.

Remember, a key to success is taking the friction out of collecting data.

Business data

Technology data is critical to moving your clients forward and leveraging your well-designed technology stack, but business data is the key to moving from a reactive to proactive advisory services model. As a general rule, accounting firms have historically been reactive advisors. That is, they have been so busy with compliance work that the mode of operation has been to wait for clients to ask for advice.

Here are a few examples of what I mean by business data:

- Who are your clients by entity types?
- For those who are partnerships, do they have buy-sell agreements? If they do, are those agreements funded with life insurance? If so, with whom and for how much?
- Which clients qualify for Research and Development (R&D) credits? And are they taking advantage of the opportunity?
- Which clients have retirement plans, and what type of plan do they have? Are they maximizing their contribution to the plan?
- Which clients have bank loans? What is the loan source, how much is the loan and what is the loan's interest rate?
- Which credit cards do your clients use? Based on how they spend money, do they get the maximum amount of rewards by utilizing a particular card?
- Do your clients budget?
- What type of reporting does each client prefer: graphs, analysis, KPIs?

As you can see, business data collected can (and should) be exhaustive. The richer the data at hand, the better you are positioned to grow a proactive and profitable advisory practice.

Further, for every business data point collected, your firm should have a product (service) to help the client maximize that opportunity. For example, if you have a partnership client (data point) who doesn't have a buy-sell agreement (data point), you should have a pre-defined product to help the client solve this issue.



Consider how much revenue you can generate if you just identify all data points to gain full transparency into your clients' needs. You'll find that the time spent inventorying data will be well worth it when you move to a proactive business model.

For every point of data, you should have a pre-defined product to solve for the issue.

“Off-the-shelf” products

Another key to business model success is to develop “off-the-shelf” (pre-defined) products to support clients’ needs at every level.



Typically, a product will include three core collateral elements:

- A simple but attractive educational presentation (some call it a sales presentation) that identifies the client’s pain points and offers the recommended solution.
- A fee calculator to help the firm estimate the fixed cost for the engagement.
- An aesthetically pleasing proposal/engagement letter that can be digitally signed to seal the deal.

Imagine how much simpler and more consistently your firm would operate if you had these tools. That’s why, for every product you have in your portfolio, you should have supporting materials.

Example:

Your business client provides you with a QuickBooks® backup file once a year to prepare their tax return. Each year, when you get this backup file, the first thing you notice is that the beginning balances don’t match the prior year’s tax return. It’s clear that adjustments were never recorded on the client’s books.

This is clearly not ideal for the client or your firm.

This is an opportunity to present the client with sound, informed advice:

Step 1: Identify the issues/pain points related to the client’s current situation.

Step 2: Have a recommended solution ready to present. Ideally, you have a pre-defined product in your arsenal that you can present to this business client. Using product materials, you would walk them through the optimal tech stack. This could be just one of many products provided.

Step 3: Present other value-add products to your client (e.g. accounting system setup and bookkeeping), and explain how you can keep their QuickBooks file up to date and clean. This could not only lead to monthly or quarterly recurring revenue, it could also improve efficiencies at tax time.

Too many firms operate on a reactive versus proactive model. The time is now to change that.

Financial data

Financial data is the easiest to aggregate as it comes from your business clients’ financial transactions. This includes QuickBooks, banking and payroll transactions. Sometimes transactions are housed in the same place, and at other times they reside in disparate silos.

If the latter is the more likely scenario for your clients, you should be focused on a process to pull data from various silos in order to extract meaningful information.

Insights, recommendations and solutions are what clients demand from their advisors today. It’s no longer enough to be a reactionary, compliance-based firm if you are wanting to build a profitable, sustainable business—one where clients are getting the advisory services they require for success.



Final words...

Client data is all around us—and key to long-term success. All too often, firms do not take the time to mine and organize data, and that's a wasted opportunity. Data turned into information is what will lead you to providing your clients with the right advisory services at the right time.

It's important to know the type of firm you want to develop, the kind of clients you want to serve, and the products and services that fit your core competencies. Develop a strategy to collect and organize data with as little friction as possible, then turn this data into actionable information and insights to support a modern business model.

This is truly the key to building what we call a modern firm. And Rootworks can show you how.

Want to learn more about building a high-performing client accounting practice?

At Rootworks, our team is committed to helping our members build profitable and sustainable solutions. We're continually developing the tools and resources our members require to grow a successful enterprise.

For more information on Rootworks and our resources for The Modern Firm, please contact sales at membership@rootworks.com

