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Time Really Is Money!

Determining a Return on Partners' Marketing and Sales Time

By LARRY BILDSTEIN, CPA

Marketing is becoming less of an art and more of an equation – at least in the world of accounting. This numbers-driven industry has struggled with the notion of marketing and its intangible results for decades. Although most accountants agree marketing is an essential element to generating growth, the difficulty in assessing return on investment for marketing activities makes it hard to buy into.

The key to building a solid marketing plan is to understand that some activities can be measured and others can't. Both

are valuable. Some non-measurable marketing activities are necessary to build brand awareness, sustain relationships and warm prospects to your sales calls. In fact, without such investments, measurable activities wouldn't be as successful. A comprehensive marketing plan effectively balances the two.

The next step is to incorporate accountability into your firm's marketing plan. To be effective, it's critical to have a partner act as the sales manager for the firm, to man-

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editor's note



In December, the PCAOB proposed new rules curbing the types of tax services accountants can provide to their public company audit clients. If the proposal is approved, accountants could no longer offer tax services on a contingent fee basis, provide any tax services to certain corporate officers or market aggressive tax shelters.

Whether Uncle Sam knows it or not, he is forcing a major change to the account-

Another Gift From Uncle Sam

ing industry. Big 4 firms are slowly but surely being forced to be audit and tax compliance service providers, while the more lucrative tax planning and consulting engagements are now being handled by smaller CPA firms or consulting firms.

If approved as now written, the rules would bar accountants from offering tax services to audit clients on a contingent-fee basis, bar them from providing any tax services to corporate officers who are in a reporting oversight role of an audit client, and would prohibit audit firms from marketing tax strategies that involve "an aggressive interpretation of applicable tax laws and regulations," or that result in a

tax avoidance maneuver that is a "listed or confidential" transaction under Treasury regulations. Audit firms could still offer audit clients general tax planning and advice or routine tax return preparation services, as long as those services are approved by the company's audit committee.

Indeed this is a wonderful gift for hundreds of firms below the top 15 to 20. Clients will now have to find new service providers to handle much of their tax work. Will you be ready to take advantage of this opportunity in 2005?

August J. Aguilar

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age the quantity and quality of time other partners spend on business development, to mentor and most importantly, to hold partners accountable for results.

RETURN ON PARTNER'S TIME: WHERE'S THE VALUE?

To a CPA, accountability translates into time – specifically billable hours. So to truly address the issue of accountability in marketing you have to answer the question partners really want to know: How do I get a positive ROI on the time I invest in business development?

To explain, let's use the illustration at the top right of this page. As this demonstrates, on average, a 10-partner firm with \$7.5 million in gross annual revenues will need an annual growth rate of 24% to realize a 20% ROI on partner time invested in business development. Is your firm investing this kind of time on growth? Are you realizing a 24% growth rate to justify the investment?

Using this strategy to assess the ROI on partner time keeps the focus on accountability and justifies partner time spent on business development. Rationalizing the sales function in this way ties it to bottom line results and to the firm's profitability.

This scenario also demonstrates how important it is not just to justify time spent on business development, but also how important it is to focus that time on the right activities. A partner who understands he/she needs to bring in \$180,000 in sales this year will likely concentrate on more profitable activities.

For example: The sales activities required to bring in a \$500 tax return client are very different from those needed to secure a \$15,000 audit engagement. This helps partners identify that they need certain skill sets to be effective and opens the door to training, in sales technique and in product/service knowledge.

ROI on Partner Time

\$7.5 mm Firm with 10 Partners

Business Development Time per Partner	300 hours
Fully-Loaded Cost per Partner	\$150 per hour
Business Development Cost of Each Partner (300 hrs x \$150)	\$45,000
Amount Needed for 20% ROI on Time (\$45,000 + 20%)	\$54,000
Revenue Required at 30% Margin (\$54,000 / 30%)	\$180,000
For 10 Partners	\$1,800,000
Growth on Base of \$7.5 mm (\$1.8 mm / \$7.5 mm)	24%

IDEAS TO IMPROVE ROI ON PARTNER TIME

In addition to accountability, it's also the duty of the partner in charge of business development to improve the ROI of partners' business development time. Here are a few recommended techniques:

- **Focus through overall planning:** A good plan outlines specific activities a firm needs to accomplish to reach growth goals. Focus activities on the right target market and integrate activities so they work together to improve results. Random marketing activities with no clear focus won't produce results, and are not an effective use of partner time.
- **Accountability:** Accountability needs to come from the top down. If the staff sees partners being held accountable for their business development efforts, everyone in the firm will take their sales roles more seriously. In addition, the partner acting as the sales manager will be able to monitor the partners and ensure they are spending the right amount of time on the right efforts.
- **Reallocate partner time to strengths:** Most partners know they have a responsibility for growing their practice, and if taught proper sales techniques they can be excellent at business development. Just make sure each partner's strength is assessed so they can become effective

contributors. For example: One partner may feel more comfortable selling additional services to clients rather than prospecting.

- **Encourage partners to "outsource":** Partners should outsource those skills which are not a strength to them – and outsourcing doesn't necessarily mean outside the firm. Marketing, prospecting and sales duties are integral to business development but not all are necessarily suited to the partner's skill set. For example: Cold calling is usually not a productive use of a partner's time. Rather, if a partner is presented an interested prospect, they could focus on using their knowledge to close the sale.

DEMONSTRATE ACCOUNTABILITY AND GET RESULTS

Accounting marketing has come along way in the last few decades, and firms are opening their minds – and budgets – to embrace marketing and its potential. Understanding the need to have a partner as a sales manager and implementing concepts such as ROI are effective ways to merge the disciplines of accounting and marketing – and to make its union more profitable for everyone involved.

Larry Bildstein, CPA, is President and CEO of The Whetstone Group, Inc. Contact: (319) 447-6401 or larry@thewhetstonegroup.com or visit www.thewhetstonegroup.com.