

Questions/Points to Consider/Guidelines to Follow That Will Help the Probability of Effectively Building New Service Practices

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Phase I “Identify & Verify It”

This is the phase when one will verify an idea or thought about the possibility of adding or building a practice.

1. Explain the possible new practice and why you believe the possibility exists that a practice of this nature might be worthy of pursuing.
2. Where does this possible new service fit into your “ring of services” and “integrated client service model”? How close and/or compatible is it to your core services of A&A and Tax? Will the service enhance your ability as a firm to realize its vision? Is it a service that would be of demand from within your target market or market being considered to expand into? What would be your market differentiator and/or competitive advantage if you were to have this service?
3. Do other public accounting or boutique consulting firms have a practice of this nature? If so, who are they and are they in your market? How mature and strong is their practice? Any idea as to their annual revenue? Do they have a “famous” person(s)? What do you believe is their market differentiator and/or competitive advantage that you would have to contend with? Do you believe this possible new competitor would be willing to explore the possibility of being acquired? If not the entire practice, do they have a person you believe would be capable and willing to come on board and lead the building of this new practice? If so, strongly consider and pursue the possibility.
4. Do you have a person or people that are capable of providing this service today? If not today, then with some training, and if so, how significant would that training need to be? If not, what is the profile of the person or people you’d need to bring on board, what is their availability, and what might their compensation structure look like? What traits and/or skill sets do you believe a person from the outside should have in order to fit right into the firm’s culture? Do you believe the person identified to come in and lead the practice and become an owner and ideally within a one to five-year period? At some time

in the future, will you be able to build this skill-set within your traditional accounting and/or tax professionals? And finally, do you believe you can build a “famous person(s)” within this practice, and if so, how long before that person(s) becomes famous, or at least recognized in the market?

5. Do you have a person that is passionate about the possibility of this service that is capable and willing to do what it takes to “surface” and lead this new practice and be accountable for it along the way? Does that person have the internal attitude, fortitude and perseverance to continue to do what it takes to build the practice when inevitable road blocks and/or continuous set-backs arise? If so, who? Are there others in your Firm that also believe in the possibility of this service and capable and willing to take their proportionate share of responsibility to help build this practice... i.e., “early adaptors” to using it first and then enough “curious followers” to begin scaling it? If so, who are they? Is your Firm’s formal and informal leadership group in support of building this new practice and understand the importance of supporting it with their actions and words as it evolves... through “thick and thin”?
6. How would you envision initially verifying your belief that a target market sees the value in this possible new practice and would be willing to buy services from you?
7. What level of annual revenue do you believe you might be able to generate from this practice within three years? Can this practice have at least two to ideally three practitioners on board and consistently making progress within a three-year period? How long do you believe it might take before you will be profitable at the contribution margin level? And finally, how much do you believe you will have to invest (i.e.... cumulative negative annual contribution margins, start-up costs, etc....) before you will be profitable? Suggest you run a conservative to realistic projection with appropriate KPI’s for the first three/six/twelve/twenty-four months of this new practice venture.
8. And finally, identify the top three to five critical “things” that will be key for this new practice to have or develop during its first three years in order for it to be on its way to becoming a sustainable and successful practice.

Phase II “Surface It”

This is the phase when adequate answers have been attained to the questions stated in Phase I and the Firm has decided to help and support a passionate and perseverant leader with others

willing to take appropriate responsibility in building a service practice to the point where you believe you can properly scale it (taking it beyond two to three practitioners and building succession along the way).

1. Build a Business and Strategy Execution Plan that provides:
 - a. An appropriate vision of what this practice might look like in one/three/five/seven and possibly ten years.
 - b. The incorporation of an “Ecosystem” concept and discipline to show you will be continually attempting to better understand your market and “surroundings” as well as what it will take to get and stay inside this system’s “Circle of Influence”.
 - c. Appropriate metrics and reasonable goals for the essential component parts that need to be built over this time period (see Section 1.7 above). This should include goals anticipated to be attained annually as well as who will be accountable and responsible along the way so the building process can be properly managed. And finally, this should also include a management tracking system for all metrics and goals that will allow appropriate management and investment decision making for the practice.
 - d. The annual amount of time that will need to be freed up of current lead practitioners for at least one to three years out. Identify those that will take over the needed work to be off-loaded to make sure all bases are covered.
2. Implement, monitor and adjust the Strategy Execution Plan above in a manner that engages and keeps all appropriate parties informed within the Firm.

Phase III “Scale It”

This is the phase when a practice has been established and proven and is beginning to gain some market and brand recognition. At this point, the focus of the building of this practice changes from getting the practice up and running to “scaling it”, which simply means building greater capacity throughout the Firm. The scaling process can incorporate building the skill sets in others throughout the Firm as well as acquiring individuals or practices from the outside.

The disciplines of which to follow during the “Scale It” phase are no different than those laid out above in the “Surface It” phase, which are to continue to focus on rolling forward the practice’s Business and Strategy Execution Plans. There is no clear line as to when the building process changes from the “Surface It” to “Scale It” phase. However, we encourage leadership to at least once a year, step back and ascertain whether or not the practice is changing growth phases. The reason for doing so is that quite often, the lead people best to be involved going forward as well as the overall growth strategies can change. For instance, certain people are better fit to help “surface” a practice than to “scale” or “maintain” it. In addition, the marketing and business development strategies and approaches can change. Therefore, we encourage Firm as well as Service Practice leadership to step back periodically and understand what growth phase the practice is at, and if the belief is that the practice might be entering the “Scale It” phase, at least ask the questions as to whether or not changes in strategies and/or practice participants should be considered.

Phase IV “Leverage It”

This is the final phase of evolution of a practice. Once a practice matures to this level, it is considered in its most immediate market as one of the top few practices around. Its members, as well as the practice as a whole, have strong brand recognition and quite often have members that are either becoming or considered “famous people”. How leaders go about leading this practice should be no different than how the practice is lead during its “scale it” phase. However, because of its strong brand recognition, consideration should be given to leveraging it for new growth opportunities in new markets via mergers and acquisitions. Practices of this nature are often desired by other firms due to the opportunity to replicate the program within their firm. Therefore, consideration must be given to using practices of this nature to leverage new merger and acquisition opportunities.