



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(A Statutory Body Established Under an Act of Parliament)
PUNE BRANCH OF WIRC

Practice Management

- who is managing the practice?

Pune, May 13, 2017

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Paper/Presentation Goal

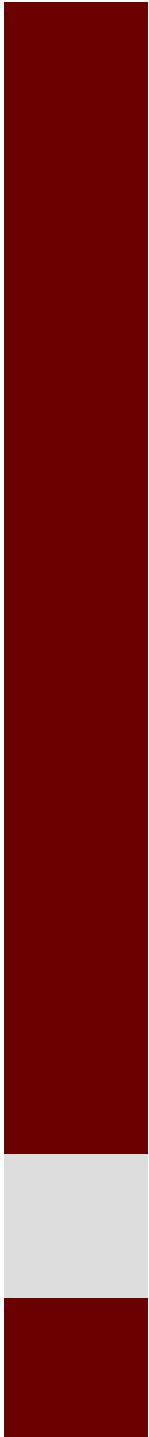


- Examine the basics of Practice Management and understand the key forces that may be influencing Indian chartered accounting firms in the future
 - Look at the challenges and opportunities that await the profession in India.
- Remuneration of partners & team members
 - How should it work?
 - The best and the next practices
- Creating the next line of leaders
 - Leadership in professional practices
 - Aligning the stars



The Future

- During the next 10 to 15 years there will be major upheavals for CA firms in India.
- These upheavals will come about as
 - management structures;
 - staff issues;
 - business processes;
 - technology developments; and
 - clients undergo continuing transformation.
- Already occurred in many other counties – United Kingdom, Canada and the United States.
- Explore specific areas that CA firms in India will need to address in the next 10 years.



Rate Your Firm... Setting the tone!!

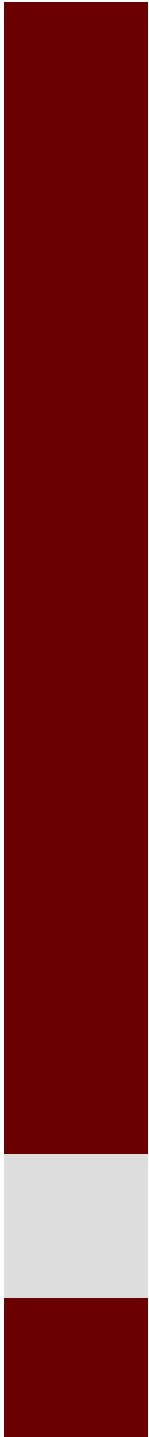
- Take ten minutes to complete these fourteen sets of benchmarking buckets
- Rate from 1-5 with 1 for Strongly Disagree and 5 for Strongly Agree
- Add up your score on page 3
- $\text{Your Score} * 5 / 370 = \text{Your rating (scale of 1-5)}$

Lets discuss this rating.....

Why strategy for a professional service firm?



- Do we know where we are headed?
- Do we know what will be our firm's revenues this year and next year?
- How much money do we make in our proprietorship and partnership firm?
- What shall we pay to our talent, senior most management, and staff?



Why strategy for a professional service firm?

- Should we branch out to other cities or enter into collaborations?



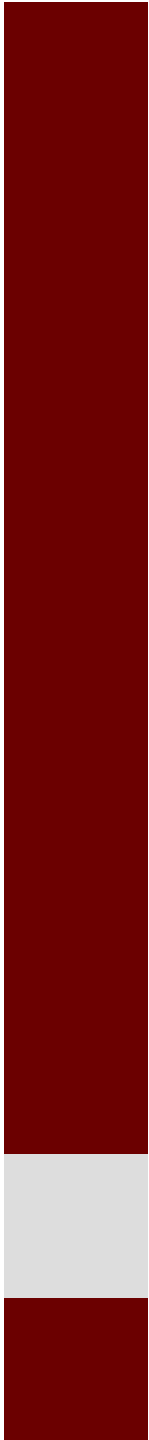
- Should we be more visible on the study circuit?
- How do we increase referrals to our firms?
- Why should someone introduce new clients?
- What makes us special?



Market Positioning



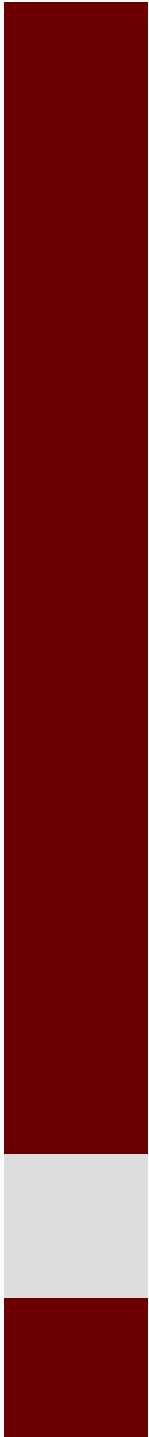
- In **standardized offering** we should strive for low cost delivery systems and expect high volume and high leverage as profit drivers;
- In the **customized offering** we are providing user friendly advice and “*peace of mind*” where the profit driver would be an above average fee and good leverage;
- **Offering of experience and expertise:** Here a major, complex and ill-defined issue that the client has little or no experience of is resolved by real time diagnosis and judgment, resulting from experience of similar problems and in depth technical knowledge. This clearly commands high fees and low leverage;



Market Positioning



- **State of the art offering:** Here we are providing innovative solutions “*unheard of problems*” with very little precedence. This it needs high level of diagnostic skills, state of art knowledge and creativity so as to command premium fees very low leverage and very high reputation of success.



Specialisation

You can't be all things to all people...!!

- **WHAT DO YOU WANT TO BE WHEN YOU GROW UP? - Question for CA firms to ask themselves.**
- There are two choices for a professional firm in today's competitive environment:

- Grow by randomly accumulating clients & then fitting the services to meet their needs.

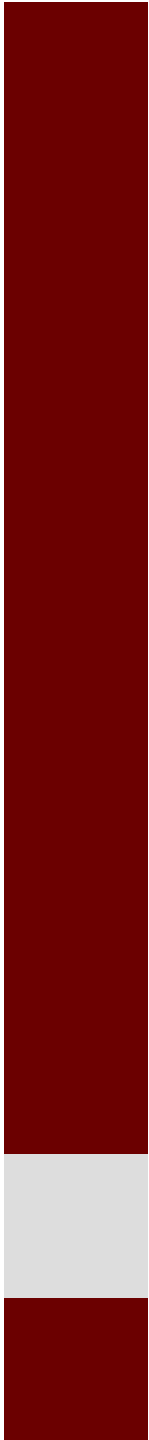


- Structure oneself by meticulously defining one's market focusing, defining or developing its skills in terms of the needs of that market, and then projecting its ability to meet those needs.

Defining a Market

Who do you want to serve?

- A market is a cohesive group of consumers with a generally common need or opportunity, and for whom your services are appropriate and needed and that your services are preferable to those of your competitor.
- A market can be defined by
 - demographics
 - industry
 - type of problem
 - opportunities



Selecting the Right Business Model

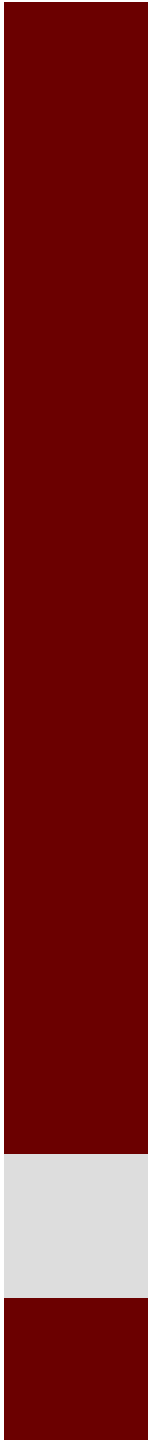
- **Evolving Business Models**
- **Four Professional Services Delivery Models**

“Black Box”—Ask the Expert	Collaborator Model—Let’s Work Together
Advertising Agency—Creative Ideas	Facilitator Model

“Black Box” \longleftrightarrow Knowledge Based

- **The “Black Box” Model—Ask the Expert**

Client Provides Raw Data to Service Provider \longrightarrow Raw Data Converted Into Information \longrightarrow Answer Given to Client



Selecting the Right Business Model

- **The Traditional Advertising Agency Model—Here Are Our Creative Ideas**

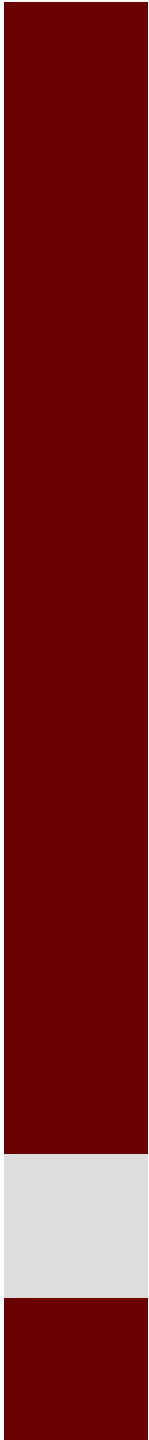
Service Provider interviews client → Input Converted Into Output (Creative Ads) → Service Provider Presents Ads to Client for Selection

- **Facilitator Model - This Is What the Outcome Might Look Like**

Service Provider Facilitates Session With the Client → Service Provider Brings Specialized Service Knowledge to the Process → Provider Suggests Outcomes to the Client

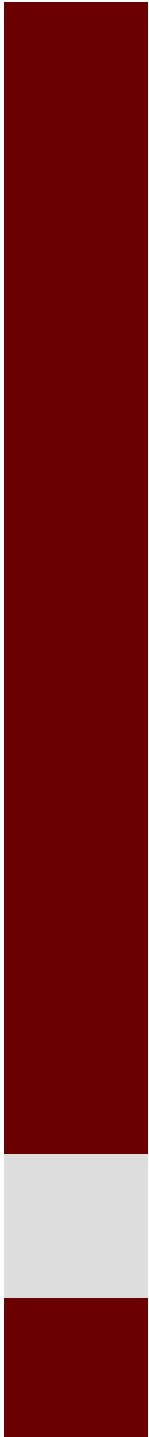
- **Collaborator Model - Working in a True Partnership**

Service Provider Collaborates With the Client → Service Provider Brings Content Expertise → Client and Service Provider Jointly Develop Solutions

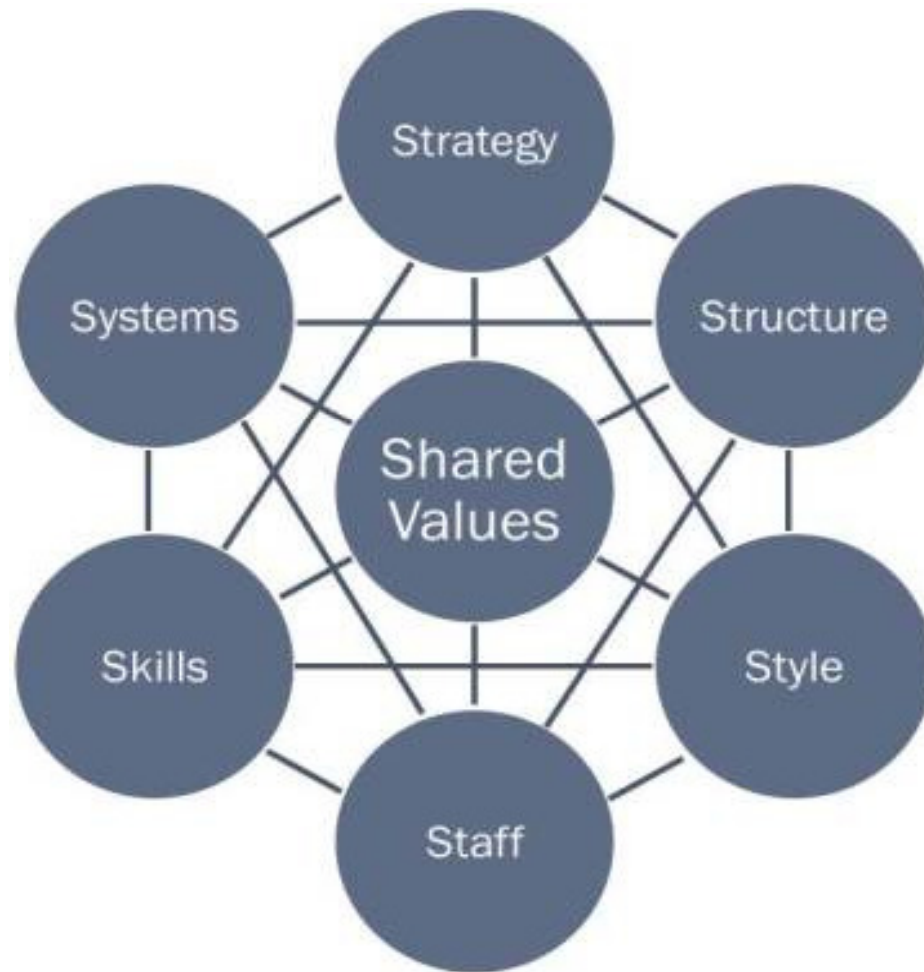


Succession Planning/Mergers

- Do you have a formal succession plan?
- Who will take over your firm?
- Do accounting firms have value?
- The number one issue facing the accounting profession today is not the economy, not competition; it is the lack of succession planning and the lack for future buyers of accounting firms.



7-S Model

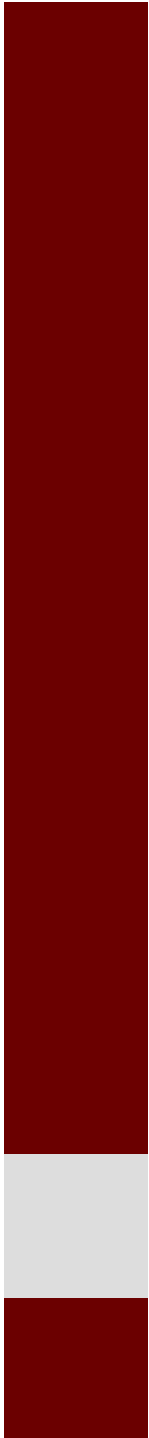


Performance measurement and management

- Measuring performance - An important tool in accounting firms in England, Australia, Canada and the US.
- A weak spot in most firms throughout the world.
India not being an exception.
- Outlook for productivity troubling.
- Staff shortages will constrain growth and, in an age when work-life balance is vital, staff working hours are not likely to jump.

What do you measure?

What are the key performance measurements?



Performance measurement and management



Aligning compensation

- Setting goals & communicating expectations.
 - Meeting employees to create a “line of sight” to achieve the goals.
 - Provide assistance to ensure employees’ goals are SMART (Specific, Measurable, Achievable, Relevant & Time- bound) & aligned with the firm’s goal.
 - Hold employees accountable for achieving goals.

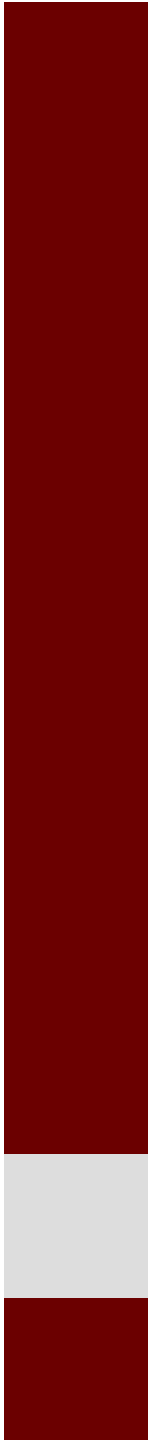
- **Creating Loyalties**

- Rewarding focused performance
- Cutting through the age barrier

- **Compensation criteria**

Top 5 criteria in determining compensation

- Book of Business
- Fees collected
- Personal billable hours
- New business development
- Ownership percentage



Align compensation to strategic goals

- Do we have a shared vision for the firm?
- Can everyone in the firm clearly state it in 25 words or fewer?
- Do we have **one** firm culture or **many** cultures in the firm?
- Have we identified the 3 or 4 **most important goals** the firm needs to accomplish this year?
- Have we identified what success looks like in each one of these goals?
- Do we know how **motivated** the owners and staff are to achieve these goals?
- Do we know how **committed** the owners and staff are to achieving these goals?

Compensation Criteria

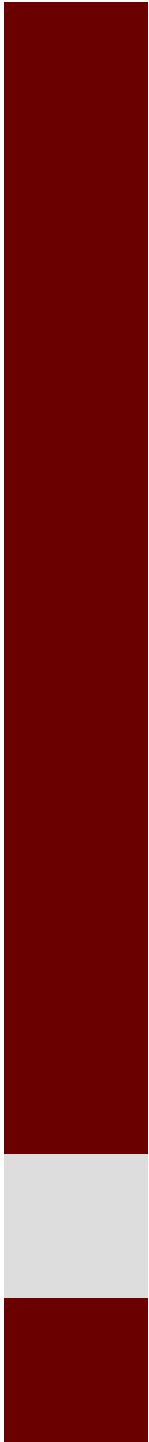
Top 5 criteria in determining compensation

- Book of business
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Should “total contribution” to the firm impact compensation?

Aligning HR in Professional Firm

- Enabling Performance
 - Written performance expectation
 - Tolerance for mistakes
 - Mentoring during the “pits”
 - Investing in tools & frameworks
- Aligning the stars
 - Turning talent into stars
 - Guiding the brightest stars
 - Leadership without control
 - Shared boat ride metaphor
- Attract & retain best people
 - Ensuring strong brand in the market
 - Meritorious culture
 - Create flexible work programs
 - Focus on employee “satisfiers”



Enabling Performance

- Aligned and shared vision
- Written performance expectation
- Investing in tools and frameworks
- Tolerance for mistakes
- Mentoring during the “pits”
- Empowering the professional



Aligning the stars

- Turning talent into stars
- Guiding your brightest stars
- Culture
- Leadership without control
- Build a life, Not a Resume
- Shared boat ride metaphor



Generations X and Y

- Balance the needs of their staff and clients and deal effectively with employees from Generations X and Y.
- Members of Generation Y relate more to their profession than to an employer, so firms will have to satisfy a broad range of employment requirements if they hope to retain young staff.
- Research reveals that Generation Y employees want to see strong and focused leadership within organisations for which they work.
- Older practitioners will have to get used to meeting the needs of a younger generation.
- “It’s all very well for senior members of the profession to say these people need to change because when I was 30 I did this and so on,” he says. “That’s just falling on deaf ears.”



Running a CA Practice like a Business

- Even small firms need to run their practices like a business in order to maximize client satisfaction and loyalty and profitability, without losing the basic tenets of a professional.
- Although an individual's will and skill are certainly important, they do not stand alone nor do they sustain most employees or owners in the long run. We must also think about systems.
- Organization + Processes + Individual Track Record = Performance



Running a CA Practice like a Business

- To achieve your desired results, you must begin to create alignment by being clear about who you are, who you serve, and why and how you do so.
- There is the profession of accounting and the business of accounting – running a profitable firm.



Knowledge and competencies

- What do CAs really provide?
- Key competency areas:
 - Client development
 - Client management
 - Business management
 - Professional development
 - Leading and developing others
- Lets see the competency table.



Sample Competency Table

COMPETENCY CATEGORY \ POSITION	ASSOCIATE	SENIOR	MANAGER
Technical Expertise	Is familiar with current tax and audit pronouncements	Stays informed in his/her technical area	Effectively applies technical knowledge to solve a range of client problems
Personal Productivity	Seeks out billable projects and engagements	Commits to quality and efficiency	Able to identify and create client projects
Client Loyalty	Understands the importance of client service	Begins to develop client relationships	Is responsible for developing client relationship
People Development	Takes personal initiative to develop	Lets people know what is expected of them and when	Provides on-the-job training Fosters teamwork



Sample Competency Table

COMPETENCY CATEGORY \ POSITION	ASSOCIATE	SENIOR	MANAGER
Business Development	Understands the importance of business development	Begins to network in the business community Can describe what the firm does	Able to develop business from existing clients
Business Management	Understands how CA firms make money	Becomes familiar with firm billing and collection procedures	Learns how to bill and collect
Firm Management & Leadership	Prepares personal development plan	Reads books on leadership and CA management	Supports staff so they can achieve their goals
Self-Management/Emotional Intelligence	Willing to be mentored	Seeks performance feedback	Takes action to develop skills needed for current or future job



Implementation & Call to Action



Implementing the Ideas

- Create a core team of partners, practice directors, senior managers, managers who will constitute the think tank of the firm.
- Review each S of the 7S Model.
- Review every aspect of the firms practice area such as branding, marketing, recruitment, HR, technical delivery, quality control, knowledge repository, partner compensation, manager mentoring, aligning the firm to strategic growth plan.
- Identify critical areas and create a plan to address them.
- Challenges to be thrashed out in open meetings of the think tank.



Implementing the Ideas

- Brainstorming sessions to be made a norm and not an exception.
- Create and foster a culture of innovation. Allow innovative ideas to be freely expressed and create a system to have an innovation repository.
- Identify future leaders and groom them.
- Benchmark all functional areas to best practices.
- Constantly review your plan.
- Measure results.



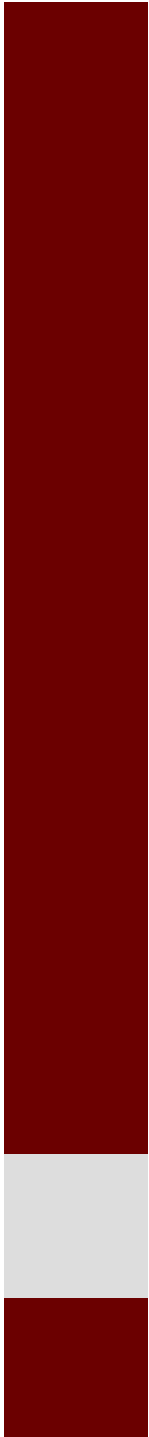
Call to action

“Don’t tell me that you had a great meeting or a great conference.

*Tell me what will you do on a Monday morning going back to your desk
that will be different”*

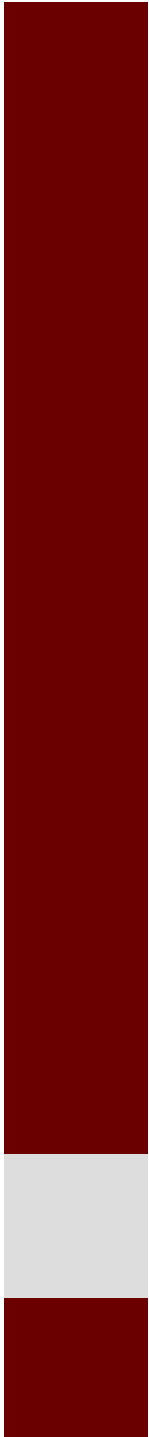
– Peter Drucker

- Strategy is all about implementation. Without execution it remains only ideas which have no bearing on the future direction of the firm.
- Carve out a short term plan, a mid term plan and a long term plan of execution
- Fix responsibilities on specific people
- Assign timelines to each task
- Monitor the execution and keep your firm in alignment



Future Challenges and Opportunities

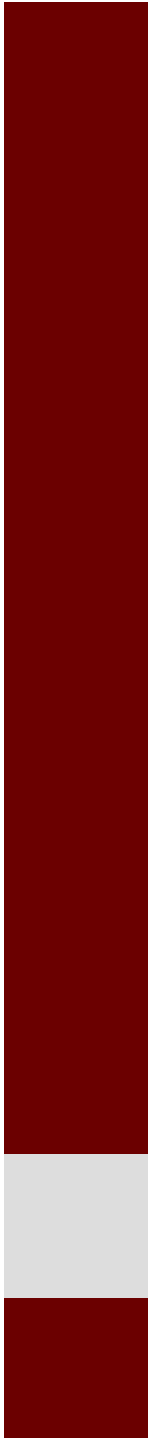
- Embrace the demands associated with the future external environment
- Firm structures will change through mergers, consolidations and acquisitions. Different models for partner or employee equity will emerge.
- Sole practitioners will develop a comprehensive referral network and outsource support services.
- Compliance and regulation will increase.
- Recruiting and retaining staff will become more challenging.
- Technology will continue to play a critical role in the future.
- Move from transactional work to problem solving which involves human ingenuity, creativity and innovation.



Concluding Remarks

- While all of the above ideas may seem overwhelming, especially to the small firm, it is necessary to consider how they impact your practice.
- Consider spending focused time working on all of these issues.
- The external environment does not stand still or wait for us. It will continue to change - workforce constraints will have a significant impact on the future delivery of accounting services; hiring and retaining people will still be an issue; rapid changes in technology will continue to cause us to change the way we operate.
- You can meet the future with a well-thought out plan or you can watch the future pass you and your firm by.

THE CHOICE IS YOURS TO MAKE, CHOOSE WISELY!



***Keep your firm in
alignment...***

Thank you.

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