

# Practice Management



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CPE Conference

Bangalore Branch of SIRC of ICAI  
Bangalore, 20th December, 2009



**We are here today to.....**

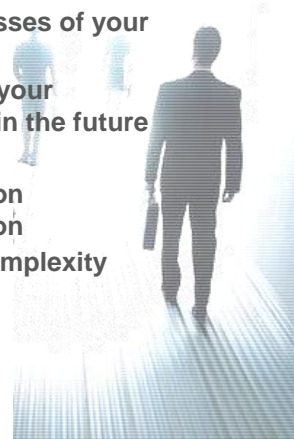
- Introspect
- Brainstorm
- Learn
- Ideate

**To develop the road map for a  
better tomorrow**



## Simple Rules for SWOT Analysis

- Remember
  - Strengths and weaknesses are *internal* to the Firm
  - Opportunities and threats are *external* to the Firm
- Be realistic about the strengths and weaknesses of your organization
- Analysis should distinguish between where your organization is today, and where it could be in the future
- Be specific. Avoid grey areas.
- Always analyse in relation to your competition i.e. better than or worse than your competition
- Keep your SWOT short and simple. Avoid complexity and over analysis
- SWOT is subjective.



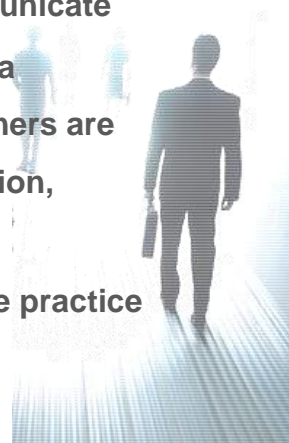
## Leading Practices

- Firm management
- Client management
- Client service
- Revenue and profit improvement
- HR



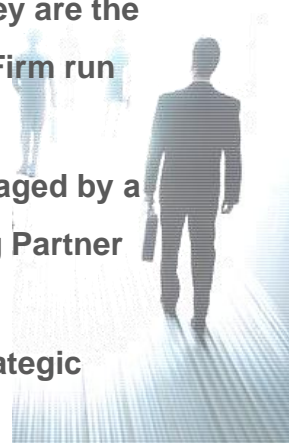
## Firm Management

- Vision – see, articulate, communicate
- Values – introspect, articulate, communicate
- ‘Federal’ structure – each practice is a business, the practice head and partners are the owners - Firm provides the direction, enablers
- Clients belong to the Firm, NOT to the practice
- Delegate down, NOT up!



## Firm Management

- Dashboard for monitoring the practice
- Support functions are important – they are the bearings and grease which help the Firm run smoothly!
- The ‘business of the practice’ is managed by a Practice Manager or by the Managing Partner (CEO or Principal Partner focuses on reporting, business planning and strategic issues)



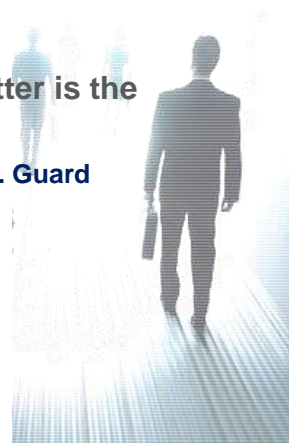
## Client Management

- 'Key account' concept
- Track the '80/20'
- Proactive with clients
- Client relationships – key partner role – get face time with clients!
- Purge risky/unprofitable/inefficient clients
- Delegate down, NOT up!



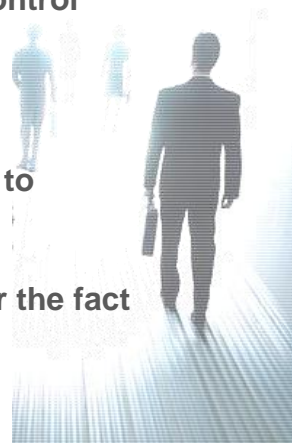
## Client Service

- Client and engagement acceptance – ensure you have the capability and resources to execute, in time
- No expectation gap – Engagement letter is the key!
  - Scope (Execute what you have committed. Guard against scope creep)
  - Deliverables
  - Timelines
  - You and client responsibilities
  - Commercials
  - Limitation of liability



## Client Service (contd.)

- Standardise key procedures and documentation – workflow and job control systems, quality assurance
- Invest continuously in improvement
- Challenge the client and be prepared to disagree
- Clients are told value before and after the fact



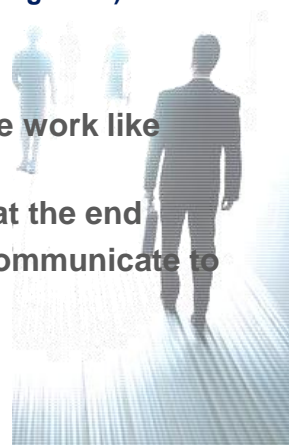
## Revenue & Profit Improvement

- Management dashboard – the key performance indicators
- Set targets
- Measure actuals
- Benchmark – how do we stack up against targets, peers and best in class?
- Analyse – find out why
- ACT!!! – how do we improve?
- COMMUNICATE WITH THE TEAM!



## Revenue & Profit Improvement

- Fees
  - Multiple of 4 (aim for 6)
  - OPE at fixed rate (don't waste time in keeping track)
- Good time recording programme
- Bill out work promptly
- Significant write ups on standard type work like company formations
- Issue interim bills. Not one large bill at the end
- Change in fees due to more work – communicate to client ASAP
- Manage non-chargeable time



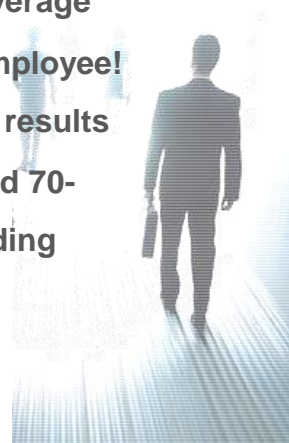
## Revenue & Profit Improvement

- Knowledge management
- Minimise shifting priorities
- Minimise interruptions
- Get premium rates
  - Create and communicate a clear value proposition (set up rule of play in advance) – be specific
  - Communicate value added to client
  - Build and grow client relationships. Get more face time. Identify opportunities for value added services



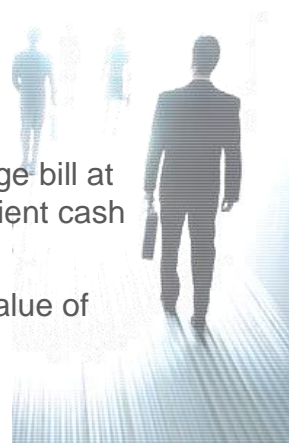
## Revenue & Profit Improvement

- Delegate down, NOT up – have highly skilled second line of managers and high leverage
- Delegate to lowest charge out rate employee!  
Trade short term errors for long term results
- Do not push chargeable hours beyond 70-75%. Keep capacity free for value adding opportunities



## Profit Improvement

- Billing responsibility to preparer – less willing to write off than manager or partner
- One person handles entire job
- Refuse to review jobs prepared using non-standard working papers
- Interim monthly billing – and not one large bill at the end of assignment (better also for client cash flows)
- Bill small amounts also immediately – value of advice is still fresh in their mind



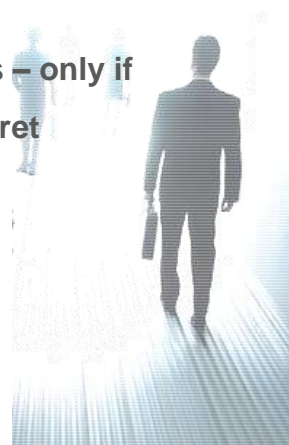
## Second Line - Critical

- Have managers that like long term prospects
- Encouraged to be business managers and grow their division and meet targets
- Well defined career paths
- Not all good managers need become partners – however they can earn like partners!
- Individual fee budgets – not just productivity in terms of hours



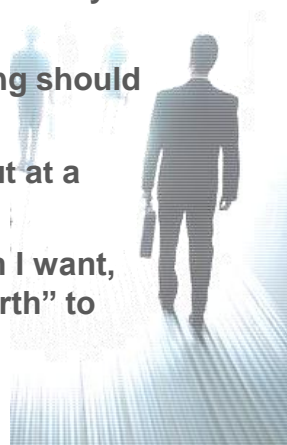
## Partner's Role

- Project gatherer
- Meeting clients
- Identifying value added opportunities – only if technically competent and can interpret legislation and apply them
- Working ON business and not just IN
- Are you highly chargeable?
- Become “business advisors”



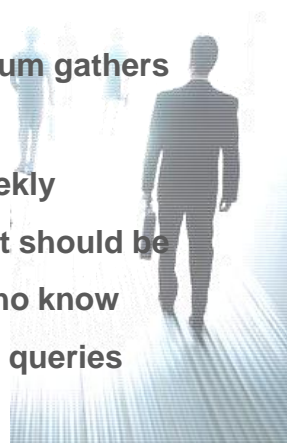
## Productivity

- Make products out of services
- Can charge partner rate to a project done by manager (value pricing)
- Repeat projects or advice – time billing should exceed actuals
- Reward for team members that bill out at a premium rate
- Philosophy should be “not how much I want, its how much do you think we are worth” to client



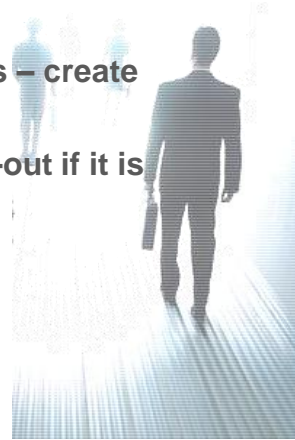
## Type of Clients & Team Work

- We want fun clients, innovative clients and we want them to enjoy working with us”
- Staff want to play in a team– momentum gathers with the right sort of people
- Team shares client information in weekly meetings across practice lines– client should be amazed that several people in firm who know enough about their business to solve queries



## Type of Clients & Team Work...Contd

- Get rid of unwanted clients
- If new clients have fee problems – get rid of them – there will always be ongoing issues
- Don't say yes to every bit of business – create vacuum for better clients
- Client bears the cost of any job blow-out if it is client's fault



## Low Debtors

- Do not say bill payable in 30 days – why wait?
- Monthly billing
- Only 1 reminder letter sent on 31<sup>st</sup> day – saying that we will call if their account is still outstanding after 7 days
- Clients with history of late payment – start follow up immediately



## Partner Rates – Many Firms Undercharge

- How much would you pay you to work for you – then use rate multiple
- How much do you think you are worth – and charge that much or more
- How much do your clients think you are worth – and charge that much



## Pricing

- “Often the seller has a bigger problem with the price than the buyer ever does”
- If they are cheap they can’t be very good”
- Primary indicator of quality is price!
- Pricing based on value rather than just time– make invisible services visible, packaging, etc.
- USP to be articulated



## Identify & Fix Time Wasting Activities

- Interruptions (internal/ external)
- Re-do's
- Chasing information from clients
- Looking for files/ templates, precedents, etc.
- Shifting priorities
- Poor delegation
- No documented procedures
- Procrastination
- Waiting for queries to be answered
- Lack of knowledge!



## Take a Serious Look at the Way You Work

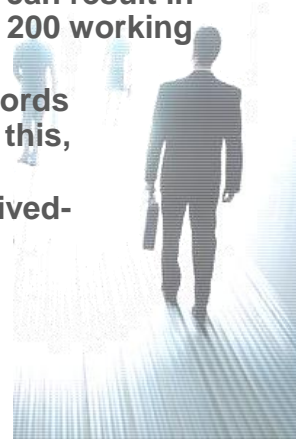
- Client is contacted – work arrives
- Checked off for any missing info
- Job logged onto job monitoring system and budget set
- Start and finish job
- Review and sign off
- Print job and send to client with invoice
- Electronic filing for fast retrieval





## Workflow Challenge

- Most firms have a workflow management and productivity challenge- not a marketing challenge!
- 30 mins/day wasted time per person- can result in extra billing of 100 hrs per year (for a 200 working day year)!
- Set minimum standards for client records (meet clients at end of year to review this, training programs, etc.)
- Work will not begin till all info is received-policy
- Job monitoring
- Standardize work execution



## Fixed Price Agreements?

- Packaged services – do them in lesser time and use the extra time to do something else



## Human Resources (HR)

- **Remuneration policy**
  - **Higher than average salaries**
  - **Remunerate around clearly defined revenue targets**
- **Hiring – hire on attitude, train on the rest!**
- **Performance Management**
  - **Role definitions**
  - **Target setting**
  - **Appraisal system (every 6 months)**
  - **Rewards system**
    - Promotions
    - Increments
    - Bonus
  - **Training**



## Human Resources (HR)

- **Training – focussed, continuous**
- **Provide a clear growth path (strong focus on developing the senior managers)**
- **Recognise that team loyalty is fundamental**
- **Challenge staff by delegating, pushing responsibility on to them**
- **Environment – not stressed out; low overtime; no work on weekends**



## Key Performance Indicators

### Client service

- On-time delivery
- Client satisfaction index
- Engagement profitability (scoping perspective)
- Debtor days
- WIP days
- Write offs – receivables, WIP



## Key Performance Indicators

### Productivity and Profitability

- Revenue per partner
- Revenue per employee
- Direct cost to revenues%
- Chargeability
- Average recoverability factor (Rs./hour)
- Engagement profitability (the efficiency perspective)
- Profit per partner



## Key Performance Indicators

### Human Resources

- Attrition
- People leverage (employees per partner)
- Improvement index



## Key Performance Indicators

Area of focus	Worst	Lower quartile	Median quartile	Upper quartile	Best	You
Revenue per partner	66,000	2,250,600	3,583,800	4,732,200	17,820,000	
Revenue per employee	66,000	528,000	646,800	772,200	1,689,600	
Profit before partners salaries	-5%	2600%	3500%	4500%	9200%	
Profit per partner (BPS)	- 191,400	693,000	1,161,600	1,676,400	7,260,000	
Productivity (all employees)	18%	48%	57%	64%	108%	
Productivity (only producers)	18%	62%	72%	81%	144%	
Average hourly rates (before w/o)	330	660	766	878	1,393	
Average hourly rates (after w/o)	277	587	700	818	1,366	
Write offs/ons	-42%	-14%	-8%	-2%	55%	
WIP (days)	326	62	40	23	-43	
Debtors (days)	246	83	60	43	0	

Base data from Good, Bad & Ugly converted at a PPP of 20% of AUD and  
1 AUD = Rs.33

**A good plan, violently executed now, is better than a perfect plan next week.**



**George S. Patton**



**When you keep saying you are busy,  
Then you are never free**

**When you keep saying you have no time,  
Then you will never have time**

**When you keep saying that you will do it  
tomorrow,  
Then your tomorrow will never come**

**Thank you**

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