CPA Practice Advisor

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Marc Rosenberg • Aug. 19, 2018

I recently spoke at a BDO Alliance conference where the theme was identifying traits of high performing firms and their leaders. One speaker used a bell curve to describe 'best in class' firms, with the majority of firms falling in the middle or "bell" part of the curve and a small percentage representing firms substantially *above* or *below* the average. I would suggest that the percentage of typical local firms (revenue below $15M – 99% of all multi-partner firms) that fall on the right-hand side of the bell curve is well under 5%.

What IS a *Best In Class* Firm?

Presentations by Sam Allred, Allan Koltin together with my own material suggests these traits:

- Strong partner unity. The partners really like each other and live and breathe

continuously change and evolve. They regularly challenge the status quo, even when successful and profitable.
- Leadership (not limited to the MP or the Board, but leadership by all partners) is compensated and valued higher than origination, billable hours and book of business.
- High performing partners are rarely seen alone, especially on sales calls.
- Client satisfaction is linked with partner compensation.
- A commitment to increasing consulting services to meet clients' needs.
- Partners who are the better business developers and/or have the biggest client bases are committed to delegating clients to others so this revenue can be replenished.
  They have a succession plan

in writing

. They understand that the best succession plan equals solid practice management, which is characterized by terrific leadership, growth and great staff.

Observation #1

What's the obvious thing missing from the above? No metrics are stated, especially average income per partner. I'm sure that the speakers would agree that achievement of best in class traits while posting below average profitability would not qualify a firm as best in class. The great baseball movie, *Field of Dreams* is famous for the iconic refrain "if you build it, they will come" – implement a great idea and success will follow. That's the message that the speakers were sending: Embrace and adopt these high performing traits and your firm will become a best in class firm, which will lead to enviable profitability.

Observation #2

There isn't one firm in the country that would reject any of these best in class traits

mattering. As a result, partners develop a "busy" mentality – perhaps without realizing it – of working on one client project after another after another...without being able to step back and work on the things that will make the firm best in class.

Second, a degree of complacency has set in for most firms, subconsciously preventing them from really trying to become a best in class firm. It's hard to blame them. Their income per partner is $410,000. The average partner will pocket $14 million in compensation and retirement benefits during their ownership tenure. Partners love their jobs. They love their clients who love them back. Little partner accountability. Life is good. Partners reading the list of best in class traits instinctively see that becoming a best in class firm will require significant changes in the way the firm operates that they may not be willing to make. Plus, to be frank, many firms lack the high degree of partner cohesion, unity and leadership necessary to focus and commit to best in class traits.

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Firm Management