CPA Practice Advisor

The focus today is the value our people provide to our firms and how we measure that value in a way that doesn't drive them away.

Garrett Wagner • Sep. 10, 2018

Did you ever hear that joke about the CPA who died and was met at the gates of heaven and was told he was 170 years old? The CPA replied, "There must be some mistake, I'm only 63." In response, he was told, "We don't go by chronological age, we count your years by the number of hours you've billed your clients."

Our profession was built on a simple business model: For each hour we worked, we would bill our clients for that time, then multiply by a rate which we would establish. It was simple and it seemed to work relatively well for most firms. But then something happened, our clients suddenly realized that they didn't care how long it took us to perform a task, the value they received had no relation to how much time we spent on a project. We then started to spend countless hours after the work was completed and the bill went out trying to explain our time charge to angry clients.

The point of this article isn't the age old question of billable hours vs. value pricing.

jobs, increasing the efficiencies, adding true value to the clients and they are not recognized for that outstanding work simply because the billable hours for the job went down. If a member of your firm working on one of your clients is able to achieve those positive results but with less billable hours, isn't that a good, dare I say great thing?

While billable hours may be an easy method to project and budget firm revenue for the upcoming year and can be used as a starting metric for evaluating our people but it is by no means the only metric that should be used.

Before we go any further, our industries' focus on billable hours hasn't really changed much in the past. In fact it really hasn't changed at all, so we should stop and ask why it is suddenly becoming a problem?

When we look at this issue, it can really be broken down into two main problems:

1. While the consensus of most CPA firm partners is that the focus on billable hours regarding firm staff has never been an issue before, is actually misguided. Firm employees have never really cared for the billable hours metric, but they were simply more muted in their disdain. Just about every baby boomer partner in the country today will tell war stories about how many hours they had to work based on the unyielding demands of the partners when they were coming up. For those in the gen x generation, they had the same views, but for the most part, kept quiet as they continued on their never-ending quest to hopefully make partner someday.
2. For millennials, we see this as an archaic business practice which lacks any connection to what an employee contributes to the client or the firm. It is a business practice which does not support the growth and success of our firms, and even worse it is actively hurting our firms.

All firms need to shift how they evaluate what their employees contribute to the firm,

CPA firms can do better than valuing their staff solely on billable hours.

Here are the questions you need to ask to evaluate your people, and they don't include billable hours.

1. Does this person add value to the firm's clients?
2. Does this person add value to the firm?
3. Does this person support the firm's vision?

Stop driving away future millennial partners at your firm, and break away from the sole focus on billable hours. By doing this, you will not only retain and engage your millennials, but your firm will actually become more successful.

Firm Management

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.