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FIRM MANAGEMENT

Avoiding the Inevitable

Before March comes and we feel overwhelmed, an hour of effort now can save 100 hours when it really counts. While you may not be able to find more people, you have options to intentionally navigate this path forward and have a successful busy season.

Garrett Wagner, CPA • Dec. 09, 2021



A common idiom we all have heard countless times, “nothing can be said to be certain, except death and taxes.” Benjamin Franklin purportedly wrote that famous line in a letter back in 1789 after the constitution was signed. Since then that phrase

has become a legend on its own. From countless references in literature, movies, books, pop-culture, you name it and that phrase has shown up. We accountants of any generation are fully aware of this phrase and see this first hand every year. As for us it isn't just taxes that are certain but it is another busy season.

Unfortunately, this one is shaping up to be more challenging than normal. Firms of all sizes are faced with one major problem more than anything else, even death. A shortage of people. It doesn't matter the firm size, scope of work, public vs. Private, the talent shortage is here.

Even those virtual firms, often run by millennials are facing this same challenge. In the past these virtual firms did not face the same staffing shortage legacy firms faced, however they cannot avoid the staffing shortage any more than people can avoid death and taxes.

Given this universal problem we are faced with and last month's column talking about the importance of taking time to plan for the future, I thought some planning for this problem was appropriate.

Before you wait to try and address this issue on March 1, when it is too late, we can start now and put a plan in place today. The reality we are faced with is firms will have some level of a staffing shortage. That is not an unknown. The unknown is what you will do to as a result.

Plan A

The first area a firm should look at is pricing. We are not talking here about why you should stop billing by the hour, of course you should. What we are talking about are the options you provide your clients. You see in the current conditions, our supply to create a product a tax return is limited. Therefore, we can expect that we will complete less returns this year than in prior years. What this provides us with is an opportunity to provide our clients options.

To frame out that option we can look at two other industries, Disney theme parks and airlines. Both of those provide their customers options where customers can pay more money and get more options or benefits. At Disney customers can pay more when entering the park to avoid long lines and get preferred access. At airlines, customers can pay more money to get a better seat on the plane. After all consumers love options.

We can follow this same process. We can offer our clients a premium tax service. For a small additional price, the client's return will get priority assignment and return completion within the firm. Many firms have already done this in the past with great success. In this situation you are letting your client decide. They can move to the front of the line and get their return done sooner for a price. Or they can wait in the longer lines like everyone else. By doing this, you are allowing your clients to make the choice on which returns get done first for you and compensated as a result.

Plan B

Now, if adjusting your prices does not appeal to you, I have a another option for you. This is one that actually has gained in popularity over the past few years as firms are constantly trying to figure out how to do more with less. As industry thought leader Paul Latham, of Hayden Rock Solutions discusses firms are beginning to sell a tier of their clients to another firm to free up resources and capacity for growth.

You may not be ready to sell your whole practice and retire, but perhaps it is time to think about selling a part of your practice to another firm. This transaction allows you to capitalize on the value you have built in your practice today and by selling a part of your practice you free up a substantial amount of resources as well.

Normally when firms take this path, they will sell the bottom third of their practice to someone else. The firm ends up selling a third of the revenue, where those clients make up closer to 50% of the work/hours done at the firm. The resulting gain in resources is then highly significant.

Do not wait

Before March comes and we feel overwhelmed, an hour of effort now can save 100 hours when it really counts. While you may not be able to find more people, you have options to intentionally navigate this path forward and have a successful busy season. While taxes may be certain, your pain does not have to be.

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