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Feb. 19, 2023

By Ira Rosenbloom, The Merger Master.

CPA firms, like all businesses, must know how to assess success and identify areas in need of improvement. Strong success provides firms with more options to recruit and train talent, promote leaders, add services, and complete transactions that it wants to close. The better the business, the greater the potential for happiness.

The following are 10 powerful data points that CPA firm leaders should focus on to excel and to achieve advantage in conversations with high performing recruits and potential merger partners.

dependent on personnel costs. Depending on the nature of your practice, your team may be more—or less– sophisticated, which of course influences salary, or you may have a more senior staff that is performing below their grade. Getting the optimum ROI is very relevant to strong performance; this will be a data point that prospective merger mates will focus on when they look at revenue per FTE and the achieved performance by individual.

3. **Profit margin by service line.** Knowing this information can help you ascertain how—and where—you can do better. Rewarding improvement in margins is a good tool to appeal to high end recruits. Compatibility with other firms would be determined by the margins as well.

4. **Achieved hourly rate.** When you know the achieved hourly rate, you know what your "engine" is pushing out. Do you have capacity to do more? Your time management software may give you this information. Setting billing rates to reflect value and managing engagements to budgets will enhance the achieved hourly rate. Generally, the better the achieved rate, the better the bottom line, and the more exciting the firm will be to future partners, whether internal or external.

5. **Days receivable.** If days receivable–or days sales outstanding (DSO)–is growing, it means clients are not paying you as quickly as they used to. This might mean that clients are having financial troubles or that they are not satisfied—or that your team is not being effective with collections. In M&A, an acquirer will look closely at this data.

6. **Revenue concentration.** All good businesses know how they generate the bulk of their revenues. Knowing where your fees are most prevalent by bandwidth of fee is important to defining your model client and the optimization of profit. Once again, merger mates would be interested in this information, as will potential new partners.

7. **Realization.** All firms have inefficiencies and market pressures. Realization

better terms with the provider or become the provider, or that you could be helpful to a merger mate.

9. **Pipeline Conversion.** Measuring the length of time to close on new client opportunities and the percentage of success by type of opportunities is necessary to keep the firm's engine pumping strong. This knowledge will also allow you to bulk up on areas of excellence. Merger mates will be alert to what your percentages are and whether you have the entrepreneur's pulse on your business. The conversion information should be relevant to both seller and buyer.

10. **Client Perspective.** Use a grading system to measure client service appreciation levels and client desires. All good businesses want to do more of what their clients believe they do well, less of what they believe they do poorly, and be ahead of the crowd in delivering valued products and services. The more you know, the more you can do, and the more you can position your firm if interested in the right merger candidate.

Whether you're just trying to run a better firm, looking to add high end talent, or pursuing M&A, understanding and acting on these critical metrics can help strengthen your business, improve morale, and make you more valuable in the marketplace.

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Ira Rosenbloom, CPA (*inactive*) is known as "The Merger Master℠" for his objective and proven guidance in evaluating and completing M&A transactions. As COE of Optimum Strategies, which he founded in 2010, he advises CPA firm leaders on matters of internal and external succession, including optimizing competitive advantage and improving performance and profitability. Ira previously served as managing partner of a mid-sized regional accounting firm, practice director for a national firm, and as regional partner in a national CPA M&A advisory firm. Learn

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