

Instant Practice Builder

Rainmaker Protégé Course

Instructor Guide – Session 101

The Lifecycle Of An Accounting Practice

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Notes:

Now that you've had time to get some understanding of Rainmaker Marketing, and the idea that I'm going to teach you about Business Models, Strategy and Rainmaker Marketing Tactics, I'm going to give you some insights into business strategy for the small practitioner.

Most business strategy articles posit on theory geared to large established practices. Very few actually discuss strategy for the small local practitioner, and none discuss the concept of business models as it relates to the accounting profession and specifically to the small local practitioner.

Sales techniques are loosely referred to as strategy, but are actually tactics dependent upon the business model and the strategy chosen by the practitioner.

First, let's get an understanding of where a small practice comes from, and where its going. And, let's try to get an understanding of what differentiates practices that plateau, and those that continue to grow exponentially.

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The first stage we want to consider is the point at which you bring your practice into existence.

At this point you as the practitioner are all important to the business, there is very little probability that you can delegate tasks; you tend to micro-manage all details of your practice and directly supervise any staff that you may employ.

Your main focus is merely keeping the practice afloat, and getting new clients.

If you're lucky, you get enough clients to reach an income level at least on a par with the income you earned as a staff member at your previous job.

Failing that, you continue as long as you feel there is enough start-up capital to enable you to reach that income level and possibly return that capital at some point.

Once you reach a level of income that meets your goals, and that covers the overhead associated with your startup investment, you enter a stage where you have demonstrated that your practice has the ability to exist as a sustainable business entity.

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Basically, you have reached the 'Survival' stage. The stage where your practice retains enough clients to break even and cover future capital needs.

At this stage, you may have developed some staff members and para-professionals, and possibly even a professional accountant acting as a supervisor and managing quality control. You are probably still making all management decisions and your staff is carrying out your well defined instructions.

At this stage, there is the potential that you might move on to where you have to make a decision about growing your practice, or maintaining a plateau.

However, your major goal is still survival. You are focused on 'earning a living' as a 'mom and pop' type of practice.

At this stage, you could still fail and be forced to close your doors, selling your practice for asset values at the 'going rate.'

If you do grow beyond this 'mom and pop' stage to the point where you have a business that will exist even if you are unable to participate in the day to day operations, then you have a 'real'

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business and have reached what a venture capitalist would call the 'Successful Business' stage. From this stage, you can proceed to a level where you have above average earnings, have a staff with functional managers or supervisors.

As you reach this stage, one of two things will happen to your practice.

You will either stabilize, and at some point you may find other activities to get involved in, such as civic or charitable affairs, or you will marshal your resources for exponential growth.

If you decide to attempt exponential growth, then you will begin to move beyond the realm of the local practitioner and begin to focus on two major areas, how to grow rapidly, and how to finance that growth. You will want to establish and maintain systems for delegation of duties and the management of cash.

This can be a critical stage in the life of a professional practice.

If you are able to rise to this challenge, you can grow a large practice, regional, or possibly mid-tier, and possibly become a target for acquisition.

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If you attempt to reach this level and fail, you may find yourself forced out of your firm by partners and investors.

The final stage in the development of a firm is 'Maturity.'

This is characterized by the consolidation and control of market gains and client acquisition that were developed during the growth phase.

Mid-tier management may expand and your practice could become 'professionalized' through the recruiting and hiring of professionals from other large firms.

Once you have reached this stage, you may have 'arrived' on the scene and if you can retain the entrepreneurial spirit that got you to this stage, you have the advantages of size, financing and talent.

Advantages that can comfort you both financially and professionally.

A note of warning here, about a sixth stage, one that is 'Post Maturity.'

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Professionals who have plateaued in their current environment may join your firm looking for a growth opportunity.

Because these professionals have plateaued in their current environment, your practice could ossify as a result of a lack of innovation as 'professionals' gain a greater foothold in your staff, unless you are able to force a major change in their habits.

As ossification occurs, you may have to employ Machiavellian practices in order to restore the firm to the level of success it deserves.

The final step for today is to revisit this session until you have it almost memorized.

When combined with your understanding of your existing or proposed business model, you can begin to lay your plans for your practice growth. We'll start laying the foundation for those plans in our next lesson.