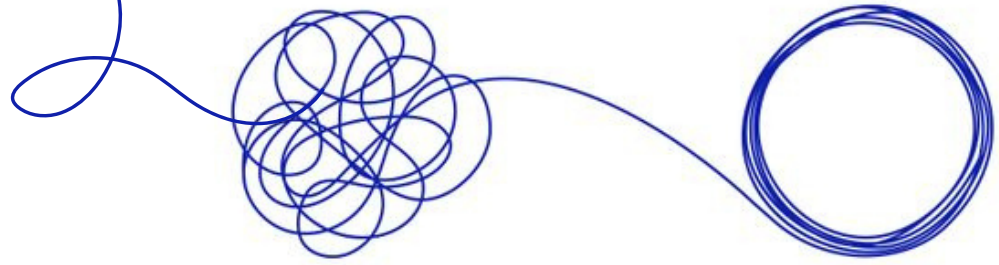




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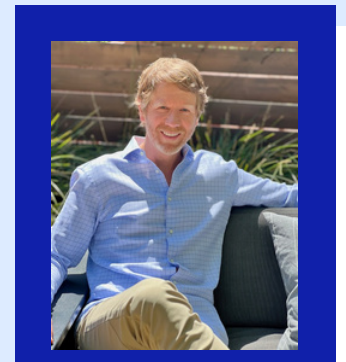


40-HOUR FIRM

**Build a Better Business Model:
Increase Profits
Decrease Hours**



Colin Dunn, Co-
Founder, ACA



Shannon Vincent,
Co-Founder, CPA
Inactive

Contents

State of the Accounting Industry: History doesn't repeat itself, humans do	3
Pareto for Profit and Modern Firm Benchmarking: Charting a new course for success	10
Model Firm: Most aim at nothing and hit it with amazing accuracy	28
Make the Firm #1 Client: Your firm, your terms	37
Engage Target Clients Only. Command Premium Pricing: The relevant service offering for target clients	44
Modern Firm Infrastructure: The definition of Insanity - repetition of the same things	64
Transitioning to a Subscription Model: From a reactive deadline driven model to firm freedom	74

Key Takeaways you will learn...

State of the Accounting Industry:

3

History doesn't repeat itself, humans do

- The staffing situation is dire.
- Firms must transform their business model in order to retain talent.
- Firms must change client expectations and embrace a new business model that redefines their services offerings.

Pareto for Profit and Modern Firm Benchmarking:

10

Charting a new course for success

- Pareto for Profit will help you understand your time problem and ultimately solve your time problem.
- Identify your insanity zone and shift to a more scaleable zone.
- Acting on your PFP will help you attract and retain team members.
- Implement minimum pricing to filter out low-value clients
- Understand the true cost of servicing clients and set effective minimum prices.
- Transparent communication about pricing changes with clients is vital to maintaining trust and managing expectations.
- Traditional benchmarking metrics are outdated; modern metrics focus on profitability, work-life balance, and efficiency.
- Embrace modern benchmarking in order to attract and retain talent.

- Prioritize revenue per professional and align with client revenue metrics to ensure profitability and service quality.
-

Model Firm:

28

Most aim at nothing and hit it with amazing accuracy

- Get intentional about your firm's business model and next steps.
 - Set quantitative and qualitative goals leveraging Renew's Model Firm Exercise.
 - Understand what phase your firm to guide your next steps.
 - Create a great firm by focusing on key metrics that will help establish succession options for your firm.
-

Make the Firm #1 Client:

37

Your firm, your terms

- Make the Firm the #1 Client and transform your business model to create value for key stakeholders.
 - Your Firm, Your Terms. Create value by dictating the terms of the client relationship.
 - Mutual Commitment statements create a win/win relationship.
 - Don't start work until you have a signed engagement letter.
-

Target Clients Only. Commanding Premium Pricing:

44

The relevant service offering for target clients

- Adopt a target client strategy that enhances service quality, firm profitability, and work-life balance.
 - Define clear client selection criteria that helps to align the firm's resources and goals.
-

- Focus on a niche to deepen expertise, differentiate the firm, and drive higher value and pricing.
 - Position yourself as an expert, rather than a generalist and enhance the firm's marketing edge.
 - Lead with advisory services to provide continuous value and build stronger client relationships.
 - Structure service offerings around an annual cycle and mitigate workload compression.
 - Align services that target client needs and firm capabilities to identify growth opportunities.
 - Retain talent by switching to premium pricing.
 - Change your pricing mindset.
 - Create a clear and strong business model.
 - Commit and adhere to a pricing process.
 - Focus on outcomes and value, not inputs.
-

Modern Firm Infrastructure:

The definition of Insanity - repetition of the same things

64

- Build a team aligned with the firm's vision and business model to ensure success.
- Offer flexibility, competitive compensation, and meaningful work to attract and retain top talent.
- Develop your staffing strategy alongside industry trends to maintain relevance and effectiveness.
- Adopt technology that supports your firm's strategy.
- Address Tier 1 issues before using tech to solve your business model deficiencies.
- Tech can provide great firm leverage when deployed properly.

Transitioning to a Subscription Model:

From a reactive deadline driven model to firm freedom

74

- Transition to a subscription model to create consistent revenue and deeper client relationships.
- A subscription model enables firms to lead with value-added advisory services, rather than traditional compliance work.
- Create clear definitions of service scope and management of scope creep to ensure a successful implementation of the subscription model.



Renew Group

At Renew, we call it the 40 Hour Firm©. That is, you work 40 hours a week all year round. You do this by getting hyper-focused on target clients, commanding premium pricing, and serving clients (in a sustainable way) all year round.

Introduction

**State of the
Accounting
Industry**



**History Doesn't
Repeat Itself,
Humans Do**



Tax Season Isn't Getting Any Easier...

With tax season becoming more complex and resources stretched thin, firms face the reality of overworking, increased workload compression, and the struggle to meet deadlines. Many firms are confronting the harsh truth:



High Demand for tax services

The surge in demand for tax services post-COVID has left accounting firms grappling with increased workloads, challenging them to deliver more with fewer resources amidst growing complexities in tax season.

Shrinking Talent Pool



A dwindling number of students entering the field and an aging partner demographic are exacerbating the talent shortage in accounting, driven by perceptions of the profession's demanding nature and relatively lower pay.



Evolving workforce that prioritizes life over work

The modern workforce is shifting towards prioritizing life over work. With a growing preference for flexible, remote, or part-time work arrangements, firms are forced to rethink traditional work models.

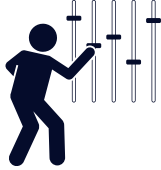
“Why No One is Going into Accounting”

Pay has stagnated in the tax profession while other fields have become more lucrative. This has resulted in heavier workloads for current tax professionals. With over 300,000 departures from the profession between 2019 and 2022 and a significant 30% reduction in accounting students, the future for the tax world looks bleak.

Renew Your Firm: Build a Better Business Model: Increase Profits, Decrease Hours

Firms must adapt to changing client expectations and the evolving landscape by: embracing a new business model, redefining their service offerings, and creating a more balanced work-life environment.

Raising Prices



Create a new Business Model That Serves the Right Clients With the Right Services All Year Round



Change in Business Model



Alleviating workload Compression Around Busy Seasons



Identifying Niche Services



Sunsetting Services That Don't Make Sense



Getting Focused On the Right Clients

Transforming Business Models: The Key to Solving Staffing Challenges

Amid the buzz around AI, educational shifts, and Private Equity, the true essence of accounting still rests on human insight and fair work conditions. These new topics, while intriguing, may not fully address the profession's deeper challenges.

Education Requirements:

In an attempt to attract more students to the field of accounting, there has been many changes in the educational requirements to become a CPA. However, these shifts do not address the pay gap accountants are experiencing.

AI Technology:

AI will move the needle, but humans are still necessary. Clients still prefer a human professional to discuss their with taxes, business restructuring, tax planning, etc.

Private Equity Buyouts:

There is an exciting new trend of PE firms buying out accounting firms; however, this only effects a small portion of the industry. The majority of firms need to continue to address ongoing staffing challenges.

Where does this lead us?

We still need to address the core problem: increased hours, decreased revenues, and reliance on deadline driven work.

Transformation towards a new business model centered on:

On November 6, 2014, Shannon delivered a presentation titled "Succession and Staffing. What's the real problem?" to the Partner forum at Walnut Creek, California, for the California Society of CPAs. The opening slide featured an image of a bottle of Tabasco sauce alongside a bottle of Pepto-Bismol, setting the stage for Shannon's argument that the **accounting profession's challenges stem not from succession or staffing issues but from a fundamental business model problem.** Shannon posited that addressing the business model could effectively resolve these issues, using the metaphor of reducing the use of Tabasco to lessen the need for Pepto.

His insights come from personal experience. Having started his career in public

- **Make the Firm #1 Client to ensure health and sustainability.**
- **Focus on clients and services that align with the firm's strengths and values.**
- **Work only with clients that you work with year-round. No transactional work.**
- **Aim for operational efficiency to allow firm owners and employees to work reasonable hours while maximizing profits.**

Renew firm of today

accounting at KPMG in San Francisco, followed by a stint at a large local firm, Shannon found the experience far from satisfying. Despite graduating near the top of the class from UCSB and entering the profession with high expectations, Shannon quickly became disillusioned with the traditional business model that prioritized extensive hours and minimal flexibility, leading to his departure from public accounting.

The crux of the problem, as Shannon saw it, was a business model that demanded being everything to everyone, where the primary metrics were realization and utilization. This approach not only placed major stress on accountants to perform tedious work for long hours and less pay but also hindered their professional growth. In contrast to the principles of efficiency and profit maximization Shannon had been taught. The profession asked smart people to do tedious

work, working long hours, making less money than their peers, and with any luck you might make a partner in 8-10 years.

In the presentation, Shannon argued for a shift towards a "Renew firm of today," focusing on making the firm its primary client to ensure sustainability. It highlighted the importance of focusing on

the right clients, measuring team member satisfaction, adopting a subscription model for monthly recurring revenue, and conducting value reviews with clients.

These are the values and steps for transforming your business model **so you can work 40 hours or less yearly, with the right clients, thus enabling staff and owners to maintain a healthier work-life balance, enhance retention, and drive profitability.**

“We argue if that the business model of accounting firms don’t change, all other initiatives will be short-term or half-baked fixes. Address the Tabasco issue.”





Pareto for Profit and Modern Firm Benchmarking: Charting a new course for success

80%

of your results from

20%

of your efforts

The Pareto principle, also known as the 80/20 rule, states that 80% of your results come from 20% of your efforts.

It's a universal truth: everyone has the same 24 hours in a day and 7 days in a week. While some firms excel, leveraging their time to achieve significant profits and a fulfilling life, others fall behind. These firms face challenges like below-average profitability (under 40% before partners' compensation), difficulty maintaining operations, challenges in staff retention. The former scenario is preferable to the latter.

Que "Into the Future" by Steve Miller Band

“Time keeps on slippin', slippin', slippin' Into the future

Time, time, time. We don't have enough time. A Pareto for Profit™ will solve your time issue. Our Pareto for Profit™ analysis shows you a breakdown of your firm's activities by revenue bands and number of clients. Yes, all of your firm's activities.

Example

What proportion of your total revenue comes from clients within the \$10,000 to \$15,000 bracket, and what percentage of your clientele does that represent? Additionally, how much labor and overhead are allocated to serving these particular clients?



Maximizing quality of life and minimizing insanity comes from focusing on the top 20% of value-generating activities, which also aids in attracting and retaining staff.

With over 25 years of experience in the accounting profession, Colin and Shannon have noticed that the Pareto principle often skews towards an 80/30 distribution for accounting firms, where 80% of profits come from nearly a third of clients. The remaining clients usually reside in, what Renew labels, the 'Insanity Zone.' Exemplifying how the Pareto principle can address both you and your team's issues with revenue generation and hours worked.

Breaking the Cycle: Too many clients, too many hours

Recognizing the unsustainable demands placed on accounting professionals is the first step toward breaking a flawed cycle. We can redefine success in accounting, prioritizing both profitability and well-being, by focusing on what truly matters...

Vicious Cycle of
Misplaced
Focus



A Wake-up
Call from
Within



Emotion
Spurs
Change



The Vicious Cycle of the Insanity Zone

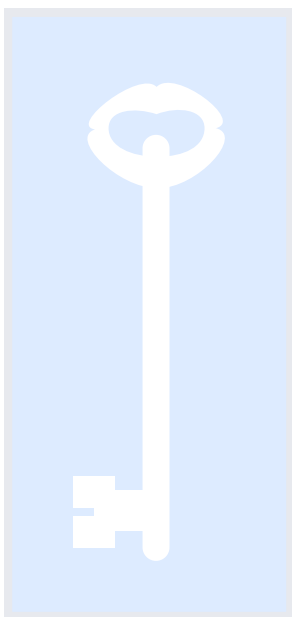
Focusing disproportionately on the less productive two-thirds of clients leads to a detrimental cycle: accountants neglect their top clients, suffer through taxing seasons, and engage in the counterproductive exchange of bad revenue for overhead. If not addressed, this cycle intensifies, pushing you and your team to the edge, requiring sacrifices that impact personal well-being and family time. The outdated business models of many accounting firms have driven away talented professionals, Shannon and Colin included, signaling an urgent need for change.

Asking Your Team Members To Make Unhealthy Choices

A partner from a Renew member firm experienced a pivotal moment of realization during busy season when sharing her fitbit stats with a co-worker. The stats clearly indicated that she sacrificed both her mental and physical health during tax season by being strapped to her desk. This clear imbalance in her life prompted her to make a change.

Emotion Equals Action

At Renew, we hold that EMOTION = Action. Change isn't sparked by analysis, but by emotional responses that drive us to act. This principle reminds us that even in a field as analytical as accounting, our decisions are profoundly influenced by our emotions.



The key to acting on your Pareto for Profit™ is to understand that it's virtually impossible to successfully balance the profitability you need with the lifestyle you strive for if you have multiple business models under one roof.

We divide your client base into zones:

We also calculate a break-even price for your firm. This revenue analysis will give you the data and insights to advance your firm forward.

Fragility Zone

Includes clients that are unusually large creating a revenue dependency, forcing you to become a service provider, losing your voice, and demands.

Leverage zone

Consists of clients where firms obtain leverage from technology, pricing, and/or people. Typically ongoing clients that are profitable and good for cash flow.

Danger Zone

Includes firms that do not provide enough revenue relative to their demands. These clients often take up too much partner time with excessive busy season deadlines/requests.

Insanity Zone

Includes clients that are transactional, high volume, low revenue, and require excessive communications. Clients in this zone are technically below breakeven for your firm and generate high levels of stress.

Reduce Working Hours

Consider venturing into advisory services to capitalize on their profitability, scalability, and minimal resource requirements for your firm. By revamping your marketing strategies, you can entice current clients to embrace advisory services while attracting new clients seeking such assistance.

Additionally, it may be prudent to reassess client relationships, prioritizing those that yield optimal returns for the effort and resources invested. Clients solely seeking individual tax return services, especially if they incur significant non-billable time and expenses, may not align with your firm's profitability goals. These clients often necessitate additional unpaid support outside of tax season, such as responding to notices and addressing miscellaneous inquiries.

Focusing on more lucrative clients can optimize your firm's resources and enhance overall profitability.

Addressing the business model is crucial for the profession to overcome the pipeline challenge.



Your good clients subsidize the squeaky wheel

By embracing the Pareto for Profit™ principle, you can gain a competitive advantage over other accounting firms. Our analysis will allow you to offer more value to your clients, thanks to your newfound ability to focus on the most valuable activities and provide higher-quality services. Many firms talk a big game about offering advisory services, but because they are so bogged down with low-level tax work, rushing from deadline to deadline, they simply don't have capacity provide a higher quality service. You can demonstrate the value your clients get by using testimonials and case studies, and this can help you attract more target clients.

It's one thing to understand your firm's Pareto, but it's another to execute what you discover.

Address the Insanity Zone, Focus on Leverage

Some firms have noted an intriguing phenomenon: when you decide to part ways with a group of clients who are generating losses, your breakeven point rises.

Consequently, clients who were previously considered safe now shift into the risky category, becoming potential sources of losses. This occurs because the costs previously covered by the terminated clients must now be distributed among the remaining ones.

While many accountants use this logic to retain new clients who are operating at a loss, we believe this approach contradicts the principles of a Target Clients-only strategy. It's important to prioritize clients who align with your firm's objectives rather than clinging to those who detract from profitability.

Here's why.

Clients in the Danger Zone (whether they are still there or have dropped into the Insanity Zone) can be the most difficult to serve.

They're likely small clients with high demands on your time, possibly due to raised prices promising increased contact. They may only need basic compliance services annually, could be uncooperative, or your systems aren't suited to them.

Clients in the Insanity and Danger Zones consume resources better used elsewhere, hindering efforts to attract target clients. To upgrade your client base and team, it's akin to pruning a tree in fall—an ongoing process. Recruiting and marketing year-round is essential to this endeavor.

Once you understand where your profits and activities are generated, you can take action to allocate your resources better. Understanding your breakeven revenue, we'll advise on setting minimum prices to avoid losses from Insanity Zone clients. Firms often earn more with fewer clients—and crucially, less work—once they reach this understanding.

As our client, Michael told us:

“The Pareto for Profit™ analysis points out how much time I spend servicing clients leaving me and my team tired and insane. Since this has been going on for years, it is time to make changes and move forward with a different mindset.”

Unlocking Profitability: The Power of Minimum Pricing



Eliminate your insanity with minimum prices

In the quest for a healthier, more balanced, and prosperous professional life, accounting firms face a common adversary: the Insanity Zone.

The Insanity Zone is marked by a heavy load of low-value clients that barely contribute to profits, but significantly increase stress and workload. Persisting with these clients means working without profit off-season, facing unsustainable workloads, and dampening team morale. This cycle not only halts growth and new client acquisition, but also degrades team members' quality of life.

Heading an accounting firm involves striving for decreased hours, augmented profits, and addressing the Insanity Zone as pivotal measures in revolutionizing the business framework. The objective is to establish a firm that entices skilled young accountants, yet regrettably, the prevailing norm in many firms falls short of this vision.


Renew's Philosophy on Minimum Prices

We've detailed our distinctive take on Pareto analysis through our "Pareto for Profit" strategy. Understanding the analysis and its implications is one step, but taking decisive action based on those insights sets apart the truly accomplished. Execution is key to real success and we'll help walk you through it.




Minimum pricing is not just a financial strategy; it's a declaration of value

To reign in the chaos and refine your business model, it is crucial to establish minimum pricing. Increasingly, firms are committing to not engage with individual clients for less than \$1,000 or business clients for under \$4,000. However, we consistently observe many firms still servicing hundreds of clients below these thresholds. This highlights a crucial lesson: when you commit to a course of action, it's essential to hold yourself accountable and follow through.



It sets a standard, signaling your firm's commitment to quality over quantity. By establishing a minimum price threshold, you'll find that a combination of the following two things will happen:



1

Setting minimum prices helps sift out clients who undervalue your services—a positive outcome. Yet, be prepared to lose fewer clients than anticipated.

2

Clients who DO value your services will understand why you need to establish minimum prices and will stay with you.

By setting minimum prices, you'll shift focus to clients who are both profitable and aligned with the firm's objectives leading to increased profit. This strategy also alleviates workload compression and addresses the issue of excessive hours as you refine your business model.
So how do you do that?

1

Setting your minimum prices. This means you need to understand your numbers, and how profitable your client base is on a client-by-client basis. It most likely costs you significantly more than you think to serve a client. It's critically important that you know your numbers.

2

Communicating Value: Implementing minimum prices requires transparent communication about the value you provide and changes you might be making to your business model. Use language such as, "We are continuing to refine how to best service our clients, and what clients we can best serve. Our new business model is focused on providing businesses and those with complex tax situations, with year-round tax, accounting, and consulting services with a set monthly price throughout the year."

3

Client Selection and Retention: You simply can't serve every client that sustainably walks through the door. With minimum pricing, the client selection process becomes more strategic. It encourages firms to engage with clients who recognize the value of their services and are willing to invest in quality.

Case Study

Seth runs an accounting firm in Phoenix, Arizona. Before engaging with Renew, Seth's firm was mired in the Insanity Zone: a high volume of low-margin work, excessive work hours, and a reactive business model. After adopting minimum pricing and reshaping his client base,

Seth unlocked the key to advancing his model:

- Shifted focus to high-value clients who valued an advisory-led approach
- Significantly reduced administrative burdens
- Transition from a self-employed mindset to a business owner with a fulfilling personal life (he is now known as the vacation champion of our group)
- Seth and his team moved from doing \$980K in revenue from 1,017 clients to over \$2M in revenue from 375 clients
- This took some time (six years and counting) but there are no silver bullets. It's a process of constantly advancing your business model.

Why don't more firms adopt minimum pricing like Seth and see similar benefits?

Here are the three most common objections we encounter, with our rebuttals to each:

"We might lose clients."
That's a positive outcome.

"We're concerned about negative community feedback."
Contrary to your concerns, clients typically don't discuss their accounting firm's communications widely. You're not their main focus, and their opinions about you are not your concern.

"We lack a process and time to develop one."
Utilize existing templates and systems to save time and avoid starting from scratch.

Renew Modern Firm Metrics

Knowing accountants' affinity for numbers, we're excited to share insights from our recent benchmarking study on minimum pricing.

Below is a pricing-focused excerpt from the study:

Pricing Metrics	Average	Median People			Renew Target
		1-5	6-10	11 +	
Minimum price for a business individual	\$3,191	\$2,027	\$3,633	\$4,875	\$4,000
Minimum price for an individual client	\$1,071	\$1,126	\$522	\$1,585	\$1,000
Target price for a business client	\$6,595	\$5,137	\$6,878	\$9,356	\$10,000
Target price for an individual client	\$1,592	\$1,907	\$811	\$1,881	\$5,000

If your prices falls below these benchmarks, it's clear they're too low, presenting an opportunity to easily capture some quick wins.

In summary, setting minimum prices is a key tactic that highlights the firm's worth and leads to a more rewarding and balanced professional life. This approach is vital for moving beyond the Insanity Zone, allowing the firm and its staff to excel in a culture that prioritizes quality and value. Moreover, this strategy frees up additional time to devote to deserving clients.

Beyond the Numbers...

Benchmarking for the Modern Accounting Firm

Modernizing pricing strategies is essential for the accounting field. For too long, reliance on outdated metrics has failed to provide the benefits accountants are due. Though many firms find themselves in a stable financial position, success often comes at a high cost—excessive billable hours for both partners and their teams, leading to burnout, stress, and tension at home.

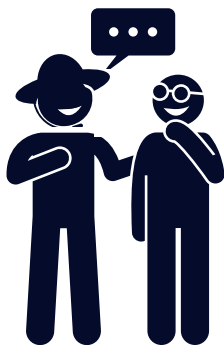
Imagine a farmer who still relies on traditional farming methods in an age of technological agriculture. They work tirelessly, yet the yield remains stagnant.



One day, a neighbor introduces them to modern farming techniques, emphasizing soil health, precision farming, and sustainable practices.



The transformation isn't just in the crop yield, but in the farmer's quality of life – **less labor-intensive, more productive, and environmentally sustainable.**



Breaking the Cycle: Make the Firm #1 Client, Focus on success, Play to Win

It is this traditional approach that has led to a cycle of longer hours and increased stress, with negligible improvements in profitability or quality of life. Again, the profession faces a talent retention and attraction crisis, and that is exacerbated by these outdated success metrics that deter promising young graduates from joining the field.

It's time for a change, a transformation that moves beyond the stale, conventional ways and embraces a future brimming with potential.

We both enjoy sports. Colin is a big hockey fan, and Shannon loves his football. In both sports, teams have changed their approaches as a result of modern analytics. As an example, in football, there has been a significant change in the way teams handle fourth-down decisions.

Teams used to punt and kick field goals. They viewed this

tactic as playing it safe. Kick the field goal and pick up three points, rather than go for a touchdown and the potential of seven points. However, the data substantiates playing it safe (kicking the field goal and putting your defense on the field) creates poor results.

To that end, football teams are going for it a lot more on fourth down, meaning they are trying to score touchdowns (seven points) rather than kick field goals (three points). Why? Because playing it safe results in losses and mediocre win/loss records. The NFL coaching carousel is brutal. You either win or you get fired.

We believe the plight of our profession is similar.

Traditional firms bill hours. They do whatever it takes to keep the hours filled. They play it safe. The results are flush partners, staff shortages, and a profession

in crisis. We don't call that a 'playing to win' strategy. Instead, partners are playing to 'not lose'. In the long run, it's unsustainable, assuming you want some sort of succession plan.

Scarcity-minded accountants punt (for example, they don't ask for change orders if the scope of an engagement changes); they don't stick up for their teams; they don't dictate the terms of client relationships. The scarcity-minded accountant also takes on work that makes no sense for their business model (for example, firms claiming they are focused on tax and advisory for business clients continue to take on stand-alone 1040's because 'it's revenue'). Similarly, the scarcity mindset accountant hangs on to legacy clients that no longer fit their model (again, for the revenue). They do not play to win. The results they get are too much work, a burned-out team, and the inability to find people.

Is that what you want? Or do you want to play to win? Winners go for touchdowns!

Profitability metrics in the accounting sector have hardly changed in the last decade, illustrating a path so overused it's lost its effectiveness. An unnamed national survey highlights this stagnation, showing the profession is circling in a loop of lackluster results and outdated methods.

The survey repeated the same tired metrics: net fees per partner, net hourly rates, and utilization rates, among others—measures that have failed to deliver for years, yet are still presented as the gold standard.

The hard truth? Any slight improvements have been driven by partners working longer hours—a disturbing fact. This issue is often attributed to the talent shortage, but that's just an excuse for a problem the profession has perpetuated.

If you were a promising graduate, would the current state of the accounting profession attract you?

The prospect of long hours, a prolonged journey to partnership, and monotonous tasks hardly make for an enticing career choice.

Traditional metrics and benchmarking are akin to an outdated map for navigating the seas. While they may have worked in familiar territory, the landscape has evolved, presenting new challenges and unknown waters.

**At Renew, we advocate
for a fresh perspective
with our Modern Firm
Benchmarking
approach.**

The benchmarks drive different behaviors. Profits up, hours down. That way, you're setting up your firm in a way that might just attract and retain talented people.

Our strategy emphasizes contemporary, bite-sized metrics tailored to propel you towards your ideal firm model. These metrics pinpoint your current position for maximizing leverage and provide actionable recommendations to enhance your outcomes.

Embracing Modern Firm Metrics offers a blueprint for building your ideal firm, allowing you to move beyond outdated metrics towards success defined by both financial health and improved work-life quality.

Below are benchmark examples our firms prioritize, complete with specific targets for each

Subscription Revenue 100%:

Transitioning from a yearly compliance-driven model to a year-round, subscription model.

Number of Clients Below \$1K:

Striving for zero to eliminate unprofitable engagements and focus on more valuable partnerships.

Weekly Hours Worked:

Keeping it under 40 promotes work-life balance, prevents burnout, and attracts good, young accountants.

Average Client Revenue:

Targeting \$10K+ clients to prioritize quality client relations, enhancing advisory roles, and becoming a trusted advisor.

Revenue per Professional Full Time Equivalent:

Aiming for \$250K to ensure each team member significantly boosts the firm's revenue and profitability, allowing for proper rewards.

Model Firm: Most aim at nothing and achieve it with amazing accuracy

Renew champions the "40-Hour Firm" paradigm, prioritizing target client focus, implementing premium pricing, and delivering year-round, sustainable services as fundamental pillars.



This model eliminates once-a-year clients and unnecessary 1040s not tied to businesses, aiming for a balanced workload.

Firms often spread themselves too thin trying to be everything for everyone, especially in their early stages, leading to a cycle of constant busyness without real progress. Utilization, a traditional measure of success, encourages this unproductive busyness, contributing to burnout and driving talent away from the industry. Keeping teams constantly on the grind, proves ineffective and unsustainable.

Transitioning to the 40-hour model, dubbed the "Succession Phase," begins with envisioning your ideal "Model Firm" through quantitative and qualitative goals. This approach outlines the lifecycle of a firm and the path to a more sustainable and successful phase.

In the words of Dr. Phil, “How is that working for ya?”

In short, your current model isn't.



Let's take a deeper look into the stages of your firm's lifecycle to help you achieve the succession phase.

Infancy Stage

The goal is survival. The firm is characterized by being all things to all people. The firm is typically heavy on the 1040s. They also may have one large client that they are revenue dependent on and as a result have a service provider relationship as opposed to a trusted advisor relationship. Further, when we dig into the profitability these large clients are often the least profitable in the firm. The partner role is cash management, solo technician, and doing everything.

Bill Gurley, a successful venture capitalist stated it well: “If someone starts a company (firm) because they think it will provide a good lifestyle, they are in for a rude awakening.”

Growth Stage

Firms moving from Infancy to Growth experience a surge in referrals, staff expansion, and rapid growth. This phase is characterized by accepting diverse work types and a reactive approach, resembling a "whack a mole" game. Partners are spread thin over cost management, technical work, technology decisions, and keeping staff busy. Eventually, the overwhelming nature of the Growth phase leads to the realization that a new strategy is needed.

Maturing Stage

During the Maturing phase, firms often embrace the Renew principle of making the Firm their #1 Client. During this state, firms emphasize the importance of prioritizing internal health to maximize external value. Consequently, firms become selective about the types of work they accept, moving towards standardized services and upfront pricing.

A key challenge in this phase is managing diverse business models simultaneously, including individual tax filings, corporate accounts, bookkeeping (or CAS), advisory services, and possibly compilations or reviews. Partners find themselves in a reactive state, managing multiple service lines, ensuring quality across disciplines, and addressing urgent needs. Despite being profitable, these firms often face quality-of-life issues, struggle with succession planning, and recognize the need for changes to ensure longevity beyond the current partnership.



Succession Stage

To transition into the Succession phase, firms adopt a mindset of unconditional abundance and a commitment to playing to win. The concept of unconditional abundance recognizes the ample opportunities available while playing to win and emphasizes striving for success, not just survival.

In public accounting, a successful model benefits all—partners, staff, clients, and the community. Firms in the Succession phase are deliberate in their actions, securing premium rates, prioritizing advisory services, and catering exclusively to target clients. Their business often operates on a subscription basis, with a proactive approach to service delivery for these clients. In this phase, partners step back from technical work to concentrate on strategic concerns like firm growth and succession planning.

Succession Planning Strategies for Small to Medium-Sized Firms

Succession planning in small to medium firms involves options like internal handovers, broker-led sales, mergers, and private equity deals. Each option comes with challenges like securing successors and meeting strategic or financial criteria. Early planning is key to navigating these transitions effectively.

Internal Transition

This involves passing the firm on from within. A major hurdle is finding internal buyers ready and capable of taking over. A related issue is that those next in line for partnership often lack business development experience, partly due to staffing shortages, leading them to inherit an existing workload rather than building their own.

Challenges include securing buy-in, managing cash flow, developing sales skills, and addressing lifestyle adjustments. Early planning is crucial for a successful transition, as many firms tend to begin the process later than advisable. Starting early cannot be overstated.

External Transition

These transactions are largely facilitated by practice brokers. The practice brokers have a market and typically can find buyers for firms. In our experience, the practice brokers are very transactional and don't get involved in the nuances related to a successful transition.

Upstream Merger

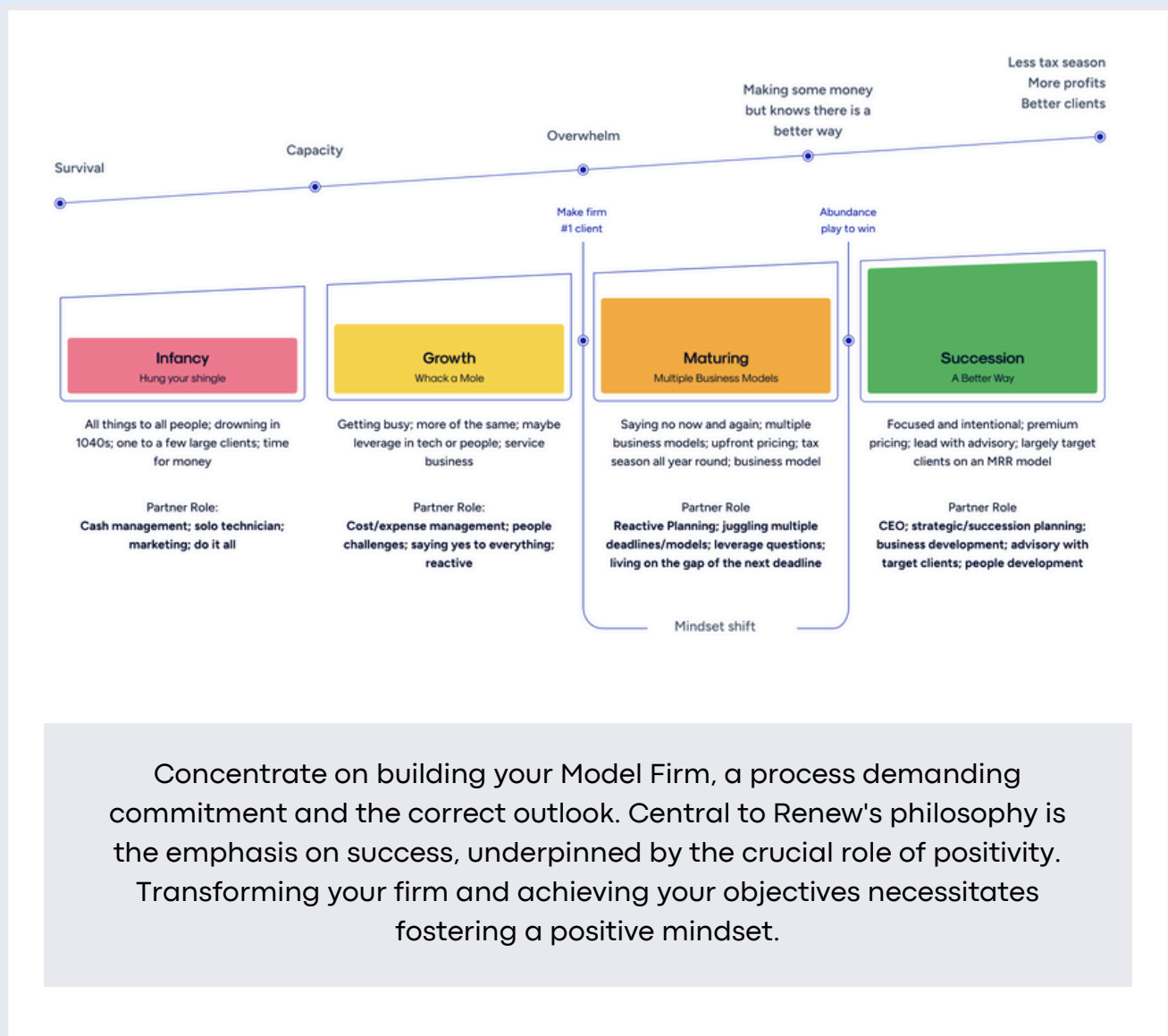
The pace of upstream mergers has decelerated, with larger firms becoming more selective in their merger choices, often influenced by talent, location, or niche areas. They weigh considerations like replacing partner production hours, avoiding low-cost work or stand-alone 1040s, and general billing rates. Additionally, larger firms may find wealth management or investment banking services in smaller firms appealing.

Private Equity

The private equity market is undeniably thriving, with growing attention shifting towards secondary and tertiary markets. The primary drivers for venturing into private equity lie in generating sufficient profit to establish EBITDA, capitalizing on genuine growth potential, and maintaining a robust talent pool to succeed outgoing partners. Naturally, existing partners are enticed by the potential "payday," while incoming partners are drawn to the promising upside.

The Renewing of a Firm: Overview

Renew encourages the establishment of a strong, sustainable firm without postponing profit gains until exit. A proficiently managed firm not only enhances succession options but also ensures longevity and prosperity. **Essential metrics include achieving \$1MM to \$3MM in revenue per partner, \$250K revenue per professional, and a net profit of 40% before factoring in partner compensation.**



Concentrate on building your Model Firm, a process demanding commitment and the correct outlook. Central to Renew's philosophy is the emphasis on success, underpinned by the crucial role of positivity. Transforming your firm and achieving your objectives necessitates fostering a positive mindset.

Let's begin with this quote in mind. Think big. The Model Firm brings this philosophy to life.

“Most people, by default, because they don't think big, don't aim high, and end up developing very average or below average habits. They under-develop.”
— Gary Keller

Begin by evaluating your current situation and comparing it with the target metrics to spot discrepancies.

Next, tackle the most accessible goals first and plan your approach.

Realistically, not all goals can be achieved in the first year, but consistent effort and attention to a few key areas can steadily move you closer to your ideal Model Firm annually.

Remember, the current state of your firm was years in the making, and while it may require several tax seasons to fully rectify, immediate improvements are possible, with numerous opportunities for early victories within the first year.

Your current standing is perfectly acceptable. As you approach the succession phase, here are the benchmarks to aim for, drawn from successful examples.

Customize these targets to fit your unique path:

Description	Target
Revenue Per Partner	\$1,250,000
Revenue Per Professional	\$250K
Client Groups Per Partner	155
Average Client Revenue	\$8,000 (\$667pm, 2Kpq)
Partner Billable Hours	500
Average Charge Rate	\$200
% Clients <\$1K	0
Subscription Revenue	>100%
Hours Worked Per Week	<40
Profit Per Partner	\$500K

You also will want to consider your qualitative goals.

What services will you offer (and not offer)? Who is your target client? Will you have a niche? What role do you want to play and what is your time frame?

You must also consider this Renew Business Model question:

Where are we getting leverage? This happens in only 3 places in our industry: people, price or technology.

The goal-seeking exercise is to drive profits up and hours down. Of course, these quantitative and qualitative variables will help you lead a better life and also pay your team members more while enhancing their quality of life.

Below is an example of a firm we worked with in Sacramento, California that has achieved, what we call, the 40-Hour Firm:



Description	Before	After
Phase	Growth	Succession
Revenue	\$825K	\$1.8MM
Client Groups	508	72
Average client Revenue	\$1,624	\$25K
# Clients < \$1,000	401	0
Subscription Revenue	0	\$1MM Plus
Partners/Team Members	1/5	2/9
Partner Billable Hours	1,100	745 Per Partner





Make the Firm #1 Client:

Your Firm, Your Terms

You can start with these Renew business model questions:

- Does this client meet our target client definition?
- Where will we obtain leverage? Price, people, or technology?
- What will this require of me? E.g. partner time, and effort.
- Will my team be excited about this client?

When we grew up in the profession the mantra was to take care of the client and profits will take care of themselves. That mantra has run its course. As stated previously, to create the most value for the right stakeholders we must make the firm the #1 client. A healthy firm is a more trusted advisor.

One tenet of making the firm the #1 client is to start with no and only say yes to work, clients, and team members that make sense for your firm. Put another way, if it isn't a heck yes, it is a no.

Renew firms know to create the most value for the right clients they must dictate the terms of the client relationship.

Dictating the terms of a client relationship in an accounting firm involves establishing clear expectations, responsibilities, and guidelines to ensure a mutually beneficial and productive trusted advisor relationship. Renew firms position themselves as Trusted Advisors NOT service providers. They also live up to that positioning because they have embraced the 40-Hour Firm and they have time to lavish on the right clients. To help establish the relationship, Renew firms have their clients sign a mutual commitment statement.



Our Commitment to You

We will act with honesty and integrity in everything we do for you and with you.

We will respect the confidentiality of our working relationship.

We will return your communications by the close of the next business day, even when we are out of the office. When your primary contact is on vacation, we will advise you in advance and arrange for another member of our team to look after your inquiries.

We will meet the deadlines we set with you, or we will advise you in advance of our inability to do so for reasons absolutely outside of our control.

We will give you an upfront price for every piece of work we agree to take on and will discuss any variation that may occur as a result of changes to scope before doing any additional work.



You will be open and frank with us at all times, and you will advise us of any concerns you have with any aspect of the work we do for you.

You will respond to all of our communications by the close of the next business day.

You will provide us with all the information we require and give us access to your team within the time frames we agree.

You will make time available to attend to any aspect of the assignment that you agree to work on, and you will meet the associated deadlines subject to problems outside of your control.

You understand that the success of this engagement depends on your commitment to making it work and that we will work together to achieve the outcomes and goals that we plan for.

You will listen to any advice we offer, but we acknowledge your right to reject it.

You will attend to our account on the terms we agree upon, which will generally be by monthly ACH payment.

You will consider referring us to at least two other businesspeople who would benefit from the work that we do.

Your Commitment to Us

When the document is signed it will become the basis of the relationship. Far too many firms waste precious time and resources chasing clients for information etc. This chasing erodes the positioning of the firm. You cannot care more about the client's situation than they do.

Here are a few considerations when setting the terms of a client relationship for your firm:

Scope of Services:

Clearly define the scope of tax, accounting, and advisory services your firm will provide. This could include tax preparation, bookkeeping, financial statements, advisory services, and more. Specify what is included. A Renew best practice is to also list what items are NOT included. E.g., where scope creep may happen.

Service Agreement or Engagement Letter:

Prepare a formal service agreement or engagement letter that outlines the terms and conditions of the client relationship.

Initial Consultation or Assessment:

Begin with an initial consultation or meeting to discuss the client's needs, objectives, and the services your firm can provide. Understand their financial situation, goals, and any specific challenges they are facing. Do NOT just review the prior returns. Thoroughly conduct an assessment. Also, position the process as a mutual evaluation e.g., you are not begging for their work.

Do NOT begin any work without a signed engagement letter. Here are a few things the document may cover:

- Scope of services
- Duration of the engagement
- Pricing. We suggest collecting monies upfront. A client with skin in the game is a better more responsive client.
- Responsibilities of both the client and the accounting firm
- Deadlines and turnaround times
- Communication Channels: Establish preferred communication channels and response times for inquiries. This could involve emails, phone calls, virtual meetings, or in-person consultations.
- Timelines and Deadlines: Set clear timelines and deadlines for the completion of various accounting tasks and projects. This ensures both parties are aware of expectations and can plan accordingly.
- Responsibilities: Define the responsibilities of both the client and the accounting firm. For example, the client might need to provide accurate and timely financial records, while the accounting firm is responsible for accurate reporting and advice.
- Review and Update: Periodically review and update the terms of the client relationship as needed. Changes in services, pricing, or regulations may necessitate updates to the engagement letter.

“By making the firm the #1 client and dictating the terms of the client relationship, you can establish a strong foundation for a successful trusted advisor relationship in your firm. Among all of the strategies you can embrace to create your 40 Hour Firm, this one should be a very high priority.”

Target Clients Only:

Commanding premium pricing with the relevant service offering for Target Clients

Laser Focus: Identifying and Serving Your Ideal Client



The primary danger of an unfocused approach is the inability to service good clients properly. Additionally, team members are unable to master specific disciplines without working overtime.

Most accounting firms lack a client acquisition strategy or clear criteria for selecting clients. Essentially, they attempt to serve everyone without discrimination. As long as you have a checkbook and are alive, you're accepted. This lax approach persists because their absence of a business model dictates that any revenue is acceptable. However, as we've learned, this mindset is flawed and poses numerous risks that can compromise the firm's profitability, work-life balance, and potential for growth

Defining clear client selection criteria helps align the firm's resources and goals.

When a firm tries to cater to everyone, it inevitably stretches its resources thin, leading to a jack-of-all-trades, master-of-none scenario. Many, many firms leave countless dollars on the table because they spend way too much time servicing the wrong clients, meaning they can't get to the right ones. The sad reality is your best clients subsidize your worst clients. We often say that it's the volume that is the killer. When a partner is managing 800-1000 client groups, it's virtually impossible to hold business development meetings with the core group of 'A' class clients. You are too overloaded with "quick questions", emails, and tax notices.

If you are not targeting clients only in your firm, you will most likely have a reactive business model where the firm is constantly adapting to the

diverse needs of a heterogeneous client base, rather than proactively shaping services to suit clients that make sense for your model. The consequence is a firm (frankly an industry) that is perpetually busy yet not necessarily as profitable as it can be, as it grapples with the complexities and inefficiencies of serving an overly broad clientele.

Contrast this with a firm that adopts a target client strategy, meticulously defining who their ideal client is and tailoring their year-round services to meet the specific needs of this focused group. Such a firm not only enhances its service quality and client satisfaction but also boosts its market positioning. And perhaps most importantly, by doing more with less, you'll drive hours down for both partners and team members, which helps to attract and retain talent.

One question we often hear is, “We like the idea of target clients only, but how would you define a target client?”

Our favored approach is to start with your client selection criteria, and then build on a broad definition of the sort of client that would fit neatly into those criteria.

Many firms begin by resolving to no longer cater to every possible client need.

They recall Michelangelo’s answer when he was asked how on Earth he was able to create The David.

His response:

Over time, they chisel away at their client base and either upgrade or remove anything that doesn’t look like a target client.

**“I just chiseled
away at everything
that was NOT the
David.”**

But as you delve further into this, specializing in a niche could become advantageous for you. The following is a comprehensive guide that covers all aspects—proceed at your own pace and adopt those elements that resonate with you.

1

Client Selection Criteria – some examples:

- The client's core values align with the firm's
- The client values the services the firm provides
- The firm can dictate the terms of the relationship (e.g., receipt of information, delivery of services, payment)
- The firm can scale this type of client (you can increase the number of clients in this area without suffering in other areas)
- The client is willing to work with and respects your team.
- The client requires little partner time and input
- The firm achieves target profitability
- The client creates little firm and partner stress

2

Target Client Definition – an example (adapt and make your own):

- Our target client is a closely held, owner-operator business that does at least \$1 million in revenue or \$250K in profit
- They value a full-service, year-round relationship with our firm
- When we meet with them, they show up with a positive mindset and are willing to listen
- They will work with the systems and processes that we recommend
- They recognize and will pay for the value we create as we work together

It's important to have both quantitative and qualitative client selection criteria. Renew firms will also ask the prospect, "why will my team be excited that we are bringing you on as a client?"

3

Part 3: Niche Development (These are simply examples for different types of firms with varying expertise and interests. Adapt and make your own).

- **High-Growth Tech Startups:** These clients require dynamic and forward-thinking accounting services that can keep pace with their rapid growth, innovation, and often complex financial landscapes. They value proactive advice and could use our expertise in securing funding, R&D tax credits, and international tax planning.
- **Established Family-Owned Manufacturing Businesses:** These clients often seek stability, long-term planning, and succession planning advice. They appreciate a firm that understands the nuances of family dynamics in business and can offer personalized, relationship-focused service. Firms can also provide expertise on supply chain management to the relationship.
- **Socially Responsible Enterprises:** More and more businesses are focused on sustainability and impact. These clients look for firms that not only provide traditional accounting services but also offer insights into green tax incentives, ESG reporting, and impact measurement.

Developing a niche is certainly a powerful strategy that complements the target client approach.



By focusing on a specific industry or sector, firms can develop deep expertise, tailor their service offerings, and distinguish themselves from competitors. This specialization allows firms to offer more value, command higher prices, and attract clients seeking experts rather than generalists.

Niche development also facilitates more effective marketing and business development efforts.

When firms clearly understand their target market, they can craft more resonant messaging, leverage industry-specific networks, and participate in specialized forums and associations. This focused approach not only elevates the firm's visibility within the niche but also enhances its reputation as an authority in the field.



In saying that, please don't suffer from paralysis by analysis because building a niche sounds like a heavy lift.

Start by getting clarity on what makes a target client for your firm. Talk it through with your partner(s), team, spouse, mentors, etc. to get their input. Then get the ball rolling by taking action. For example, what might happen if you fired 10 small non-target clients and then booked a check-in meeting with two of your best target clients to better understand their goals and how you might help?

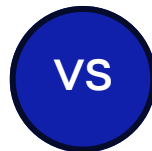
Rinse and repeat to advance your model.



Generalist (All Things To All People) Compared To Niche-Focused Expert (Target)

All Things

- All things to all people
- Service provider
- Haphazard pricing
- Yes to all clients
- Yes to all services
- Reactive
- Too many hours



Target

- Target Client Definition
- Trusted Advisor
- Premium pricing
- Starts with no
- Focused, leads with advisory
- Proactive
- Hours down, profits up

Crafting Excellence:

Tailoring services that resonate and deliver



The question to be answered regarding your target client service offering is, how do you build an offering that makes sense; one that resonates with your clients, inspires your team, and most importantly fits with your Model Firm?

If you have been in the accounting profession for longer than five minutes, you've no doubt heard the cry that compliance is dead, and you must get into advisory services. Consultants and vendors to the profession have been hawking that message for over three decades, yet we see no sign of compliance disappearing. If anything, it's become more complex and there is plenty of work out there for everyone.

This segment explores the importance of accounting firms taking the lead with advisory services and offers an illustrative example of how you could organize this strategy to maximize efficiency. Providing advisory services solely through partners can be counterproductive, adding unnecessary workload. Remember, leverage can be achieved through price, people, or technology.

Let's make this very clear: the Renew approach to designing your service offering is not about abandoning compliance - far from it.

For many firms, compliance is the be-all and end-all, the start and the finish of a once-a-year relationship. Structuring your offering this way is a major contributor to the workload compression that recurs every tax season and drives people out of the profession.

Leading with advisory services enables firms to provide continuous value and build stronger client relationships.

The transition that Renew's firms undergo, prioritizing advisory services, results in compliance becoming a routine task to finalize by March/April.

Leading up to tax season, there's ample opportunity to engage with clients regarding their tax situation, financial standing, and optionally, their business objectives. Much of the groundwork for ensuring accurate tax information has already been systematically completed throughout the year.

Client Accounting Services (CAS) was recently hailed as the accounting profession's savior. We were assured that embracing CAS would compensate for the decline in compliance work (which, as of now, remains unchanged and isn't going away anytime soon!). However, reality paints a different picture.

Accountants have long desired to offer more advisory services, but often find themselves bogged down in low-value tasks like bookkeeping and payroll, leaving little time for meaningful advisory work. This makes the original goal of CAS seem unattainable.

Additionally, for CAS to be profitable, firms must lead their clients in technology adoption and timing, which can be a challenging transition. Moreover, it raises the question of how many would want to join the industry solely for CAS work?

This has exacerbated an already dire talent shortage in the accounting industry. You know all too well the drudgery of tax season and the toll it takes



on your and your team members' personal lives. Now add into the mix the tedious nature of these low-value tasks. Is it any wonder bright young people are shunning the profession?

High-level professionals are stuck doing low-level work. Tax accountants find themselves bogged down with basic bookkeeping tasks, taking away precious time from valuable advisory work. This misplaced focus has a detrimental impact during tax season, creating a mental drain as accountants worry about what they aren't addressing on the accounting and advisory front.

Client engagement suffers when clients don't receive the valuable advice they seek in their monthly financials. But because their accounting firm has supposedly taken this off their plate, they lack focus and have no incentive to provide information promptly. As a result, accountants spend excessive time chasing clients for information, leading to inefficiencies and lost opportunities.

The consequences of this trend are far-reaching. Low-level work equals low value, and accountants end up with poor pricing (average charge rate for these services). The opportunity cost remains unseen; you are, if anything, even busier but rarely become more profitable.

It's time to address these challenges directly. By minimizing low-value tasks through a targeted client-centric approach, you can pivot towards prioritizing advisory services and liberate yourself from the cycle of unsatisfying work.

Leading with advisory means reimagining your firm's role in the client's business. Instead of being a historical number cruncher, your firm becomes a forward-thinking, trusted advisor.

One way you could start to tackle this is to clearly define three levels of service.

On the next page, we've given you a framework to do that. You can adapt this and make it your own, naming the three levels something that resonates with you and your firm.

The key takeaway is recognizing that there are intermediary steps between your fundamental tax, accounting, and compliance offerings, and a comprehensive year-round advisory service like the one illustrated in our Premium package example.

One logical approach to transitioning clients could involve introducing a Pro offering as an intermediate step. This might entail conducting an initial assessment of the client's business and tax situation, followed by a year-end tax planning check-in. In other words, if you've been providing these services for free, it's time to separate them and assign them a distinct value.

Moving up to the Premium level, you could include quarterly check-ins and offer ad hoc access for advice or specialized advisory services, which would be priced separately, naturally.

<p>An example of three levels of service for a business client. Adapt and make your own.</p>	<p>Basic</p>	<p>Pro</p>	<p>Premium</p>
	<p>All the essential tax, accounting, and compliance services that owner-operated businesses need to stay compliant and avoid costly mistakes.</p>	<p>Add an initial assessment of the client's business and tax situation, as well as a tax planning meeting to optimize your tax position and plan for the future.</p>	<p>Add quarterly check-ins to keep your business on track. Additionally, access to advisory services are included*</p>
<p>Essential Tax Services</p>	<p>✓</p>	<p>✓</p>	<p>✓</p>
<p>Accounting Services</p>	<p>✓</p>	<p>✓</p>	<p>✓</p>
<p>Compliance Services</p>	<p>✓</p>	<p>✓</p>	<p>✓</p>
<p>Initial Assessment of Business and Tax Situation</p>		<p>✓</p>	<p>✓</p>
<p>Year-End Tax Planning Check-In</p>		<p>✓</p>	<p>✓</p>
<p>Quarterly Check-Ins</p>			<p>✓</p>
<p>Monthly price</p>	<p>\$XXX</p>	<p>\$XXX</p>	<p>\$X,XXX</p>

This is the first step that many firms have taken on the road to transitioning to a true subscription model.

So, how do you make this shift? Here are some strategies to consider— view them as complementary approaches to increase profits while reducing hours, as you shape your Model Firm:

Start Slow

You don't have to go all-in on advisory services for every client right away. Pick two or three clients and have a discussion with them about your new business model.

Educate Your Clients:

Your clients may not be familiar with the value of advisory services, so it's up to you to educate them. Explain the benefits of your new, advisory-led approach, and how it helps clients achieve their goals and minimize their taxes. If you don't blow your own horn, there is no music.

Build Your Brand

To successfully lead with advisory, you need to build a strong brand that communicates your expertise and the value you provide to clients. Develop marketing materials to position your firm. The good news is, that most accounting firms do nothing to promote themselves or to build their brand, so taking half a step forward while everyone else stands still can give you an advantage.



In summary, you take the value you create for your clients to the next level by being a proactive trusted advisor rather than a reactive service provider.

This service enables a recurring revenue model and says goodbye to tax season hours and summer cash flow issues. Your client conversations will transform to:

“We will take care of you and eliminate all financial surprises.” rather than “Wow, we wish we would have known things were so tough.”

Pricing Matters:

How to command premium pricing

Accounting industry pricing is all over the map. In general, average charge rates for the small to mid-sized segment of the industry are below \$150 an hour. This is WAY too low for the value you create.

Average charge rate is collected in dollars divided by the number of billable hours to complete the job. Most partners/owners in firms do NOT complete timesheets; nevertheless, while the number is an estimate it can serve as a good pricing compass. Overall, the accounting industry has been consistently undervaluing its services for years, contributing to the staffing challenges we currently encounter. To ensure we compensate employees with above-average wages without resorting to working longer hours, it's imperative that we establish premium pricing to generate the necessary profit.

Let's compare pricing averages with other service providers:

\$215/hour - Local Dodge Jeep Ram dealer PLUS a 3% charge to use a CC

\$195/hour - RV tech, including diesel

\$165/hour - Tire dealer with service shop

\$170/hour - A/C service company

\$145/hour - Plumber

\$65/hour - unlicensed handyman

Here are some accounting industry truths



Most firms still price after the fact, based on hours taken (less write-downs)



Most accountants are pricing apologists

Little attention is paid to value and outcomes when pricing jobs or clients.



Hundreds of millions of dollars are left on the table every year through bad pricing policies not managing scope and not Playing to Win. Most firms price to “win the work” as opposed to Playing to Win.



The point is your prices are too low.

You studied on Spring Break while your friends were at the beach, you paid your dues completing timesheets when you started in accounting, and now you take on tons of risk, create lots of value, and work more than anyone in your neighborhood so why is your pricing is so low?

Let's start with your pricing mindset...

There are only two reasons why you are not commanding higher prices – either you believe the outcomes you create for your clients are not worth it; or you believe that if your prices are higher, your clients won't pay.

Let's address the first problem.

You're not merely selling your time; it's incapable of encapsulating the years of expertise, dedication, and commitment you bring to your clients. Nor are you selling your knowledge alone. Instead, you're offering the value and tangible outcomes that stem from the results you provide. That's precisely what discerning clients seek.

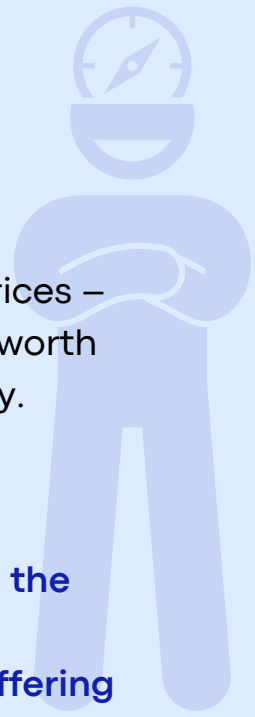
Just as no one seeks out the cheapest brain surgeon for their critical needs, successful clients recognize the importance of investing in quality when it comes to their accountant.

Since the majority of firms in the accounting profession fail to grasp this concept, they end up working for meager compensation and handling an excessive number of clients, leading to overwork.

For many firms, clients who pay less than \$3,000 annually either result in losses or offer marginal profitability. It's crucial to shift away from the notion that charging \$1,000 for just a few hours of work constitutes good earnings.

Pricing and profitability are NOT determined by effort, hours, or your competitors.

It's significantly easier to hit your profit targets with \$6-15K the client range as opposed to the \$1-2K client range.



Some principles to consider to command premium pricing.

- Clarity on what you want and your business model
- Clarity on the target client
- The right price for the wrong customer is not a win
- Hastily determining pricing often leads to attracting the wrong clients—ones for whom you can never accurately set the right price
- If you don't diagnose the issues, you will leave money on the table
- If you price in a vacuum, you will leave money on the table
- Without pricing leverage, you will have suboptimal growth and profitability.
- Do NOT price alone (always price with a partner, team member, or coach)
- Achieving successful pricing entails a balance between emotional satisfaction (the exhilaration of securing lucrative projects) and a strategic target for the average hourly charge rate (ideally exceeding \$200).

Let's start with the numbers. Continue on for an interesting exercise to help better understand the interaction between price and volume in your firm.

Many firms are attracted to the notion of implementing substantial price increases, often around 25%. However, they hesitate to proceed due to concerns about potential client loss.

Consider the following hypothetical scenario: In a typical firm, losing one out of every five average clients would not negatively impact financial standing. Is this scenario likely to occur? Probably not. Most firms find it challenging to set prices for clients who are not the right fit. The most probable outcome would involve a small number of clients opting to leave, typically those who habitually complain about pricing adjustments.

Price/Volume Calculator

Revenue	\$1,000,000
Proposed Price Increase	25%
Forecast Client Loss	20%
Impact on Revenue	\$0
Forecast Revenue	\$1,000,000
Labor Costs	\$450,000
Other Overhead	\$300,000
Net Income	\$250,000

First, you enter your firm's current revenue, labor, and overhead in the light blue cells. Then, you enter a proposed average price increase and your forecast client loss following that price increase to see the impact on revenue. Scale up or down for the size of your firm.

As one of our firms says, “ Pricing is Attitude.”

Here are some **Renew best practices on positioning** (things you can say and put on your website):

- We are accountants and business advisors that work with select businesses on a year around basis
- We have a mutual evaluation process to determine if the relationship will be a win/win
- We are in the business of forming long-term relationships
- We do NOT do standalone project work
- We are NOT the least expensive
- We do NOT charge by the hour. We price up front so there are NO financial surprises.
- We are NOT service providers. We structure our relationships to be Trusted Advisors.
- We will let you know exactly how we will create the most value for you by following our systems.
- We will sign mutual commitment statements.
- When you become a happy client, we will ask that you refer us to others like you.

Here are a few best **Renew reminders** when developing your pricing process:

- Value can NOT be managed in arrears
- Value is discovered in the diagnosis (and created)
- Valued is solidified in the Service Agreement
- Value is subjective
- Value is in the utility and the intangible
- Price is an indicator of value
- Clients are looking to maximize value
- Getting paid upfront demonstrates value and makes the relationship mutual as both parties have skin in the game
- Do NOT work without a signed agreement

Pricing messages are embedded in everything you do and positioning is critical.

Finally, you must outline and follow a pricing process. To advance your firm, you need to invest more time and strategy into your pricing.

Modern Firm Infrastructure:

Definition of Insanity is doing the same things over and over and expecting a different result

We often hear from partners in accounting firms that finding, managing, and retaining quality people is the hardest part of what they do.

A consequence can be that firms become desperate and hire too quickly, without properly thinking through what sort of people they need to deliver on their Model Firm.



The team you assemble is not just a reflection of your firm but the engine that drives it. During the COVID years, the Great Resignation illuminated a tectonic shift in what professionals seek in their careers—meaningful work, flexibility, and a culture that rewards initiative and results. The 40-Hour Firm concept recognizes and embraces these values.

The pipeline of accountants and people staying in the profession is in dire straits.

Staffing remains a longstanding issue in the accounting profession, exacerbated by factors like a shrinking talent pool and increasing demand. Younger generations are dissuaded by factors like long hours and stagnant pay. Industry initiatives must prioritize increasing pay, reducing hours, and enhancing job satisfaction to remain relevant.

Additionally, the profession must shed its reputation as pricing apologists. Adapting to the changing industry landscape is essential for future success.

The bottom line is this:

you need to pay your accountants well and give them great work, maximum flexibility, and fewer hours.



If you don't, they'll find somewhere else that will. But to do this, you need to raise your prices to reflect your true value. If you don't, you'll miss out on potential profits, and frankly, you won't be able to afford to hire the sort of people you need. And when that happens, your only viable Plan B is for the partners to work even harder (which is happening). In many firms, the partner's compensation is equal to or lower than what they bill. Not a great model.

Firms are no longer just competing with each other for talent; they're contending with all sectors that value accounting skills. It's a time when the traditional office setup is being traded for environments that afford flexibility, autonomy, and

better pay.

Every firm is trying to figure out how to best adapt to flexible roles, hybrid, and remote models. One firm we work with offers 3-day roles, 4-day roles, 5-day roles, and “full-time” roles. Don’t overthink it. The key is to test it and set expectations that it may change. Renew has firms with people dispersed around the US, combined with people offshore. The key is, you need to treat everyone as you would a team member sitting in the same office as you. As part of a coherent, winning team.

The Renew solution is the 40-Hour firm. We work with one firm in a rural area with 16 remote people who have zero problems finding and keeping people. The secret sauce; no overtime, ever. In the interviewing process, the candidates are often skeptical of the no overtime policy. The firm says to pick any team member off our website and send them a note to ask how much overtime they work.

Of course, all of this is with **the goal of net profit before compensation of at least 40% and your all-in labor as a % being less than 40%.**

The concept of core hours, where employees must be available during specific times, is outdated and contradicts the principles of flexibility and remote work. Instead, focus on setting internal and external performance standards. Ensure your team is adequately compensated for delivering results and adhering to clearly defined performance criteria.

For example:

Must acknowledge all internal communication within 4 business hours

Respond to all client communication by the next business day.



Old thinking equals old results. New thinking equals better results.

We had a great conversation with the partners in one of our firms recently about a prospective Director of Operations (DOO). The prospect wants to work remotely (although lives a few miles from the office). After unpacking the request, the prospect wanted flexibility. Coming to the office was NOT the issue; the REAL issue was, "Treat me as professional. Some days I work more effectively late in the evening. I will take care of my work, be responsive and be a great DOO."

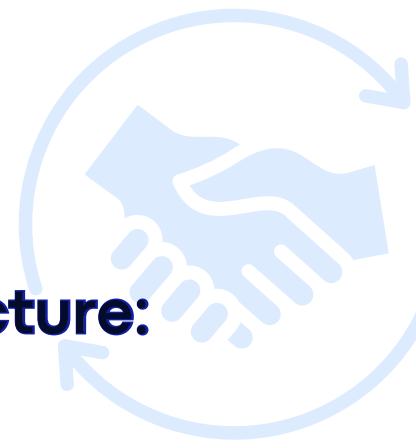
The client's response:

"Remote work is similar to standing in front of a big wave: you can ride it to shore, or it will crash on you. Your choice."

It's an employee's market. Old thinking will NOT help your recruiting efforts.

It's important to explain your business model to prospective team members. Tell them that you focus on target clients, dictate the terms of the client relationship, and price upfront, and (if you are a Renew member) collaborate with firms on the leading edge of the profession. Your firm commits to a 40-hour week throughout the year. People might not believe you at first, but it will set you apart. (Of course, you may have some work to do on your Model Firm before you can say that last part with integrity!)

The 40 Hour Firm operates with a streamlined but potent team structure:



Director of Operations (DOO):

This role involves steering the admin team, managing the hiring process, maintaining facilities, and leading technology strategies to keep the firm's infrastructure current and efficient. As a central figure in the Managing Partner's team, the DOO contributes to strategic planning and budgeting, drives productivity, and upholds the firm's service and culture standards.

Client Relationship Managers:

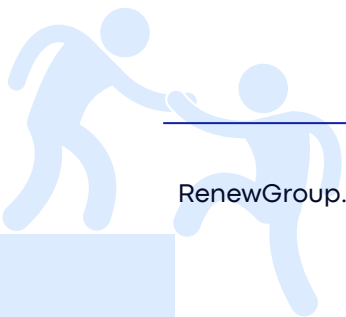
These are the guardians of client satisfaction. They set the bar for service excellence and represent the firm by defining the relationship and ensuring client needs are anticipated and met.

Client Advisory Team:

This group of professionals may include tax preparers, accounting gurus, and people with the ability to talk to clients. The precise makeup will depend on how you define your service offering. Some of these people may be offshore.

Administrative Support:

A vital cog in the machine; this role ensures the smooth running of daily operations. From scheduling to data management, they are the unsung heroes that keep the wheels turning.



Let's revisit the Modern Firm Metrics, where we outlined that, on a per-partner basis, your revenue target should be \$1.25 million, with each professional aiming for \$250,000 in revenue. This implies that each 'pod' should consist of a partner plus four other professionals, which could include Client Relationship Managers and other client-facing team members. Additionally, each team should have administrative support, along with a Director of Operations overseeing the firm's overall operations.

People development extends beyond identifying individuals and defining their roles; it encompasses the methods we employ. It involves acknowledging and incentivizing the contributions of those who propel our firms forward. It's about providing flexibility while maintaining stringent standards of accountability. Ultimately, it's about cultivating teams that are primed for success.

Tech Stack:

Don't let the tail wag the dog



Tech, tech, tech, and more tech. We have been working in the profession for more than 60 years between the two of us. There is more technology than ever and there is no end in sight.

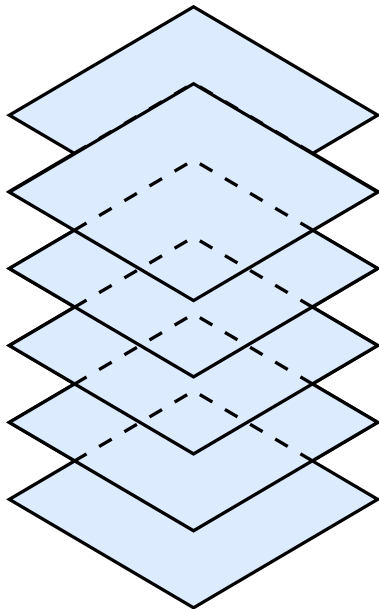
Couple that with the AI FOMO (fear of missing out) and it's nothing short of the Wild West for accounting firms. All one has to do is look at the size of the exhibit halls at industry conferences (often feels like there are more vendors than practitioners), attend an association conference, visit an industry periodical site or state association website and you'll see accountants are spending a larger and larger percentage of their budgets on technology. Put another way, advertising and marketing is non-stop.

Let's take a breath.

For the record, technology is one of three places an accounting firm can obtain leverage. The other two are people and pricing. Renew is an advocate of technology, yet not for the sake of more technology. Let us explain.

It's a lot easier to buy a piece of software than have a hard look at your business model. **Technology is not a business strategy. You determine your business model and then invest in technology to support your model.** In many firms, it seems that firms work for the technology rather than their clients.

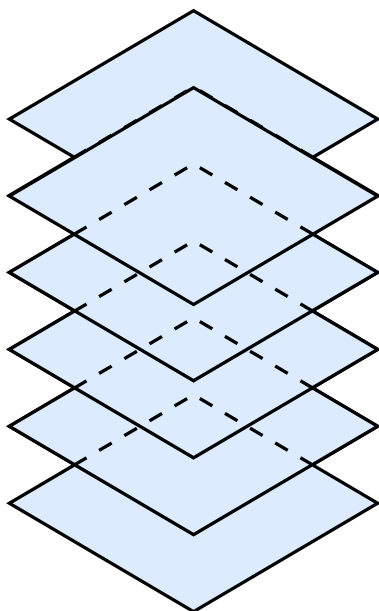
Our approach with Renew firms is that you must first address your Tier 1 issues. Identify your business model issues and prioritize tier 1 issues over tier 2 issues.



Tier 1 issues are:

- What is the vision for your firm?
- What is your business model?
- What services will your firm offer?
- What services will your firm say no to?
- Who is your target client?
- How are you going to create and capture value (pricing and positioning)?

As you can see these are deep considerations and firms must work through the above before addressing Tier 2 issues.



Tier 2 issues are:

- How are you going to market your services?
- Where can you find your ideal clients?
- What is your recruiting strategy?
- What team will you need to support your vision and business model?
- What technology stack will you need to support the above?

In the Renew community, we have 2 extremes.

We have a firm in Utah that invests 25% of its revenue in technology (not a typo). They love technology and they are what we consider innovators on the technology curve (tinkerers). That is, they invest in technology for the sake of technology and it's one of the reasons they are in the profession. They get leverage from pricing and technology and the firm makes a 25% profit which could be much higher if they streamlined their technology stack. The key is they have their eyes wide open with their technology spend.

On the other hand, we have a firm we work with in Arizona that we consider low-tech. They don't have an application for everything that moves in their firm and their focus is profitability. This firm gets enormous leverage from people. Their technology spend is less than 5%.

Neither approach is right or wrong. There are 2 critical messages in these narratives:

1

You are intentional with your model.

2

Don't get bogged down in the details of your firm's technology investments and lose sight of the bigger picture.

Next up: how to approach your technology stack.

You start with the must-haves, nice-to-haves, and future haves. Where are the gains in each section? What is the timing of each section?

There are a couple of additional considerations:

1

Technology is NOT going to solve your Tier 1 issues.

Tier 1 issues are solved through deep thinking and action.

2

False starts. Many firms suffer from technology false starts.

They invest in software, rally the team then cancel the mission.

False starts are culture killers. Buyer beware.

Further, it's important that you have realistic expectations for your return on technology. Generally, most firms will see a "loss/investment" in Year 1, break-even in Year 2, and see profits/gains in Year 3 of technology adoption.

Some application considerations:

- Email
- Tax Software
- Accounting Software
- Practice/Project Management
- Workflow Management
- Document Management
- Portal
- Time and Billing
- Payroll
- Client Communication (e.g., a portal)
- Client Relationship Management (most practice management tools do a terrible job at this).

A firm needs to consider whether they will have a best-of-breed approach or an all-in-one solution. Of course, the firm will also need to address infrastructure issues such as hosting and desktop support.

In summary, if you address the Tier 1 issues sooner it will make your Tier 2 issues simpler to address.

Transitioning to a Subscription Model

From a reactive deadline driven model to firm freedom

A Word of Caution

Please note that the transition to a Subscription Model is an **ADVANCED** strategy. Very few firms jump straight into this. This section is included to give you context on what to expect as you advance your firm to the Succession Phase.



As we know well by now, accounting firms traditionally operate on a transactional model, heavily focused on time-based billing and seasonal tax preparation services. This approach often leads to unpredictable revenue streams, client service that's reactive rather than proactive, and a work culture characterized by intense seasonal workloads. Such a model not only limits the firm's profit potential but also constrains the opportunity to provide ongoing advisory services to clients. It also limits the ability of accountants to find meaning in their work.

Most accountants say the thing they like most about their job is advising clients. **Yet surveys show that most of them spend less than 20% of their time engaged in advisory work.** As we have outlined in this book, the primary reason is that they are swamped with low-level work for low-value clients who create stress and burnout compounding our staffing challenges.

In this chapter, we'll go deeper into how you can change this model and become a trusted advisor (rather than a service provider) by transitioning to a subscription model.

First, let's define what we mean by a subscription model. **The subscription model for accounting firms is a transformative business approach where clients pay an agreed price, usually on a monthly or quarterly basis, for a bundle of services.** This model promotes a continuous, proactive partnership between

the firm and its clients, offering a suite of services that typically include tax strategy and planning, keeping the client's books and records up to date, advisory sessions on tax, accounting, and business improvement opportunities, as well as strategic check-ins throughout the year.

The key here is to produce outcomes. Too many firms get too focused on the inputs rather than producing outcomes. For example, we will provide you with no financial surprises and peace of mind.

Some Renew firms specialize in high-net-worth individuals (rather than businesses) and they have found they are equally able to transition their clients to a subscription model. They simply adapt the components to suit their service offering.

Bundled into the model is ACCESS, something that accountants typically give away for free.

Before you can successfully embrace a subscription model, you may need to walk before you run. Here are some key strategies that will get you there.

1

Renew firms undergo a **Pareto for Profit™** analysis every year and pinpoint ways in which they can upgrade their client base and reduce their working hours.

2

This may mean letting go of clients who are not aligned with your firm's business model and focusing on those who have the potential for long-term growth and mutually beneficial relationships. They gradually move to **Target Clients Only**.

3

As they work through this process, firms embrace **Premium Pricing** to reflect the value that they are creating for their clients.

4

By making these tough decisions and optimizing your client portfolio, you can create the necessary time and resources to fully engage in a subscription model. Remember, one of the **Modern Firm Metrics** is that subscription Revenue forms 100% of your firm's revenue.



Advances in technology have played an important part in enabling accountants to gain better leverage with advisory services, meaning advisory can be bundled into a subscription package, rather than be sitting out on the side as a 'great unknown'.

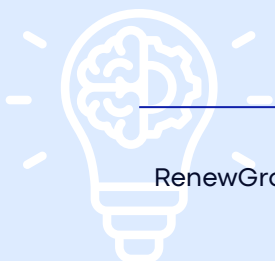
In the past, accountants would often spend entire days with their clients in planning sessions to address business and financial matters. However, now that cloud-based technology and collaboration tools are in mainstream use, the way advisory services are delivered has undergone a dramatic change. Interactive information gathering and remote collaboration have replaced the need for lengthy in-person meetings.

You can now leverage cloud accounting systems to access real-time data, allowing you to provide timely and relevant advice to your clients.

This shift has made it possible to have regular check-ins with clients, enabling you to stay connected throughout the year rather than just during the annual compliance cycle.



One crucial aspect of the advisory-led subscription model is the integration of tax planning throughout the year (rather than as a last-minute afterthought). **By engaging in proactive tax planning, you can help your clients optimize their tax positions and make informed financial decisions.**



A crucial tool in this strategic shift is the development of a service timeline. This timeline is not merely a schedule of services but a strategic roadmap that aligns your firm's offerings with the client's business, tax, and financial goals. It helps clients understand the ongoing value your firm provides beyond tax season, emphasizing a partnership approach to their success.

The sample timeline on the next page begins with a comprehensive assessment of the client's situation in the first quarter, followed by quarterly check-ins, tax strategy, and planning sessions, and ends with a year-end review and planning for the next cycle.

This timeline demonstrates to clients how your firm will be a constant, valuable presence throughout the year, not just at tax time.



Services	1st Quarter Jan. -March	2nd Quarter April-June	3rd Quarter July-Sept.	4th Quarter Oct.-Dec.	Year-Round
Advisory & Consultation	<p>Access to general tax, accounting, and business advice from our knowledgeable team including our extensive professional network and access to consulting and advisory engagements that go beyond the scope of this engagement. Leverage our team to help make your business better!</p>				
Tax Strategy	<ul style="list-style-type: none"> Focus on prior tax return review Review missed opportunities 	<ul style="list-style-type: none"> Focus on current-year optimization YOY and YTD comparison picture 	<ul style="list-style-type: none"> Focus on tax efficiency execution Implement tax-saving strategies 	<ul style="list-style-type: none"> Focus on year-end strategy and optimization 	<p>Continuous quarterly check-in and strategy discussion.</p>
<p>Discuss ideas and strategies to address any changes, events, ideas, and any new tax laws and info that might be advantageous - Stay on top of tax efficiency!</p>					
Tax Planning	<ul style="list-style-type: none"> Tax planning check-in Estimated tax payment schedule 	<ul style="list-style-type: none"> Midyear tax planning check-in Update tax projections 	<ul style="list-style-type: none"> Tax planning check-in Update estimated tax payment schedule 	<ul style="list-style-type: none"> Year-end tax planning check-in Update tax projections 	<p>Estimated quarterly tax payment planning</p>
<p>Get clarity around tax payments and cash flow along with proactive next steps to prepare for a smooth year-end and reduce stress at tax time</p>					
Tax Accounting & Write-Up Services	<ul style="list-style-type: none"> Focus on prior year financials 	<ul style="list-style-type: none"> Focus on accuracy of management and information 	<ul style="list-style-type: none"> Focus on accuracy of tax planning data 	<ul style="list-style-type: none"> Focus on preparing for year-end 	<p>Quarterly review and recommendations</p>
<p>Provide you with confidence that ur financials portray an accurate picture of your financial and tax position, enabling you to make informed management decisions.</p>					
Representation & Resolution	<p>Tax information Authorization</p> <ul style="list-style-type: none"> Renew ITA with IRS and other tax agencies 	<p>If you receive a tax notice about tax returns we prepared, we will conduct research and respond to tax authorities on your behalf. You have access to our representation teams if you are audited by the IRS or other taxing agencies.</p>			
Tax Compliance	<ul style="list-style-type: none"> Proactive documentation checklist Communicate missing/required info Open communication throughout process 	<ul style="list-style-type: none"> Draft copy review Optional tax return review call Filing and acceptance notification 	<p>An example Service Timeline for a business client. Adapt and make your own.</p>		

As more and more firms embrace the transition to an advisory-led subscription model, we are observing a shift in running the annual subscription process from May through April, rather than on a calendar year basis. By working closely with clients throughout the year, you can gather the necessary information, perform regular reviews, and ensure that all compliance requirements are met. As a result, the tax return process in March and April becomes simpler and less daunting, freeing up time and energy for more valuable conversations with clients.

Earlier we mentioned one of our clients, Seth, the sole owner of a firm in Phoenix, AZ. Recently, Seth emailed us to let us know that on March 19, he had over \$2M of revenue signed up in subscription revenue. He's worked incredibly hard to get to that position but has simply followed the steps we advocate to the letter. He formalizes his arrangements with a Master Services Agreement that makes it very clear what is in and out of scope. He is paid monthly or quarterly by all clients and his team is delivering exceptional work for premium prices.

Here are three FAQs (otherwise known as fears!) that we receive from accountants as they consider transitioning to a subscription model:



What if we lose some clients because they don't like the change?

Renew response: It is not for everyone. But once you are a target client-only firm and your mindset is to dictate the terms of the client relationship, you decide how to offer your services, not your client. As you grow in confidence and understand that the world is one of unconditional abundance, you'll find yourself explaining to clients that this is how we work together going forward. Remember, clients need to be led. Don't allow them to tell you how you should work with them!



How do I manage scope creep?

Renew Response: To prevent scope creep, clearly define what the subscription includes AND, what it EXCLUDES. Establish protocols for handling requests that fall outside the predefined scope. Use a 'Change Order' process, to address additional services requested by the client, ensuring that both the firm and the client have clear expectations about the scope and associated additional price involved.

What if my team doesn't like it?



Renew Response: Transitioning to a subscription model requires a significant shift in how your team approaches client relationships and service delivery. It's not going to happen on its own, so you need to invest in training your team and making sure that everyone on the team is the right fit for your firm. Also, ensuring that internal processes are optimized to support the new model. Your team needs strong tools and technology to enable them to work at their best, so don't skimp in this area. And remember, Your Firm, your Terms; this applies to team members as well as clients!

Adopting a subscription model positions your firm as an indispensable partner in your clients' success. It is an integral component of the shift to the Succession Phase. By making this shift, firms can unlock their full potential, and because you're working with a select group of clients, it helps you to march toward your goal of profits up, hours down.

The 40-Hour Firm enables you to Advance YOUR firm

In this e-book, we've explored the profound changes needed to break free from the cycle of overwork and underappreciation that plagues so many accounting firms. You've seen the strategies that can lead you to a **more sustainable, profitable business model—one where your expertise is valued, and your work-life balance is restored.**

We'd love to help you build a brighter future for your firm.

Picture yourself eagerly anticipating tax season, not feeling anxious, but instead feeling empowered because you've regained control of your business. This isn't merely a fantasy—it's an attainable goal.

At Renew Group, we're committed to helping firms like yours make this transition. If you're ready to start working smarter, not harder, we're here to help.



Contact us now at
growth@renewgroup.com
to begin your journey toward a 40-Hour Firm.