
C H A P T E R

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On the Subject of Planning

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Luck is good planning, carefully executed.

—Anonymous

Another obvious oversight revealed in Steve and Peggy's story was the absence of true planning.

Every accountant starting his or her own practice must have a plan. You should never begin to take on clients without a plan in place. But, like Steve, most accountants do exactly that.

An accountant lacking a vision is simply someone who goes to work every day. Someone who is just doing it, doing it, doing it. Busy, busy, busy. Maybe making money, maybe not. Maybe

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getting something out of life, maybe not. Taking chances without really taking control.

The plan tells anyone who needs to know *how we do things here*. The plan defines the objective and the process by which you will attain it. The plan encourages you to organize tasks into functions, and then helps people grasp the logic of each of those functions. This in turn permits you to bring new employees up to speed quickly.

There are numerous books and seminars on the subject of practice management, but they focus on making you a better accountant. I want to teach you something else that you've never been taught before: how to be a manager. It has nothing to do with conventional practice management and everything to do with thinking like an entrepreneur.

The Planning Triangle

As we discussed in the Foreword, every accounting practice is a company, every accounting business is a company, and every accounting enterprise is a company. Yet the differences between the three are extraordinary. Although all three may offer accounting services, *how* they do what they do is completely different.

The trouble with most companies owned by accountants is that they are dependent on the accountant. That's because they're a practice—the smallest, most limited form a company can take. Practices are formed around the technician, whether an accountant or a roofer.

You may choose in the beginning to form a practice, but you should understand its limitations. The company called a *practice* depends on the owner—that is, the accountant. The company called a *business* depends on other people plus a system by which that business does what it does. Once your

practice becomes a business, you can replicate it, turning it into an *enterprise*.

Consider the example of Martland Accounting Offices. The clients don't come in asking for Douglas Martland, although he is one of the top CPAs around. After all, he can handle only so many cases a day and be in only one location at a time

Yet Douglas wants to offer his high-quality services to more people in the community. If he has reliable systems in place—systems that any qualified associate accountant can learn to use—he has created a business and it can be replicated. Douglas can then go on to offer his services—which demand his guidance, not his presence—in a multitude of different settings. He can open dozens of accounting practices, none of which needs Douglas Martland himself, except in the role of entrepreneur.

Is your accounting company going to be a practice, a business, or an enterprise? Planning is crucial to answering this all-important question. Whatever you choose to do must be communicated by your plan, which is really three interrelated plans in one. We call it the Planning Triangle, and it consists of the following:

- Business plan
- Practice plan
- Completion plan

The three plans form a triangle, with the business plan at the base, the practice plan in the center, and the completion plan at the apex.

The business plan determines *who* you are (the business), the practice plan determines *what* you do (the specific focus of your accounting practice), and the completion plan determines *how* you do it (the fulfillment process).

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FIGURE 5.1 The Planning Triangle.

By looking at the planning triangle, we see that the three critical plans are interconnected. The connections among them are established by asking the following questions:

1. Who are we?
2. What do we do?
3. How do we do it?

Who are we? is purely a strategic question.

What do we do? is both a strategic and a tactical question.

How do we do it? is both a strategic and a tactical question.

Strategic questions shape the vision and destiny of your business, of which your practice is only one essential component.

Tactical questions turn that vision into reality. Thus, strategic questions provide the foundation for tactical questions, just as the base provides the foundation for the middle and the apex of your planning triangle.

First ask: What do we do and how do we do it . . . *strategically*?

And then ask: What do we do and how do we do it . . . *practically*?

Let's look at how the three plans will help you develop your practice.

The Business Plan

Your business plan will determine what you choose to do in your accounting practice and the way you choose to do it. Without a business plan, your practice can do little more than survive. And even that will take more than a little luck.

Without a business plan, you're treading water in a deep pool with no shore in sight. You're working against the natural flow.

I'm not talking about the traditional business plan taught in business schools. No, this business plan reads like a story—the most important story you will ever tell.

Your business plan must clearly describe the following:

- The business you are creating
- The purpose it will serve
- The vision it will pursue
- The process through which you will turn that vision into reality
- The way money will be used to realize your vision

Build your business plan with *business* language, not *practice* language (the language of the accountant). Make sure the plan

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focuses on matters of interest to your lenders and shareholders rather than just your technicians. It should rely on demographics and psychographics to tell you who buys and why; it should also include projections for return on investment and return on equity. Use it to detail both the market and the strategy through which you intend to become a leader in that market, not as an accountant but as a business enterprise.

The business plan, though absolutely essential, is only one of three critical plans every accountant needs to create and implement. Now let's take a look at the practice plan.

The Practice Plan

The practice plan includes everything an accountant needs to know, have, and do in order to deliver his or her promise to a client on time, every time.

Every task should prompt you to ask three questions:

1. What do I need to know?
2. What do I need to have?
3. What do I need to do?

What Do I Need to *Know*?

What information do I need to satisfy my promise on time, every time, exactly as promised? In order to recognize what you need to know, you must understand the expectations of others, including your clients, your associates, and other employees. Are you clear on those expectations? Don't make the mistake of assuming you know. Instead, create a Need-to-Know Checklist to make sure you ask all the necessary questions.

A Need-to-Know Checklist might look like this:

- What are the expectations of my clients?
- What are the expectations of my administrators?
- What are the expectations of my associate accountants?
- What are the expectations of my staff?

What Do I Need to *Have*?

This question raises the issue of resources—namely, money, people, and time. If you don't have enough money to finance operations, how can you fulfill those expectations without creating cash-flow problems? If you don't have enough trained people, what happens then? And if you don't have enough time to manage your practice, what happens when you can't be in two places at once?

Don't assume that you can get what you need when you need it. Most often, you can't. And even if you can get what you need at the last minute, you'll pay dearly for it.

What Do I Need to *Do*?

The focus here is on actions to be started and finished. What do I need to do to fulfill the expectations of this client on time, every time, exactly as promised? For example, what exactly are the steps to perform when seeing someone with an IRS lien or a failure to file federal and state taxes for a four-year period?

Your clients fall into distinct categories, and those categories make up your practice. The best accounting practices will invariably focus on fewer and fewer categories as they discover the importance of doing one thing better than anyone else.

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Answering the question *What do I need to do?* demands a series of action plans, including:

- The objective to be achieved
- The standards by which you will know that the objective has been achieved
- The benchmarks you need to reach in order for the objective to be achieved
- The function/person accountable for the completion of the benchmarks
- The budget for the completion of each benchmark
- The time by which each benchmark must be completed

Your action plans should become the foundation for your completion plans. And the reason you need completion plans is to ensure that everything you do not only is realistic but can also be managed.

The Completion Plan

If the practice plan gives you results and provides you with standards, the completion plan tells you everything you need to know about every benchmark in the practice plan—that is, how you're going to fulfill client expectations on time, every time, as promised. In other words, how you are going to perform your initial customer assessment, how you are going to communicate your recommendations, how you are going to educate a customer about the changed processes you are recommending.

The completion plan is essentially the operations manual, providing information about the details of doing tactical work. It is a guide that tells the people responsible for doing that work exactly how to do it.

Every completion plan becomes a part of the knowledge base of your business. No completion plan goes to waste. Every completion plan becomes a kind of textbook that explains to new employees or new associates joining your team how your practice operates in a way that distinguishes it from all other accounting practices.

To return to an earlier example, the completion plan for making a Big Mac is explicitly described in the *McDonald's Operation Manual*, as is every completion plan needed to run a McDonald's business.

The completion plan for an accountant might include the step-by-step details of how to analyze the internal accounting controls, workflow efficiency, or current technology platform of clients—in contrast to how everyone else has learned to do it. Of course, anyone who works in accounting has learned about these subjects. They've learned to do it the same way everyone else has learned to do it. But if you are going to stand out as unique in the minds of your clients, employees, and others, you must invent your own ways of doing even ordinary things.

Perhaps you'll decide that, as a mandatory part of your client-assessment procedure, you feature a client portal on your web site; when clients log in, they can enter answers to your assessment questionnaire and then view an interactive progression of suggested steps and conclusions. If no other accountant has ever taken the time to explain the benefits and steps of a platform or procedure change to the client, you'll immediately set yourself apart. You must constantly raise the questions: *How do we do it here? How should we do it here?*

The quality of your answers will determine how effectively you distinguish your practice from every other accountant's practice.

Benchmarks

You can measure the movement of your practice—from what it is today to what it will be in the future—using business *benchmarks*.

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These are the goals you want your business to achieve during its lifetime.

Your benchmarks should include the following:

- Financial benchmarks
- Emotional benchmarks (the impact your practice will have on everyone who comes into contact with it)
- Performance benchmarks
- Client benchmarks (Who are your clients? Why do they come to you? What will your practice give them that no one else will?)
- Employee benchmarks (How do you grow people? How do you find people who want to grow? How do you create a school in your practice that will teach your people skills they can't learn anywhere else?)

Your business benchmarks will reflect (1) the position your practice will hold in the minds and hearts of your clients, employees, and investors and (2) how you intend to make that position a reality through the systems you develop.

Your benchmarks describe how your management team will take shape and what systems you will need to develop so that your managers, just like McDonald's managers, can produce the results for which they will be held accountable.

Benefits of the Planning Triangle

By implementing the planning triangle, you will discover these things:

- What your practice will look, act, and feel like when it's fully evolved

- When that's going to happen
- How much money you will make

And much, much more.

These, then, are the primary purposes of the three critical plans:

1. To clarify precisely what needs to be done to get what the accountant wants from his or her practice and life
2. To define the specific steps by which it will happen

First *this* must happen, then *that* must happen. One, two, three. By monitoring your progress, step by step, you can determine whether you're on the right track.

That's what planning is all about. It's about creating a standard—a yardstick—against which you will be able to measure your performance.

Failing to create such a standard is like throwing a piece of straw into a hurricane. Who knows where that straw will land?

Have you taken the leap? Have you accepted that the word *business* and the word *practice* are not synonymous? That a practice relies on the accountant and a business relies on other people plus a system?

Because many accountants are control freaks, 99 percent of today's accounting firms are practices, not businesses.

The result, as a friend of mine says, is that "Accountants are spending all day stamping out fires when all around them the forest is ablaze. They're out of touch, and they'd better take control of the practice before someone else does."

Because accountants are never taught to think like businesspeople, the auditor is forever at war with the businessperson. This is especially evident in large, multidiscipline practices, where

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accountants lacking the knowledge of how to run a business try to control accountants. They usually end up treating each other as combatants. In fact, the single greatest reason accountants become entrepreneurs is to divorce themselves from such bureaucratically-minded colleagues and to begin to reinvent the accounting enterprise.

That's you. Now the divorce is over and a new love affair has begun. You're an accountant with a plan! Who wouldn't want to do business with such a person?

Now let's take the next step in our strategic odyssey. Let's take a closer look at the subject of *management*. But, before we do, let's listen to what Darren has to say about *planning*.