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Revvng up your revenue

Knuckle down on your best services and talent to compete in an uneven economy

11/01/2011

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Accounting firms that have been able to report increased revenues during the economic downturn often have niche services, strategic promotion of these services, and a hard push behind their best people and expertise to thank for that growth.

While most of these fast-growing firms have had niche services in place for many years, the common theme of an integrated strategy in marketing, business development and cross-niche support also emerges in their success stories.

John Malone, SEC practice leader of Houston-based firm MaloneBailey, which saw a 40 percent increase in revenue this past fiscal year to counteract a 20 percent downturn in the year-ago period, said that it was luck and being in "the right place at the right time" that jumpstarted their niche model.

"You make your own luck and have to be open to new ideas and circumstances," Malone elaborated. "A lot of CPAs like to say 'No' first if it's outside of their comfort zone. You have to be open-minded and work for what you want and want to get it."

Fortunately for Malone, he found comfort in audits for small companies, which he began doing in 1996 for two clients and, within five years, had developed into a niche service that currently makes up 70 percent of the firm's business. "Large niche practices are the future of the accounting profession, in my opinion," he said. "There's a differentiation in terms of expertise and knowledge of a niche, and clients are really impressed and wooed by that. It creates faster loyalty and trust."

A SOLID FRAMEWORK

Paul Argy, president and chief executive of Virginia-based Argy, Wiltse & Robinson PC, which grew nearly 14 percent last year, stressed that expertise should serve as the foundation for niche growth. "You cannot start a niche with someone that's just average, or doesn't know it that well; it doesn't impress people," he said. "It starts with a learning of that niche, because if someone doesn't wow [the clients] ... They have to have depth."

They also have to be aggressive, according to Andy Armanino, managing partner of San Francisco Bay Area firm Armanino McKenna, which reported 9 percent growth last year and is tracking 15 to 17 percent this year. "[Niche] leadership teams tend to be very entrepreneurial in how they approach the market, and they have the decision-making authority at an individual initiative level," he said.

This applies to the 12 niches Armanino McKenna offers, but with cross-functional leadership of audit, tax and consulting professionals across each one, teamwork is also critical. "The egos have to be left at the door in terms of respective departments, and there had to be a joint mantra going to support the cross-functional nature of the initiative," Armanino explained.

At Argy, Wiltse & Robinson, that means utilizing customer relationship management software to share leads between niches, and holding bi-weekly meetings to track new, firmwide opportunities.

Armanino holds similar meetings to identify prospective business. "We have an initiative meeting, internally, where various departments speak to the whole group about the hottest, latest, greatest opportunity in their department," Armanino shared.

SET BIG GOALS

For Lou Grassi, president and chief executive of New York-based firm Grassi & Co., words follow opportunities in a bad economy. "It's a very simple thing - most people switch service providers when they feel vulnerable," stated Grassi, who told employees, "Everyone will listen to what we say now because they feel vulnerable.' And people did listen, they did switch to us."

Grassi, who led his eight-niche firm to double-digit growth for each of the last three years and projects the same for this year, relayed this message at an annual company retreat back in 2008 when the economy was tanking. "We work [an overall growth] plan each and every year, in good times and bad times, as we found in 2008 when I told everyone we were going to grow 15 percent in 2009," he recalled. "Everyone thought the world had come to an end."

Grassi uses the same bold predictions to comfort clients. "We look at their situation as an independent eye, see and discuss what needs to be done, right-sizing companies to adjust to the recession," he said. "In some cases it's obvious that even though there's a shrinking market, we're not getting their fair share. We speak about putting game plans in effect, including share - a higher market share than they have had in the past."

CHASE THE COMPETITION

Argy has seen his firm double in size every four years since its inception in 1990, and was always "planning to be a \$50 million firm," which it is, by "moving upstream and going after big companies" as potential clients.

Both Grassi and Argy hit their goals the only way many firms record growth in this economy - signing clients away from other firms. "The niche is about having to steal from others," confirmed Malone. "It's not like new business is coming around."

The competitiveness extends to marketing. "This may sound obvious, but most firms turn on marketing in bad times and turn off marketing in good times," Grassi said. "It's a contact sport - if you're not committed to it 100 percent, 100 percent of the time, you can't have an effective growth program."

MaloneBailey added another layer to its existing marketing program. "We're hiring outside consulting and are more formal in our marketing approach with classic Marketing 101 advice," Malone said. "We formalized a plan and created action steps in areas of accountability; enforced discipline. Selling is painful, especially for accountants that are not wired to sell. It's hard, but essential to reach out and meet people."

Armanino McKenna's cross-functional model applies to both marketing and business development, where Armanino said that there is a "very developed marketing department and business development group here. Strategic marketing is embedded in the firm." A large part of this strategy is thought leadership. "One of the big things in the marketplace that clients expect of us is to be content providers," Armanino explained. "We have awesome things around blogging, a webinar series, and [a monthly newsletter] - specifically in niche areas."

Firms are also entering the social media space, though, as Armanino said, "Business-to-business social media is still new. I don't know if anyone has solved the equation of how to make it work and the ROI." For now, firms are relying on newsletters and LinkedIn to network, disseminate their content and promote conference-speaking gigs.

Publicizing this niche expertise should be consistent, even when the markets are not. MaloneBailey, with its Texas roots, has always had a stake in oil and gas, a cyclical industry that generally collapses and rebuilds every 15 to 20 years, according to Malone. And while that

niche currently constitutes 15 percent of the firm's business, down from nearly 30 percent at its height, MaloneBailey never lets the well of contacts dry up.

"With the new players, you have to have a connection - they raise the money and are off to the races," Malone said.

FLAG THE BEST CREW

Firms also need to create that connection internally, as they continue to bring in younger leaders.

John Malone leverages certain flexibilities of the profession to aid younger employees in reaching their potential. "Auditing as a profession is not so geocentric; you can be anywhere, as it's more about expertise, not location," he said. "That's a very big deal for young people who like location flexibility."

Malone has also found the niche model to be a motivator for Generation Y and Millennials. "Getting talent isn't a barrier for us; it's about finding out [who] is the real talent," he continued. "We get better every year at that. Niche practice allows you to do that because it can inspire Young people want skills above what their peers get."

Once firms have the right people, it's about "putting expertise out there in an organized and thoughtful way," Armanino said. "Everyone knows it's a tough environment today - the economy continues to be a struggle and competition is stiff. When a firm diversifies, you can find pockets of opportunity that lead to more opportunities and true growth."

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