

# The **Million Dollar Firm**™

How to Start Your Journey

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The Million Dollar Firm

# Choose Your Path with Intention to End Traditional Firm Chaos

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**A**s an accounting practitioner, bookkeeper, accountant, CPA—whichever best describes your role in the business of tax and accounting—there comes a time, a fork in the road, when you need to choose your business direction. This choice means that you are going to be intentional about the kind of life and business you want. Otherwise, if you don't choose your direction, it will be chosen for you...based on your non-intentional actions, things will "just happen" and it is unlikely that they will align very neatly with your goals.

Many practitioners are oblivious to the fact that at one point in time they made a choice to be where they are today. The reality is, we are making choices all day, every day. More importantly, we have the opportunity to make intentional choices each and every day. With this in mind, let's take a closer look at our fork in the road and the choices it represents:

One road, the road of a technician, leads you down the path where you are the primary focus of your business. In this scenario, the most important activities you perform in your business are making sure that you are in control, that nothing leaves the office without your fingerprints on it,



and that clients are best served when they interact with you. If you identify with this choice, you can likely also identify with the idea that this is how you built your business, and although it's overwhelming at this point (you're working 60-80 hours many weeks) you feel there is nothing you can do about it. You have little time for planning or new technologies; you're simply too busy.

This cycle of busyness continues year in and year out. You're too busy getting stuff done to think about the bigger picture. Don't feel bad if you're filling the technician role—you're not alone. This scenario plays itself out across the entire profession, every single day.

The other branch of our fork in the road is that of an entrepreneur. This road is less about you and more about your company. On this path, you create services not focused on you being involved. Instead, you develop a team to deliver solutions based on a concrete business model that you have developed and implemented, with product quality being a key component. When you do this, everything does not have to pass through you. Instead, you spend your time visioning, planning, leading your organization, building a great brand and finding ideal clients.

Let me be clear: When you reach this fork in the road, there is not a right or wrong answer...it's just a choice. I'm not suggesting one road is better than another...just different. I just want you to realize there is a choice to be made and that you have the power to choose. Start by asking yourself these questions:

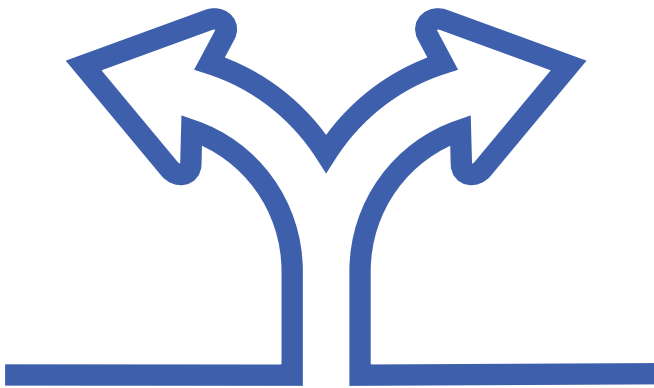
- What is my end in mind?
- What future do I want? Is it a future as a technician or as an entrepreneur?

All too often, practitioners are unaware of the fork and their choices become unintentional. In many instances, the business of tax and accounting was modeled to us by our predecessors and we end up repeating their model, regardless of whether it is right for us or not.

If you decide to take the technician road where you build a business based on your own skills, you are likely someone who has a deep desire to serve every client personally and the thought of not having your hands on every piece of the work product is very unsettling. If this is the case, we'll bid you adieu from the rest of our journey. The next concept—The Million Dollar Firm—is not right for you. If you've chosen to take the entrepreneurial path though, read on to learn more.

## The Traditional Firm Model

In my experience, the majority of firms have built their revenue model based on the wants and needs of the clients who contact them for services. This is a very “outside-in” approach. At first, this method may seem logical and easy but over time it can cause significant issues for firms because it leads client bases to grow randomly, forcing them to provide services outside of their core competencies. As a result, it is often impossible for these firms to create consistent revenue streams, to apply effective operational systems, or to implement any standardized business model. Clearly, this reactive approach will ultimately depress firms’ profitability and the overall satisfaction of its employees and owner(s).



**“The traditional firm model is driven by unintentional decisions.”**

This traditional firm model is composed of unintentional revenue streams, technologies, and service offerings. The “outside-in” approach causes significant problems and inefficiencies for owners and their staffs. Much of the challenge in firm management is attributable to building the wrong client base and the wrong product mix.

Consider for a moment a firm that has grown based on a robust individual tax practice with systems that mandate that the majority of returns flow through the owner or partners for preparation or review. The owner/partners are working long hours to meet compliance deadlines, yet their

objective is to attain work/life balance. Given their product mix—lots of tax returns—their days are so consumed with production, it can feel like an insurmountable task to shift to a different product mix and a different model that allows them to leverage their team. This is the vicious cycle that plays itself out in accounting firms across the planet.

As you can see, the traditional firm model is driven by unintentional decisions:

- Service offerings are developed based on the “outside-in” approach, where clients ask for services and the firm gladly obliges, with very little consideration of the overall impact on the firm.
- A clearly defined business model is not developed or implemented. There is no discernible system that is applied to the entire client base; nor is there one that the firm’s staff is well-versed in delivering.
- The firm operates under the paradigm that they have very little control over the type of clients that are accepted and the products that are provided to these clients.
- Little to no thought is given to developing the right product mix, and the client base isn’t analyzed from a product delivery perspective.

These unintentional decisions negatively impact firms and the lives of their owners. Let me repeat: These unintentional decisions are causing chaos for you, your team and your firm.

So, what can you do about it?

### **An Antidote to the Traditional Firm Chaos: The Million Dollar Concept**

The Million Dollar Firm concept is about making an intentional choice to build a business independent of you that serves your ideal clients with ideal solutions. Ironically, it has very little to do with creating a million dollars of revenue. Although the concept will support such a financial goal, the number could just as easily be \$500,000 or \$3,000,000...the concept remains the same.

The Million Dollar Firm concept is really an antidote to the haphazard approach to firm revenue inherent in the traditional firm model described

above. Let's be very clear: This concept is less about your firm getting to—or being at—a million dollars in revenue. Instead, it is an intentional strategy you can use to more easily generate the revenue you have and/or want to have. There are three important revelations that are critical for you to keep in mind as you move through the remainder of this discussion:

1. You get to choose your product offerings.
2. You get to choose how you deliver these offerings.
3. You get to choose your clients.

As we examine the concept of The Million Dollar Firm here, it's also important to understand that implementing such a change in your firm may best be done in the following two broad steps:

### **Step 1: Define and deploy your ideal business model**

If you haven't taken the time to consider the Who, What and How of your firm's business model then do this before moving on to Step 2.

- "Who" refers to determining the clients you want to serve—those whose needs fit the core competencies of your firm.
- "What" refers to the types of services you should deliver. You need to decide what services your firm is really great at providing (the ones that don't necessarily require you to be involved).
- "How" is the specific method—the delivery system and technologies—you will use to deliver the services that you decide your firm should offer.

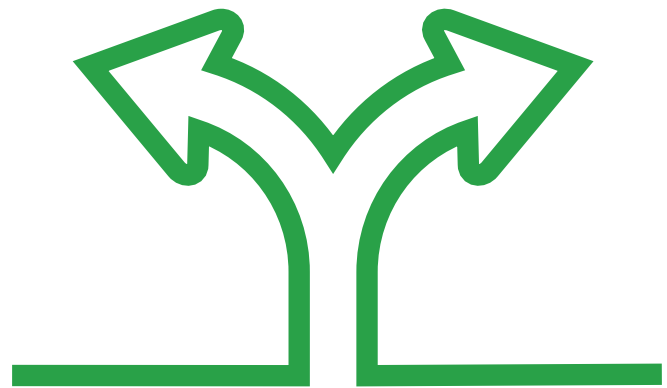
In Step 1, it is critically important to create your business model in the context of your Who, What and How. It's also important that you have actually implemented your business model. This means that you have your selected systems in place and that the majority of your clients are operating inside of them.

If you've accomplished Step 1, you should already be seeing significant benefits in the form of ideal

clients, a more focused and happier team, and a better overall business for you to run. You should be feeling more like an entrepreneur and less of a technician. If this is the case, you are now ready to move on to Step 2.

### **Step 2: Refinement is the key to relieving the pain in your revenue stream**

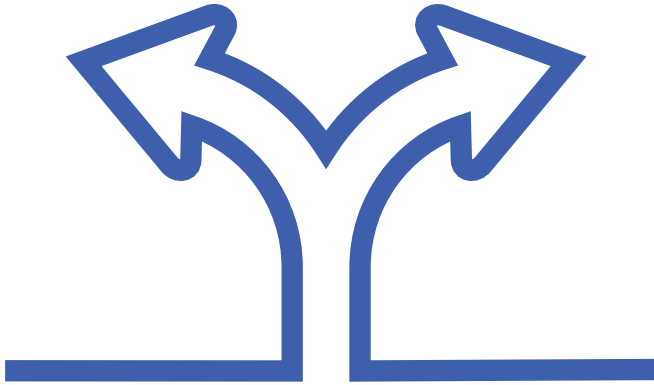
This step is the heart of The Million Dollar Firm concept and it is all about refinement. It goes beyond the idea of just serving clients with the services in which your firm has core competencies and asks the question, "What would be the easiest way for your firm to generate a million dollars?" Keep in mind that this question assumes you de-



**"What is the easiest way for your firm to generate a million dollars in revenue?"**

signed your business model in Step 1 with a focus on retaining revenue from all of the current sources in which your firm had core competencies.

For example, if your firm has a core competency in preparing individual tax returns for U.S. residents, in Step 1 we would assume that your firm will continue preparing these returns. Your firm may also have clients for whom you perform daily and monthly accounting services and things such as payroll, business tax preparation, and consulting. Let's assume you are generating a million dollars of revenue from all of these services.



**“Our example creates a Million Dollar Firm with only 210 total clients and no individual tax returns.”**

Now ask the question: “What is the easiest way to generate the same million dollars?” Another way of looking at this idea is to ask: “What are the pain points associated with the revenue currently being generated?” Yes, I know you have already implemented Step 1 and your firm has a defined business model and your clients are using this model—but, if your response to this question is that tax season is the major pain point because it causes you and your team to work significantly more hours and causes additional stress, then this is a service area that you should reevaluate.

Now, I am not suggesting that you stop doing individual tax returns altogether; I am suggesting that you consider where the pain points are in your current revenue model and make the intentional decision to remove them. Resolving to no longer “put up with” the problematic areas of your firm’s revenue model is central to The Million Dollar Firm concept. When you embrace The Million Dollar Firm mindset, you are making the decision to not only focus on what your firm’s core competencies are, but also to create your ideal revenue model with the conviction to cultivate the ideal clients to support it.

Let me give you an example:

If tax season is a pain point for your firm because of the long hours, additional work, and short time-frame it requires, then you may want to consider replacing your tax business with daily or monthly

accounting work that you can spread throughout the year and leverage other team members to do on your behalf. Therefore, if your current tax services generate revenue of \$300,000, then you would figure out how many accounting clients you would need to recruit to replace these dollars.

If you feel that this example represents an overly aggressive goal, please remember that this approach does not have to be all-or-nothing. It’s about finding the right balance for your firm.

Consider this: Instead of replacing all 700 of your tax return clients, you could work on just a portion of them, selecting, say, 150 of your “least favorites, low realizing” to replace with clients who generate recurring revenue based on your core competencies and who don’t put unnecessary stress and strain on your firm.

**Putting The Million Dollar Firm Concept into Action:**

Remember, it’s your business! You get to choose the solutions your firm markets and sells. You get to choose how you deliver these solutions. You get to choose the niche(s) that you serve.

With all that said, let’s look at how The Million Dollar Firm concept works using this simple example that makes the following assumptions:

- I made the decision to provide daily, monthly and annual client accounting services with a payroll option, that’s it (Kiss those tax returns good-bye!).
- I also decided to offer these solutions to service-based businesses and restaurants. These are areas in which my sample firm has real core competencies.
- I decided I want my solutions to be offered in a collaborative environment using only technology products that allow me and my team to work anytime and from anywhere.
- I don’t want any clients that do not fit into this model.

To satisfy my intentional business model, I am offering the following product solutions:

**Daily Solution** – Outsourced client accounting services where the firm performs bookkeeping tasks as well as month-end processing, payroll and annual tax compliance.

**Monthly Solution** – Month-end services that help the client manage their business. Data flows from the various connected technology products supported by the firm. This solution also includes a payroll offering and annual tax reconciliation and compliance filing.

**Payroll Solution** – Digital end-to-end paperless payroll preparation.

**Annual Solution** – Annual reconciliation of financial information and compliance filing.

### How Does The Million Dollar Firm Model Add Up?

Based on the example above, you can see in the following chart how the intentional business model from which I designed my product solutions (none of which involve endless tax return preparation) will generate at least a million dollars in revenue.

ly is. If you want to generate \$500,000 then cut the quantity of clients in half, if you want to do \$2,000,000 then double these numbers. It doesn't have to be any more complicated than that.

Of course, on the other side of the revenue equation are the projected costs for our Million Dollar Firm. Based on a client base of 210 business clients you should be able to generate a net profit of \$438,500.

Yes, you read that correctly. After we deduct overhead costs, which include employees, facilities and general and administrative costs, you net \$438,500.

Just imagine: no late nights, no heavy tax season, and the ability to generate your revenue anytime and from anywhere. Sounds pretty good, doesn't it?

This is what The Million Dollar Firm concept is all about. As I stated in Step 2, when you use this approach you really need to focus on refinement. By developing and deploying your ideal business model and being committed to the ongoing

refinement of your revenue stream, you will be well on your way to building a Million Dollar Firm—and most importantly—a business that you actually love. ■

Client Type	Number of Clients	Monthly Fee	Annual Revenue
Daily	15	\$1,500.00	\$270,000.00
Daily	15	\$1,100.00	\$198,000.00
Monthly with Payroll	15	\$700.00	\$126,000.00
Monthly without Payroll	15	\$500.00	\$90,000.00
Payroll Only	50	\$150.00	\$90,000.00
Annual Only (Business)	100	\$200.00	\$240,000.00
<b>Total Revenue</b>	<b>210</b>		<b>\$1,014,000.00</b>

There you go. Our example creates a Million Dollar Firm with only 210 total clients and no individual tax season. The solutions offered can be delivered by a competent team—not you. If you don't want to give up individual returns altogether, you could add 210 of them for your business clients and potentially increase your revenue by another \$100,000.

The point I'm making here is that your firm doesn't have to be as complicated as it more than like-

*To set your Million Dollar Firm goals, you can check out our Million Dollar Firm Calculator in the Rootworks Resource Center: [grow.rootworks.com/resource-center](http://grow.rootworks.com/resource-center). If you're not a Rootworks Member, contact our sales team at [sales@rootworks.com](mailto:sales@rootworks.com).*





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