Voices Is this the year you'll fire a few clients?

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April 23, 2019, 3:25 p.m. EDT

Published at https://www.accountingtoday.com/opinion/is-this-the-year-youll-fire-a-few-clients.

With my husband's Navy career moving us around the country we've changed accounting firms a few times. With his retirement in 2014 and our relocation to Florida we hired a firm we thought we'd stay with for a long time. However, it turned out the firm was too large for our needs. We were a small fish in a big pond – and we only heard from them when our tax information was due. This wasn't the expectation they set when we met.

2019 was no different. Our tax organizer arrived in early February, but my husband and I had already agreed to hire a new firm. We did our research, solicited references, held initial consultations, and selected our new CPA.

As March 15 approached, I thought for sure I'd get a call from my old firm looking for my corporate tax information. Not a word. They haven't called about our personal tax information either.

I think we've been fired – in the worst way possible.

Why Accountants Need to Fire Clients

Every firm has them, those clients who:

- Always dispute your invoices
- Are slow payers
- Are unwilling to pay for extra services
- Are less profitable than other clients
- Do not provide opportunities for you to cross-sell services
- Have limited growth potential
- Do not treat you or your staff with respect
- Lack trust in your abilities or knowledge
- Withhold information or are untruthful
- Place you or your firm at risk
- Fail to comply with providing information or communicating in a timely manner
- Have not provided you with new business leads
- Do not enable you to establish or build a niche

In the Intuit/QuickBooks Firm of the Future blog Ron Baker wrote, "Many consultants of firms estimate that the average firm contains between 10 and 40 percent of "F" customers. It is never easy, but it is necessary, to remove these customers from your firm."

In the latest available research on the topic from CPA Trendlines, 75 percent of survey respondents indicated they'd like to fire a few of their clients and another 14 percent said they'd like to fire some of them. Thirty-two percent had fired a client within the past 12 months and 20 percent within the past 30 days. Only 10 percent had never fired a client.

With a finite amount of time and resources, not to mention the desire for work-life balance, you want to be sure you are investing in your best clients. Perhaps this is the year you'll fire a few bad ones.

How to Determine the Clients to Fire

An annual evaluation of your client base is valuable not only in determining the clients to fire but to establish or clarify your firm's vision and strategy. The AICPA Private Companies Practice Section (PCPS) offers a client evaluation tool to PCPS members, including a standard Excel template, that is adaptable for evaluating a client based on pricing, timing, stress, risk level and overall satisfaction.

For those firms who aren't PCPS members check out this article by Mark Koziel that includes in-depth information about this evaluation tool along with ranking criteria.

The point of the client ranking process is to use agreed-upon criteria to provide real data to help make smart, logical decisions.

If you aren't interested in using such a comprehensive tool establish your own criteria, such as:

- Fee growth
- Realization
- Timeliness of payments
- Enjoyment of working with the client
- Year-end
- Preparedness

Create the criteria and process that will work for you and your firm.

How to Fire Clients

First, use the results of your client evaluation to determine the relationships that can be saved. For example, set a minimum fee for tax returns. Then, send a letter to each client who falls below this threshold informing them about your fee increase. You'll be surprised how many clients will pay the increase. Caveat: Only send this letter to those clients who will truly be better clients for you if they paid more.

This process can also be used for other issues. Be direct and tell the client what changes they must make to remain with your firm. Choose your words carefully so you don't offend them. Then, let the client decide what to do.

Second, determine those clients to fire – or transition to another firm. Split this list into those clients you'll meet with or call on the phone and those who will receive a letter. Caveat: Be sure to follow up your calls and/or meetings with a letter so all selected clients have your communication in writing.

Here are a few tips for your calls, meetings and/or letters:

- Explain that you'll no longer be able to provide services to them. This could be because:
  - You decided to focus on a particular niche.
  - You're focusing on clients that meet certain criteria.
  - Firm growth has resulted in the need to reduce the number of clients.
  - You've noticed a problem with your working relationship and think another firm may be a better fit.
- Provide a referral to another firm and assurance that you'll do everything possible to make the transition as painless as possible.
- Send the letters return receipt requested so you'll have proof they were sent and received.

Third, consider packaging a group of nonprofitable clients and selling them to another firm.

Whatever you do, don't ignore your clients like I experienced.

Use a Facilitator

Just like retreat facilitators keep partner groups focused and accountable, a facilitator for your client evaluation process can do the same. Note: The facilitator doesn't replace the need for firm leadership and commitment to the process.

For example, a client used the PCPS Client Evaluation Tool. I worked with two partners reviewing the ranking criteria, the timetable, and internal communication. Each partner conducted their own client analysis and the group met to review the results. Unsurprisingly, there were very few "D" clients (on an A-B-C-D scale). There was an unwillingness on the part of the partners to admit the weaknesses in their client bases. Without the necessary firm leadership, the process fell apart.

While working with another client we created our own evaluation criteria. I was asked to meet with the partner most resistant to letting go of clients – who ended up firing the most clients of any partner. Evaluating each client logically and providing encouragement did the trick.

Three Final Points

The decision to fire clients is an important, difficult one. Here are three more points to keep in mind.

1. The time you spend dealing with bad clients can be spent bringing in new, better clients and spending more time with your best clients.
2. If your client's behavior is preventing you from providing them with quality service this is a lose-lose situation. It is time to say goodbye.
3. The most effective way to reduce the number of clients you need to fire is to implement a formal client acceptance process. This will help you make sure you're bringing on the right clients in the first place.

Is this the year you'll fire a few clients? I hope it is since firms that regularly fire clients become more profitable, and have happier clients and staff. Who can argue with that?

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