

CLOSING YOUR DOOR TO “BAD” CLIENTS

By William R. Pirolli, CPA.



“You’re fired!!!” Never has such an ominous phrase been so popular. Now, although part of our popular culture, these words are still difficult to hear and, for most, even more difficult to say.

Many of us either have experienced being fired or have had to tell a staff member or associate that their services were no longer required. Some of us have even been fired by a client. But how often have you turned the tables and actually fired a client?

With the accounting profession facing what seems to be a never ending staffing problem with no shortage of work in sight, firms of all sizes are struggling with how to render timely quality services to their clients. Too often the reaction is to add staff and hope the problem goes away.

Perhaps a better idea is to take stock of what your firm is doing, what your priorities are, what you like to do, and what you are best at and, instead of adding staff, reduce the number of clients you serve. Shocking for sure, but isn’t it just possible that by focusing your firm’s resources on a narrower set of services, you could actually provide higher quality services, achieve more efficiency and higher profitability, and produce less stress?

THE STOP, START, AND CONTINUE TEST

An easy way to take stock is to conduct a Stop, Start, & Continue evaluation of your firm. The objective of this exercise is to seek answers to these questions: “What are we doing today that we should stop doing? What are we not doing that we should start doing? And what are we doing well that we should do more of?” Involve the entire firm in this evaluation. Staff input is critical here.

We have gone through this exercise many times in our firm. In the past, it led to decisions to stop doing payroll and write up work, discontinue doing certified audits and non-profit work, expand our estate and trust services, and add performance measure and investment advisory services to our practice. Of course, anytime you stop providing a service, you may no longer be able to service some clients in the same way, if at all.

In these cases, we tried not to fire the client but rather we upgraded them to keep pace. We assisted the payroll and bookkeeping clients in developing internal recordkeeping systems, hired quality bookkeepers for them, or hired an outside payroll service. In the case of our audit practice, we converted several to reviews and the rest we contracted out to other firms, thereby allowing us to continue to service the account for tax and consulting and at the same time build some strong strategic alliances with other firms. These alliances have produced many referrals for us as well. Developing strong strategic alliances with other firms is critical to helping you refocus your firm’s services and transitioning clients.

CLIENT ACCEPTANCE POLICIES

More importantly, we learned to say no to this type of work in the future. By establishing strong policies related to client acceptance, we have limited the number of clients that don’t seem to fit.

I fully recognize, however, that there are always exceptions. When your best client asks you to help out with his son's small business, saying no may not be an option. Constant exceptions to the rule, however, create a hodgepodge of inefficiency, with the firm's only real commitment being trying to be all things to all people.

As we work hard to build our reputations and referral sources, saying no to a potential client is very difficult. As a profession, we also place a high premium on our partners and those wanting to become partners and their generation of new business. This seems to translate only into new clients, but in reality most of our growth comes from our own clients' internal growth. So why shouldn't this count as new business?

BEFORE SAYING "YES"

The next time you are tempted to say yes to a new client that you shouldn't take on, keep two things in mind. First, you moved away from providing a certain service because you didn't like it, or perhaps because you had so little opportunity to provide it, you weren't as good at it as you are with other services. Going back puts you in the same situation you were in before.

Second, if you are a good marketer, something else that fits always seems to come along. Aren't you complaining that you have too much to do as it is? It takes much more effort to develop a new relationship than it does to expand an existing relationship. The first time you say no to a potentially good client, pick up the phone and take one of your existing clients to lunch and see if they need any additional services. There is leverage in your database just waiting to be discovered. Have you ever heard a fellow accountant say, "If I could get rid of most of my clients and staff and just focus on my best clients, I would be all set". Well...what are you waiting for?

Now, let's talk about the bad clients. You know the ones. Late filers, late payers, bad recordkeepers, abusive, always needing it yesterday, and never wanting to pay for it. Most importantly, they have turned their problems into your problems and perhaps put your firm at risk. We are not talking about difficult clients. We all have them. We are talking about bad clients. In fact, if you're unsure who the trouble clients are, just ask the staff or, for the most reliable information, ask the person who answers the phone. That person is the first line of defense and knows all the bad apples.

The question is why do we keep them around when we don't like them and they don't appreciate us? Please don't say that it's to keep staff busy during slow periods or we use them for training. Let's deal with slow periods with proper staffing and rendering non-seasonal services like estate and investment planning to existing clients. Training staff on bad clients will only produce frustrated staff. A bad client is just that, a bad client not worthy of your time and resources, not now, not later.

CHECK YOUR COMPENSATION MODEL

So, why do we keep them? Pride, fear, stubbornness, growth for growth's sake, refusal to accept change, even change that is good for us and our firm. Perhaps your firm compensates partners based upon a gross book of business, regardless of how bad the client is, how little the firm nets, or how often the apple cart is upset. Should a partner's compensation suffer for getting rid of a bad client? Wasn't that the cause of some of the profession's recent problems? Doing the right

thing was expensive to someone so bad decisions were made. If your compensation model places a higher value on a bad client than a good decision, perhaps it's time to revisit the model.

In theory, getting rid of these clients should be easy. Write the letter and tell them you are no longer in a position to service their account. Blame it on yourself with no hard feelings. The relationship is just not right. We run businesses and sometimes we lose sight of that. We are not bound to represent people we don't like or who cause general chaos all the time. Why do we make it harder than it needs to be? For all of the reasons previously stated, once they're on board we resist letting anyone go. We view firing a client as a failure, instead of a successful commitment to our firm's strategic growth. "Suck it up and deal with it," is the typical firm motto. "We can't afford to lose the revenue." In today's climate, you can't afford to keep the revenue.

So, what is the incentive for firing a client? Besides the great feeling of empowerment it will give you, your staff will appreciate it, and it will be a great morale booster. In addition, if this pruning is done as part of a long-term plan to focus your practice on a selected mix of services and clients, then it will produce a smoother running and less stressful office.

IS RAISING PRICES A DETERRENT?

There is another school of thought for making bad clients go away. Many practitioners say that the way to drive them out is to raise their fees so high that either they will leave or continuing to provide them services will become worth the aggravation. Certainly worth a try, but I have two thoughts here. One is that, as a profession, we are terrible at actually doing this. We all have stories about how we have on occasion gone this route. For the most part, however, the "premium" we are willing to charge does little to change our attitude about the client. My second thought is the old restaurant motto, "One unhappy customer will tell ten people about their experience." Sure, we don't want them as clients anymore but we also don't want them out there saying bad things about us. If they are really bad enough to fire, however, then virtually no amount of money will make them better.

With filing season behind us, I hope you use this recovery period to evaluate your practice while it is still fresh in your mind and think about both pruning the tree to focus your practice and firing a few bad apples. Even the best of firms require ongoing maintenance. Think of it as a spring cleaning for your firm. Next week I may even write a few letters myself.

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