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Some Tips for the Small Business Owner for Managing a Professional Practice

As an experienced professional and the owner of a forensic accounting and consulting practice, I have learned many valuable lessons about how to manage a professional practice. While it is not possible to discuss everything I have learned in the space of one article, a few areas thought to be helpful are discussed herein in varying levels of detail. No one-size fits all, so apply the information contained in this article to your particular circumstances only if appropriate.

Consider the following:

A. Time Management

In an age of ever-increasing demands on your time, it is important to manage your time well. Often small business owners have to wear many hats as they do not have the staffing and resources to draw on, as they would have as employees in larger organizations. Effectively, the small business owner has to manage (and possibly be) all departments of the business.

Being efficient and taking actions that achieve results can only result in overall time savings. Efficiencies may be achieved through automation, outsourcing, having strong processes in place and identifying and eliminating those activities that do not add value. Do you have written policies and procedures in place? Have you planned ahead for the expected growth of your practice and the time when you will need to hire one or more employees? Has business been slow lately? This could be a good time to develop good workflow processes and implement those systems that are going to save you time in the future when business picks up.

Safeguard your time from being gobbled up unexpectedly: back-up your programs and data. Have at least one off-site backup. An unexpected system failure can literally put you out of business and you may also be in breach of laws and professional guidelines. Be sure to test your back-ups regularly to ensure that they actually work. Know how long it will take you to become operational again should disaster strike.

If you obtain a retainer in advance of performing work and replenish the retainer as it runs out, you will effectively eliminate the need for a collections department (one less hat to wear!). Be sure to obtain further retainers before the prior retainer(s) run out, so that you are not in a situation of not being able to work because you did not properly plan ahead.

B. Client Selection

As much as clients select their vendors, as professionals, we should exercise due professional care in selecting our clients. Clients that draw on a disproportionate amount of your resources (time and energy) can be devastating to your practice, leaving you feeling unfulfilled, unappreciated and exhausted. There is the added risk that desirable clients will be impacted by your diminished capabilities when you are able to work on their cases. Clients who do not wish to pay their professional bills may even threaten to resort to filing complaints with licensing authorities as a means to avoid payment. Choose wisely upfront to avoid problems later.

C. Resource Allocation

Think of yourself as a machine that runs on oil. When there is enough oil applied to the machine, the machine functions smoothly, does not break down and does not wear down beyond normal wear and tear. When the oil is depleted, the metal parts cause friction and start to wear each other down, damaging the machine. When the machine wears itself down enough, it may no longer function or if it does still function, may be damaged for the long term.

Most people only have a certain amount of energy, time etc. (the oil) to allocate to their professional practices each day. When the oil has been used up, the machine itself (you) starts to become depleted. If possible, safeguard the machine by ensuring that you use your oil reserves wisely. Therefore, carefully allocate the relatively scarce supply of daily oil to important tasks each day and do not expend it on non-value added activities.

D. Human Resource Identification

There can be a tendency among entrepreneurs to have the mentality of building a business “on my own without any help from anyone.” If you really think about it, you rely heavily on others in life. Typically, we do not cut our own timber to build our own offices, build the electronic equipment we use, connect the telephone lines, manufacture our own paper and supplies and so on. No one can do it all by themselves. Once you get over the “on my own” mentality, you may be more inclined to reach out to others who may be powerful resources. Drawing on these resources to assist you in building your practice can free up a lot of time for more important business activities.

Ensure that your process for identifying and evaluating resources is sound. Ensure that the person you wish to be a resource is really a resource and saves you time and/or money, and does not instead become a drain on you and your practice. At times, it may be more efficient to do things yourself than to delegate the work to someone else and then to review it. It is an exercise in cost-benefit analysis, often difficult to quantify, with a decision being reached after considering all of the necessary factors.

Ask yourself what professionals are available to you to make your life easier. Utilize those people who have been there before you. You don't have to painfully go through each learning curve that exists in your business world – others can help.

E. Marketing

Consider writing articles, blogging, networking or exploring other appropriate avenues to get your name out there. Most small business owners have to be marketers as well as business owners unless they have a marketing department or a constant stream of referrals.

Your business cards should state what it is that you do. People may use this information later to remember you. A professionally–designed logo added to your business card and website can help in branding your business.

A website can add professionalism and credibility to your business. You can even have a short professional business video filmed to put on your website as part of your web presence. Be sure to keep your website updated as needed e.g. for new services that you may offer. You may also want to optimize your website so that it can easily be found by people using online search engines.

If you attend networking events as part of your marketing endeavors, be sure to arrive early to network. Time management is important during these events as you do not want just one person to monopolize all of your time. Staying late is not a bad idea either: that way you can meet people who you were not able to meet before or during the event. It is often not enough for you to just be physically present at a networking event to see results. Don't be afraid to smile and say hello. Be friendly. People are generally more responsive to friendly people. Dress appropriately and ensure that you have enough business cards with you – and know where to find them. Fumbling around trying to find a business card may not make the best first impression.

Make sure that people you know have a good idea of what it is that you do and in what situations you can assist others, so that if a referral opportunity does come along, you do not lose it unnecessarily.

Be able to verbally state in simple terms what it is that you do. While large words may impress some people, they may hurt the growth of your business.

If business is slow, that could be a good time to market. Remember to keep up with your marketing, even in busy times, so that you stay busy beyond your current assignments.

F. Goal–Setting and Problem Solving

What are your short, medium and long term goals for your business? Do you want to build an empire or will you be satisfied with a small, but successful business? How much of a work–life balance fulfils you? Consider setting goals for your desired levels of revenue, net profit and costs. Remember that revenue is not the same as net profit: Making more sales does not necessarily translate into higher net profits. You may be spending more money to service additional customers, thus making less money overall. Be sure to appropriately control your costs.

Be a problem solver – life is filled with problems, but it is our attitude towards them that makes all the difference. In doing so, identify the real obstacle that is standing in the way of your goal and address that obstacle (and not another one that is more comfortable for you to address!). Be proactive. Don't procrastinate. If needed, consult with an appropriate business or life coach.

G. Technology and Automation

We live in the age of technology and technology is changing very quickly. To survive, we must embrace the changes. The expression “adapt or die” may be familiar to you. If you are not tech-savvy, learn or, at the very least, be willing to learn. Many technologies are becoming increasingly affordable, and thus access to them becomes easier. Find out what technologies are out there – you may not know unless you ask. You can obtain these answers easily and quickly – simply go onto your favorite search engine.

Use technology to make your life easier. At times, it may be more appropriate or efficient to perform tasks manually – using technology is not always the best choice, but oftentimes it can be.

When is the right time to implement a new technology-based system in your business? When the technology is cheap enough? When you have more time? Making a time sacrifice now may save you more time in the long run.

H. Contact Management

Make sure that you have a good contact management system in place. When you meet large quantities of people, you may easily forget those whom you meet. Make sure that as soon as possible after a meeting or other type of introduction, you record your new contact(s) in your centralized repository of contacts and record any notes that are memorable about those contacts. It is all too easy to put off this task and the longer it is put off, the less likely that it will be done at all. Get into the habit also of not only capturing contact information shortly after a meeting, but also following-up as appropriate. This may include a telephone call, an email or even setting up an appointment for a second in-person meeting.

I. Price-Setting for Your Services

Some of the factors that you should consider when setting a price for your services include:

- **Constraints:** Ensure that you comply with all laws and ethical guidelines. These may be in the form of price ceilings or how prices may be charged e.g. hourly or fixed fees, contingent fees etc.
- **Supply and Demand:** Generally, certain services provided by a particular industry are presently in greater demand than other services provided by that industry. Supply and demand changes as the market changes. Consider how much your competition is charging for similar services and how much competition you have.
- **Perceived value:** If your services are perceived to be of a higher value than those of your competition, you may be able to charge a premium for your services e.g. having a particular credential may result in a perception of greater value.
- **Length of time for which you have been in practice:** If you are new in business and lack experience in certain areas, there will be a learning curve. It is not recommended that you charge your clients for your learning curve.
- **Market penetration:** Charging a lower price than your competition may allow you to penetrate a market new to your business, resulting in more business. However, it may not be advisable for price alone to be your business's only differentiator. Sometimes, charging too low a price can actually cause you to lose business as people may not perceive that you are very good at what you do.
- **Drive-time:** Consider if you should charge for your drive-time and how much to charge. Consider if you should charge a standard rate for mileage. Determine if this should be in addition to your drive time.
- **Prestige/goodwill:** Branded firms may be able to charge a higher price for their services. Generally smaller firms are not well-branded firms.
- **Experience vs. price:** You may not be able to reflect years of experience in the price charged for certain services. This is because the market may only bear so much for a particular kind of service, regardless of the amount of your experience.

- Break–even: Consider setting a price so that you cover the costs of doing business and also make a living. Don't forget to set aside enough money to pay your taxes, invest for retirement etc!
- Buying in bulk: You may want to charge a prospective client with 1,000 hours of work a lower price than a prospective client with 10 hours of work.
- Price versus volume considerations and opportunity cost: If you reduce your price, you may have a corresponding increase in volume. However, you may not have the time to accept higher–paying jobs when they arise due to the volume that you are handling as a result of reduced prices. Similarly, increasing your price may result in a decrease in volume. Although you may be charging a higher price, you may make less money overall. In a tough economy, ask yourself if it is better to get something than nothing.
- Personal goals: What are your personal goals? How much work, if any, do you wish to do on a pro bono basis? Do you have boundaries and limitations set up regarding this? Can you say no? While it is admirable to want to help people, doing too much free work may mean the death of your beloved business. How important is it for you to maximize the amount of money you make versus helping people who are in need of your services, but who cannot afford your regular rates? How many hours do you want to work in a given period of time? What other ongoing commitments do you have in your life? In order to have available the amount of personal time that satisfies you, you may need to charge a higher price.
- Price per hour or fixed price: Generally speaking, with a price per hour system, the client bears the monetary risk of excess hours worked. In contrast, with a fixed price system, the professional vendor generally bears the monetary risk of excess hours worked.
- Vacation time: If you are a sole practitioner, be aware that when you are on vacation, you cannot bill hours like you usually do. You should consider factoring your vacation time in to the price you charge.

Price setting may be different for different services that you offer.

Conclusion

Having your own business is a lot of work, but it can be very rewarding as well. The luxuries of setting your own hours and boundaries can be very alluring, but be prepared to work on your time management, resource allocation, marketing etc. Which hat will you be wearing today?

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