Building a Next-Generation Practice

Years of little or no growth all changed when Montgomery & Company took a bold, fresh look at advisory services.

Joe Montgomery III remembers growing up in the mid-1990s as his father was building an accounting practice. *"In those days, we burned candles at the kitchen table to conserve electricity, and our family ate pretty lean,"* he recalled. But through his father's grit and determination, soon the fledgling firm was on its feet, serving local small businesses and new entrepreneurs.

When growth fell off in 2009, young Montgomery joined the firm and, together with his father and sister, Montgomery & Company confidently stepped into the future with a fresh mindset, transformative ideas, and the energy to get back into growth mode. Here's how they did it…

Shifting from a transactional to a value-pricing model

"One of the things we did from the beginning was to examine what clients needed from us and how we fulfilled their needs," said Montgomery. "We realized that we were handling a lot of transactions, many of them one-off and reactionary. When a client needed something, they would call us, we would go do the work, and then send them a bill. Clients would also drop by the office and leave a shoebox full of checks, receipts, and other 'data' at tax time."

Aiming to add value to client relationships and enable his firm to better manage and streamline its workload, Montgomery scoped out the kind of assistance clients would need over the course of an entire year.

"As a result, we're now doing work for one monthly fee instead of by-transaction billed separately," said Montgomery. "Our advisory services are helping clients to be more prosperous and keep more of the money they've made. In the process, we determined many were also willing to pay for things like the implementation of cloud-based services, mobile app installation, on-site training, and webinars that can improve their profitability."

Quick Facts

Joe Montgomery III
Partner and CPA

Firm Name	Montgomery & Company, CPA's
Industry	Accounting
Established	1994
Employees	10
Locations	1
Headquarters	Greenville, South Carolina
Website	montgomeryandco.com

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Identifying new ways to serve clients

Payroll and areas related to it have fast become a source for new moneysaving insights – because for many clients, labor is their largest cost.

"One of our clients, a moving company, had low profit margins," said Montgomery. "So, we looked at benchmarked data for similar moving companies in the region – same size and revenues – and discovered that their profit margin was 10 percent lower than 91 other firms in the area. A review of their pay practices showed that not using a time clock was significantly adding to their labor costs and taking a bite out of their profits.

So, they've installed a time clock and profit margins are better." Montgomery added, "Our clients are not just looking through the rearview mirror anymore. We're helping them look through the windshield to see what's coming and to be proactive. We're helping them to avoid being a statistic – one of those businesses that failed, because they lacked the data to succeed. *That* is what we now get excited about."

Aligning And Engaging Internal Staff And Clients

Transforming the firm into a next-generation practice required careful planning and a strong belief in a positive outcome. Montgomery said, "Once we knew we had something exceptional to offer our clients, we went to those who have been with us for a long time and asked them if they would like to try our new tools and engage in a new experience with us. To make it worth their while, we discounted things a bit."

At the outset, things went slow. "We were learning together. We obtained every certification we could in order to gain more knowledge and expertise. We did a lot of training – a ton of training," he recalled. In addition, the accounting firm revamped its website to reflect new tools and services. Along the way, Montgomery did monthly coaching calls with **Rootworks**, a community of progressive accounting professionals who share ideas to help community members build next-generation practices.

The results of their effort speak with confidence and clarity. "Over the past four years," said Montgomery, "we've seen a 36 percent increase in our revenues and have lost only two clients."

Working smarter, instead of harder

Montgomery & Company's workflow also became more consistent throughout the year. He noted, "We're still doing tax preparation – but we're no longer working 80-hours a week during tax season. Our summers, which saw us doing little work in previous years, are busy with mainly advisory work. Our culture has changed, too. Our staff is coming to work each day with a different state of mind." Suits and ties have given way to slacks and button-down sport shirts. There are more team lunches and proactive team-building experiences.

He added, "We're working less, but working smarter. Technology is doing a lot of the heavy lifting and we're making more money with about the same amount of people."

Montgomery & Company also gained a newfound appreciation for companies that provide payroll and HR services, realizing they can help to strengthen and even add to the suite of advisory services offered by the firm.

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Recognizing the role of cloud-based partners

"I remember we used to think, as accountants, we should be doing our clients' payrolls," said Montgomery. "As we rethought our own business and our culture, we've come to realize that's not so good an idea, because it takes time away from doing other things for our clients. If an industry leader like ADP is considered one of the best resources to offer payroll, HR and benchmarking data, why wouldn't we want to partner with them and leverage our relationship by offering it to our clients?"

He added, "Letting ADP handle payroll and other value-added services – things they obviously do very well – is a really good idea for an accountant. It does leave you more time to be a resource center, a strategic advisor, for your clients."

However, making that strategic shift takes trust – the profound level of trust that Montgomery has in the collective guidance and thinking from an online community like Rootworks that champions small accounting firms, that are changing the profession.

"Our family at Montgomery & Company mirrors the Rootworks family. Rootworks trusts ADP, so we trust Rootworks and ADP," Montgomery concluded.

You do more than accounting. We do more than payroll.

See how ADP can help you get more strategic with clients at adp.com/accountant.

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