



Running a Firm Like a Business

BUILDING THE FIRM OF THE FUTURE

The accounting industry is rapidly evolving, and firms' operations must evolve, too. I remember speaking with a managing partner not too long ago who expressed frustration with the pace of change and decision-making in their firm. It wasn't that they didn't see the need to evolve—they did. However, moving away from the comfort of the traditional partnership approach to something more business-oriented felt daunting. This kind of story isn't unique. It illustrates the importance of having the right mindset and straightforward strategies to navigate the change successfully.

! **Disclaimer:** This whitepaper does not provide advice on your firm's legal structure. All references to "partnership" and "business" refer to your mindset.

Traditionally, many accounting firms have operated as partnerships, focusing on serving clients and sharing profits. However, today's competitive landscape and client expectations call for a different approach: running a firm like a business. But what does it mean for accounting firms to operate as a business rather than a partnership, and why is this shift essential to their future success?

This white paper focuses on the critical elements necessary for running a firm like a business. For a complementary overview of the core principles that serve as a mindset foundation, see our **'Principles for Running a Firm Like a Business'** infographic, available for download.



Below, we'll explore the critical elements of running an accounting firm like a business, offering insights on leadership, growth, efficiency, and innovation. These elements can help create a sustainable, forward-looking firm that thrives in today's challenging market.

Critical Elements of Running a Firm Like a Business

1. Leadership Structure and Accountability

Balancing a collaborative culture with accountability requires clear structures and decision-making processes. One of the essential challenges is separating governance from operations. Establish leadership roles that drive strategy while maintaining transparency and collaboration. Encourage leaders to align team efforts with the firm's broader goals, ensuring accountability without sacrificing team dynamics.

One of the fundamental differences between a partnership and a business structure is how leadership is organized. Think of it this way: in a partnership, leadership is often like a group of friends trying to decide where to go for dinner—everyone has a say, and it can take forever to decide. In a business, however, a clear leader takes input, but they ultimately make the call. What kind of leadership structure will best serve your firm's future growth? In a partnership approach, decisions are often made collectively, leading to slower decision-making and sometimes conflicting priorities. To run a firm like a business, accounting firms must adopt a leadership structure where accountability is clear and leadership is focused.

- **Establish a C-Suite:** Just as corporations have CEOs, CFOs, and COOs, accounting firms should consider appointing functional leaders, such as a CEO or Managing Partner, who are responsible for setting and executing the firm's strategy. Functional heads for marketing, client relationships, human resources, and technology are also crucial.
- **Utilize a Management or Executive Committee:** Ongoing accountability for firm leadership rests with a subset of the partner group. This committee functions to improve firm governance and create accountability for the Managing Partner or CEO.
- **Performance Metrics:** Performance metrics should go beyond leadership and partners to include all team members. Define KPIs for every role, ensuring they align with the firm's strategic objectives. Use analytics and regular reviews to track progress and adjust strategies, ensuring accountability across the board.

2. Profitability and Financial Discipline

Running a firm like a business means prioritizing financial discipline, profitability, and growth. Financial discipline is the cornerstone of a sustainable, high-performing firm. It ensures a focus on the firm's profitability and directly impacts client success by enabling the firm to reinvest in technology, talent, and client service improvements—ultimately providing greater value to clients. In a traditional partnership, income may be distributed among partners without much emphasis on reinvestment for future growth.



- **Reinvest in Growth:** Businesses reinvest profits to fund innovation, expansion, and talent development. Accounting firms should dedicate part of their profits to technology adoption, marketing, and staff training, among others.
- **Focus on Profit Centers:** Identify what areas of the firm drive profit and where challenges exist. Intentional efforts to improve profitability require understanding what is working and what isn't.

3. Client-Centric Growth Strategies

Businesses are laser-focused on growth and client experience, and accounting firms should adopt the same mindset. Growth should come from understanding client needs and developing services that exceed their expectations. Tailor services to exceed the expectations of high-value clients while maintaining quality standards for others. This differentiation ensures resources are allocated to maximize client satisfaction and retention while fostering growth.

- **Advisory Services:** Supplementing, if not transitioning from, traditional compliance with advisory services is one of the most significant shifts a firm can make to drive growth. Take a moment to assess your firm's current approach—are you genuinely providing proactive advisory services, or are you still focused on historical compliance? Identifying where you add value and drive client results is the first step toward making meaningful change. This requires a deep understanding of client needs and proactively offering solutions.
- **Client Experience:** Build client relationships by providing value beyond the service level. An excellent client experience means understanding client goals beyond accounting and proactively helping them achieve them.

4. Operational Efficiency and Technology Integration

Operational efficiency is a crucial characteristic of successful businesses. Accounting firms must adopt a mindset of streamlining processes, integrating technology, and eliminating inefficiencies.

- **Workflow Optimization:** Map out existing workflows and identify bottlenecks—Reengineer processes to reduce redundancies and enhance efficiency, much like a business optimizes its production lines. The process comes before technology; otherwise, you're simply speeding up a bad process.
- **Technology Adoption:** Utilize technology to automate administrative tasks and workflows. This includes client portals, accounting software, CRM systems, data analytics, and artificial intelligence tools.

5. Talent Development and Culture

Running a firm like a business means tying talent development directly to the firm's vision and strategic objectives. Invest in leadership and personal development programs that ensure all employees—at every level—understand how their roles contribute to long-term success. High-performing firms create structured career pathways and mentorship opportunities, ensuring employees feel engaged and aligned with the firm's goals.

- **Career Pathways:** Develop clear career paths for all employees, not just potential partners. Fully developed leadership programs offer structured growth opportunities that equip employees with the skills they need to excel. Providing opportunities for advancement, professional development, and mentorship keeps employees engaged and invested in the firm's success.
- **Performance-Based Culture:** Create a culture where performance is recognized and rewarded. Foster a culture of excellence at every level—encouraging employees to take initiative, innovate, and grow. Celebrate successes, reward innovation, and ensure accountability to build an environment where everyone is motivated to contribute to the firm's vision.

6. Strategic Planning and Innovation

Businesses thrive on strategic planning and innovation, while many traditional accounting firms operate year-to-year without a long-term vision or strategic plan. This presents a unique opportunity for firms willing to differentiate themselves by being proactive. By embracing a forward-looking vision and strategic plan, you can set your firm apart from the competition and ensure sustainable growth. Running a firm like a business requires looking beyond short-term gains and focusing on sustainable development. Encourage innovation at all levels by fostering a culture where employees are empowered to contribute ideas. Use technology and

collaborative tools to identify opportunities for new services, improved processes, and enhanced client experiences.

- **Long-Term Vision:** Develop a vision that looks ahead 3-5 years and a strategic plan to achieve it. Define key objectives, target markets, and growth opportunities.
- **Embrace Innovation:** Encourage innovation in client services and internal processes. This could mean adopting new technologies, experimenting with pricing models, or launching new service lines.

What It Means to Run a Firm Like a Business, Not a Partnership

For accounting firms today, running a firm like a business rather than a partnership means creating a strategic, disciplined, and intentional operation. In a partnership, decision-making can often be distributed and consensus-based, which can slow progress and cause misalignment. On the other hand, a business mindset introduces a leadership hierarchy, clear accountability, and financial reinvestment for growth.

Running a firm like a business means:

- **Clear Leadership and Direction:** Instead of multiple partners trying to align on every decision, establish clear leadership roles that make strategic decisions for the benefit of the firm as a whole.
- **Client Experience Over Partner Interests:** Prioritize what's best for the client rather than focusing solely on what generates the most profit for individual partners.
- **Investing in the Future:** Instead of distributing all profits to partners, reinvest in technology, training, and talent development. This forward-thinking approach builds long-term sustainability.

Challenges in Making the Transition

Shifting from a partnership to a business mindset requires careful change management. Communicate consistently and provide actionable steps to help partners and employees embrace accountability, efficiency, and innovation as core values.

- **Mindset Shift:** Changing the mindset from a traditional partnership to a business model can take time, especially for partners accustomed to the old working methods.
- **Role Clarity:** Establishing clear leadership roles may create tension among partners used to equal decision-making authority.
- **Cultural Change:** Shifting from a partnership culture to a business culture requires deliberate change management, consistent communication, and fostering a culture that values accountability and innovation.

Start Today

Start building the foundation today to create a firm that will last generations. Adopting a strategic approach to leadership, growth, and innovation allows you to transition from a partnership mindset to a business mindset that prioritizes healthy growth, efficiency, and sustainability.

The accounting landscape is changing, and firms that want to thrive must adapt. Running a firm like a business rather than a traditional partnership means being strategic, client-focused, and proactive in every aspect of its operations. By adopting a clear leadership structure, prioritizing growth and efficiency, investing in technology, and fostering a culture of accountability, firms can set themselves up for long-term success in a competitive market.

At Upstream Academy, we help firms transition to a business mindset. We equip leaders with the tools to navigate change, drive growth, and build a sustainable future. Are you ready to make the shift?

CONTACT US today to learn how Upstream Academy can help your firm run like a business and achieve high performance.



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About Upstream Academy

Built on real-world experience and thought leadership, Upstream Academy equips accounting firms with innovative solutions for higher performance. We position firms and professionals to navigate the challenges of the future successfully.

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