

2013 FVS Membership Top Issues Survey

The Top Five Issues Facing Forensic
Valuation Practices





Table of Contents

Challenges and Solutions for FVS Professionals:
The Results of the **2013 Forensic and Valuation
Services Membership Top Issues Survey** 2

Issue 1: **Bringing in New Clients** 4

Issue 2: **Retaining Qualified Staff** 10

Issue 3: **Client Retention** 13

Issue 4: **Fee Pressure/Pricing of Services** 15

Issue 5: **Firm Differentiation Through Services** 18

Challenges and Solutions for FVS Professionals: The Results of the 2013 Forensic and Valuation Services Membership Top Issues Survey

Is your firm facing the same challenges and opportunities as your competitors? The **2013 Forensic and Valuation Services Membership Top Issues Survey** provides unique answers to that question. It examines the issues and trends affecting the practices of forensic accounting and business valuation professionals working in a wide range of organizations nationally. The survey findings are based on responses from CPAs in firms ranging from sole practitioner to large full-service public accounting firms and from forensic and/or valuation specialty practices.

New Challenges

This year's results were strikingly different from the findings when the survey was last taken in 2010. The top five issues this year were:

- 1 Bringing in new clients
- 2 Retaining qualified staff
- 3 Client retention
- 4 Fee pressure/pricing of services
- 5 Firm differentiation through services

Compare them with the top five responses in 2010:

- 1 Keeping up with professional standards
- 2 Keeping up with the evolving valuation body of knowledge
- 3 Bringing in new clients and client retention
- 4 Developing a niche or specialization
- 5 Access to specialized training

FVS practitioners in 2010 were sharply focused on the technical side of the business: gaining or keeping up with technical knowledge and establishing their niche. Attracting and keeping clients was on the list, but it was overshadowed by technical or specialization concerns.

That focus has shifted this year. Bringing in new clients and client retention, Nos. 1 and 3 respectively in 2013, along with fee pressure and pricing at No. 4, demonstrate a new level of concern about competition. This year's issue No. 5, firm differentiation through services, similarly reflects a greater interest in finding new ways to stay competitive. The remaining issue — retaining qualified staff at No. 2 — was not on the list last time, but attests to practitioners' ongoing commitment to maintaining top-quality services.

These findings are consistent with those of other similar surveys of the profession. The most recent [PCPS CPA Firm Top Issues Survey](#) also found that bringing in and retaining clients were each among the top issues for firms of all sizes. Although client concerns clearly are on the minds of FVS practitioners, there is some good news on that front. In the most recent [AICPA Forensic and Valuation Services Trend Survey](#), FVS professionals reported greater demand for their services. About half were spending more time on FVS work and about one-quarter have added more professionals to their practices. Most expected to see continuing strong demand in the next two to five years. This may mean that while the need for FVS services remains robust, uncertainty about the overall economy has caused FVS professionals to place a greater emphasis on attracting and retaining clients, anticipating fee pressures and working to set their firms apart.

How can FVS professionals address the issues identified in this year's survey? This commentary will consider each one and provide details on related resources. It also will offer advice from veteran FVS professionals on addressing each topic.



Issue 1

Bringing in New Clients

A resounding 87% of survey respondents thought this issue was somewhat or extremely important, with 63% choosing extremely important. It's of special concern to FVS professionals, notes Bob Gray, CPA, ABV, CFF, CGMA, a ParenteBeard LLC partner and chair of the AICPA Forensic and Litigation Services Committee. He points out that practitioners who run consulting practices must be much more proactive in their marketing than those who have annuity audit and tax clients. "FVS services don't involve repeat business as much," he says. "Every year the odometer goes back to zero."

"This is the hardest issue for professional services," says Greg Regan, CPA, CFF, a partner of Hemming Morse, LLP and a member of the FLS Committee.

“You have to make a continuous investment.” He recommends devoting some time to marketing every day, making it a habit in both slow and busy times. Regular contact with prospects or former clients can include a lunch meeting or forwarding an article on a topic of interest. Regan also attends local bar association meetings when they offer continuing education or other sessions that are relevant to his work. “Try to sit next to someone you don’t know,” he advises. “Send a note to the speaker and ask him or her to lunch. Send the speaker or others you meet an article that relates to what was discussed.”

Promoting your own expertise also is important. “Clients now want to work with specialists, not someone who is doing valuation as a generalist,” says Randie Dial, CPA, ABV, a partner of CliftonLarsonAllen LLP. “They want to know you’re an expert in the field, that you do this work full time and that you have the proper credentials.”

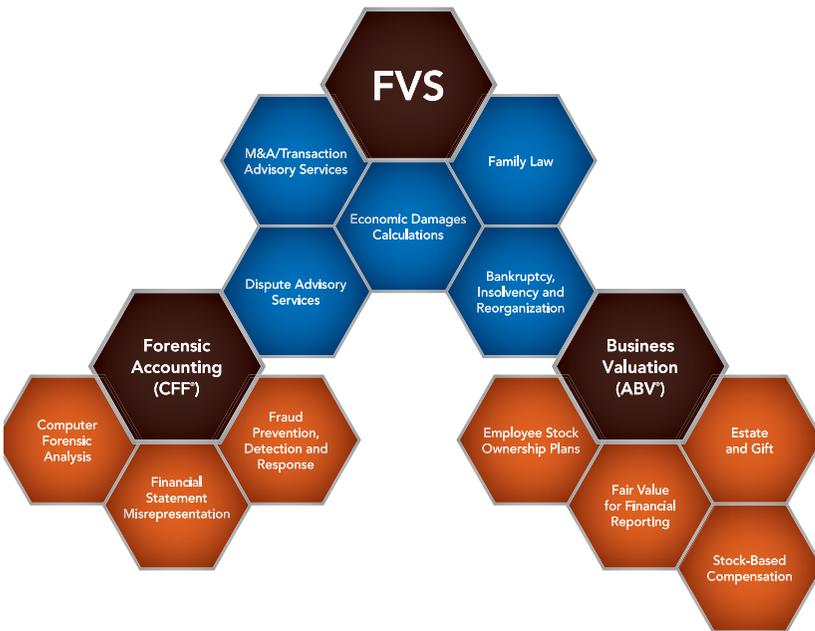
A combination of entrepreneurial skills and marketing and sales abilities as well as technical excellence is required, according to Gray. “A sage attorney once noted that our business is very close to his own,” Gray says. “He told me that his formula for success is 75% billable and 75% marketing and selling. Since that adds up to 150%, it takes a high-energy entrepreneur to make a successful practice.”

The common themes when it comes to competition are to differentiate your practice from others and to convince referral sources that you are different, better qualified and available when needed. You want to be the first person your sources of work think of when they have a referral opportunity.

Forensic and Valuation Services Section

The AICPA recognizes that many CPAs move into an accounting specialty during their careers to increase revenue streams and to retain clients and staff, among other reasons. To address these unique subject areas, we have created the [Forensic and Valuation Services \(FVS\) Section](#) for professionals who practice in valuation, fraud prevention, detection and response; computer forensics; damages; family law; and other forensic areas. This membership is

designed to help you provide the highest level of client service profitably in your forensic and/or valuation practice niche. FVS Section membership will keep you informed on what's happening in your specialty area with practice aids, legislative and regulatory updates, technical education, resource tools, guides and much more. The FVS Section provides resources to professionals who provide services in the areas identified below.



The AICPA offers two credentials for CPAs who aspire to obtain expert status in the fields of forensic accounting, [Certified in Financial Forensics® \(CFF\)](#), and/or valuation, [Accredited in Business Valuation® \(ABV\)](#). These credentials are offered exclusively to CPAs in order to help CPA practitioners achieve success and personal career satisfaction through specialization and best practices and will communicate your role as a leader in your area of expertise to clients and employers.

Certified in Financial Forensics Credential

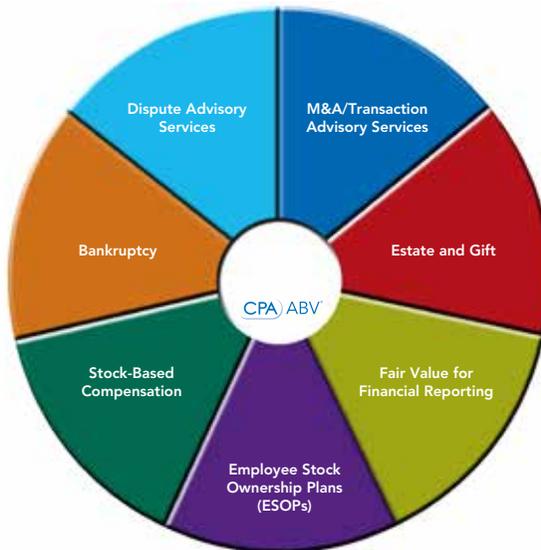
The CFF credential is granted exclusively to CPAs who demonstrate considerable expertise in forensic accounting through their knowledge, skills and experience. The CFF encompasses fundamental and specialized forensic accounting skills that CPA practitioners apply in a variety of service areas. The AICPA's CFF Core Focus Wheel demonstrates the various areas of specialized forensic knowledge available to the forensic accountant.



CPAs who qualify for the CFF serve in many capacities. For example, a CFF might perform procedures to trace the flow of cash that was embezzled from a corporation, serve as a GAAP or GAAS expert in an alleged accounting fraud matter or compute economic damages in a litigated dispute.

Accredited in Business Valuation Credential

The ABV credential is the preferred valuation credential among CPAs because it allows them to position themselves as premier business valuation service providers. ABV credential holders may brand or differentiate themselves by going beyond the core service of reaching a conclusion of value and creating value for clients through the strategic application of this analysis.



FVS practitioners can turn to numerous FVS and AICPA resources to help them in their efforts. The FVS Section's [practice management](#) resources feature many practice development and marketing tools, including:

- **CFF Marketing Tools** — These tools help CFFs market their services and educate clients on why they should work with a CFF. Resources include:
 - The [CFF press release](#) informs the community of a CPA's success in meeting the rigorous requirements for obtaining the CFF credential.
 - The [Why Hire a CFF](#) brochure identifies the benefits of working with a CFF.

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- The [CFF PowerPoint Presentation](#) helps current or potential clients understand the need for a forensic accounting professional and why they should select a CFF.
 - [CFF credential logos](#) are print and web versions of the CFF logo that you can use to highlight your forensic accounting services.
- **ABV Marketing Toolkit** — This resource helps ABVs market their services and explain to clients why they should select an ABV. Resources include:
 - The [ABV press release](#) announces that the CPA has met the demanding requirements to obtain the ABV credential.
 - The [ABV brochure](#) identifies the benefits of hiring an ABV.
 - The [Presentation for Users of BV Services](#) helps current or potential clients understand the need for a valuation professional and why they should select an ABV.
 - [ABV credential logos](#) are print and web versions of the ABV logo that you can use to highlight your valuation services.
 - **Web Seminars: [Creating a Niche Forensic Practice](#)** — This series of archived Web seminars, presented by established FVS experts, features tips, tools and war stories on how to succeed.
 - **[BV Practice Management Toolkit](#)** — The toolkit features advice on engagement letters, fee structures, staffing, quality control, marketing and more.
 - **[AICPA Marketing Toolkit](#)** — This provides a wide variety of marketing tools and media resources that practitioners can use to promote their practices.



Issue 2

Retaining Qualified Staff

Even in a tight economy, it's not surprising that holding on to talented staff is a top priority for FVS firms, especially as many older professionals from the Baby Boom generation head into retirement. Losing staff can be costly, according to research by Integral Talent Systems Inc., which found that attrition costs led to annual productivity losses of 65% to 75% in the departing employee's position.

According to the most recent [PCPS Top Talent Study](#), career growth opportunities were the top reason that high-quality professionals were attracted to a firm and the second-most important reason for staying with a firm (after salary). "Interesting, challenging client projects" came in No. 6 among attraction factors and No. 5 among retention factors. At his firm, Regan

takes every opportunity to introduce staff members to new experiences. "I try to put them in positions that are ahead of where they are," he says. "If I'm going to a deposition, I'll ask the attorney if I can bring someone along" without billing for the person. "The staff is very excited to come and it provides good training." Regan also involves staff in all client meetings, encouraging them to lead discussions where appropriate. Gray observes that firms can retain staff by allowing them to do what they are good at and grow to the highest potential. At the same time, having top-quality professionals will help the firm attract and retain clients.

Results from the [AICPA Forensic and Valuation Services Trend Survey](#) also identify attracting and retaining qualified staff as a challenging trend facing FVS professionals. As firms shift their focus to internal succession, they are struggling to identify qualified candidates to successfully lead their firm into the future on account of experience gaps, especially for forensic accounting firms seeking experienced testifiers and generational differences in terms of work/life balance expectations. The Trend Survey provides the following recommendations for attracting and retaining qualified staff:

- Acknowledge the strengths and weaknesses of its current structure; identify the staffing gaps and whether they can be filled by existing employees
- Be creative about recruitment and avoid getting locked into just one approach
- Print ads: Be creative with your appeal for candidates, personalize the advertisement
- Recruiter: Use the recruiter's network and give them permission to seek candidates through social media and alumni networking groups
- Word of mouth: Reach out to your own personal network of professionals and reach beyond your existing community

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- Advertise: Use your state society of CPAs and out-of-state societies for advertising
 - Be open with your firm employees. Share the firm vision and use your existing staff to recruit; they know your firm and your firm culture better than anyone.
 - Be flexible with work expectations; do you offer flexible work schedules?
 - Develop an internal leadership or mentoring program; establish a partner-in-training program
 - Be transparent, invite the next generation of leaders to be active participants in management meetings

FVS professionals can turn to these resources for help in this area.

- The Emerging Program for Rising Forensic and Business Valuation Professionals at the annual [AICPA Forensic and Valuation Services Conference](#). Young professionals are more likely to remain with firms that offer them the training they need to advance in their careers. This optional pre-conference workshop is designed for CPAs with fewer than five years of experience.
- The PCPS [Human Capital Center Toolbox Series](#), which is open to all, includes booklets that introduce readers to the concepts and best practices in 11 key human capital areas. Staffing issues included in the toolbox series are Team Recruitment, Orientation/Assimilation, Learning Culture, Team Development, Reward & Compensation and Incentives, Generational Issues and Work/Life and Retention.
- Also offered is an FVS Section Webcast on [Pathway to the ABV and CFF Credentials](#).



Issue 3

Client Retention

Obviously, doing great work helps to attract and retain clients. “The easiest way to get new business is to have your clients tell colleagues that you did a great job,” Regan advised. He also advocated letting go of problem clients in order to better serve the best clients.

It’s also important to emphasize client service. “Clients want your full attention and responsiveness,” Dial says. “I’ve been told by clients that they consider our fees reasonable, but they would pay more based on the level of attention they receive.” For most clients, that means having access to a fully engaged partner who remains familiar with their engagement throughout the process.

Being proactive and in regular contact with the client also can reinforce the CPA's value. "Clients don't want to have to call you and ask if you're done yet," Gray says.

Many of the tools designed to bring in clients can be used in client retention, as well. The ABV or CFF credential logos, for example, reinforce your firm's commitment to professionalism, and the press releases can be used to communicate messages to existing clients about your firm's competencies and achievements. FVS professionals can also turn to these tools for client retention:

- In this short video, "[Creating Client Connections](#)," Jim Metzler, AICPA VP — Small Firm Interests, talks about ways to understand clients' thoughts and feelings and use that understanding to exceed client expectations.
- In "[Client Retention Strategies Every Firm Can Use](#)," nationally known consultant Jean Caragher offers practical tips on holding on to clients, which include: creating a service culture, enhancing your client acceptance program and implementing a client satisfaction program.



Issue 4

Fee Pressure/Pricing of Services

This also was a concern identified in the most recent [PCPS CPA Firm Top Issues Survey](#) and the [AICPA Forensic and Valuation Services Trend Survey](#), so it's not surprising to see it among the challenges facing FVS professionals who participated in this survey. Competition and fee pressure vary based on location, specialty and whether compliance work is involved. As an example, fees are higher in highly populated areas and lower in rural areas. It's also possible to command greater fees due to specialized training, experience and specialization. Finally, clients shop for price when compliance services, such as ESOP or gift tax valuations, are involved.

There are several ways to combat fee pressure. One is to specialize by obtaining a credential, such as the CFF and/or the ABV, or by focusing on niche areas such as disputes involving valuation and/or damages issues, doing virtually no tax or attest work. Another important step is to manage client expectations by using one of two options: agree on a fixed-fee arrangement with a well-defined scope or break up the work into pieces, collect a retainer and work until it is exhausted. These processes will keep the client informed and in control of the cost.

There are two ways to combat fee pressures, Gray says: Communicate your value to potential clients. If you do, "they will see your fee as an investment rather than a cost," he says. In addition, he also advocates setting standards for client intake. "Establish the scope of the work and the timeline. If the client wants to pay below-market fees, carefully consider whether it's worth doing." Not only will firms face difficulty bringing their fees back to market in the future, they will contribute to marketplace confusion and to the possibility



that the work will be seen as a commodity. Dial agrees. "If clients are serious about quality work, they'll pay a higher fee," he says.

Regan believes minimizing fee pressure also involves staying on top of billing and keeping clients apprised of where they stand. He will inform clients of the amount of fees incurred in the last month and update them on work plans for the coming month. "Stay in constant contact so your bill is not a surprise."

Tools to help address this issue include:

- [AICPA Forensic and Valuation Services Trend Survey](#)
- Section 203 of the AICPA [MAP Handbook](#) on "Pricing, Invoicing, and Collection."
- A PCPS article, "[The Diffusion of a New Idea.](#)"
- A *Journal of Accountancy* article on "[Pricing on Purpose: How to Implement Value Pricing in Your Firm.](#)"
- A *CPA Insider* article on "[Dealing with Clients in Financial Distress.](#)"
- A *CPA Insider* article on "[Company in Distress: Don't Wait Until It's Too Late.](#)"



Issue 5

Firm Differentiation Through Services

Gray notes that most attorneys are feeling their own fee pressures. With that in mind, differentiation becomes even more critical. “The [CFF](#) and [ABV](#) can be the foundation of a successful practice.”

These two credentials set CPAs apart in the market and enhance their professional expertise. More information can be found in:

- [Your Roadmap to the CFF Credential](#)
- [Your Roadmap to the ABV Credential](#)

Each one is a step-by-step guide that illustrates how a CPA, at any level of expertise, can use [FVS Section](#) resources to obtain the CFF or ABV credential. Since the credentials are available only to CPAs, they offer a unique enhancement and validation of a CPA's competence in the field.

Dial's firm sets itself apart by offering a variety of services, which is appealing to larger clients. The additional services include internal control assistance and business risk services. "Clients decide that if our business valuation was good, they should try other types of services because they know what they're getting."

With 40 to 50 people doing forensic work, Regan says that his firm offers a personal experience and can ensure clients that the people with whom they're in contact will be the ones doing the work. His firm members also serve as adjunct professors at a local college with a forensics program, which forces them to understand how to explain complex accounting concepts to people who are not familiar with them. "We bring that experience when we speak to juries who don't understand the concepts," he says. "Our clients value that background and it rounds out our professional credentials."

Gray also recommends narrowing your niche to focus on what you do best. "Find out what you're good at and use it to differentiate yourself. That will minimize fee pressure, too."

In addition, CPAs can use these tools to capitalize on their firms' value:

- [Creating a Niche Forensic Practice archived Web seminar series](#)
- [AICPA Business Valuation Web Seminar Series: Core Competencies from the Nation's Leading Experts](#)
- [Financial Forensic Accounting Education Series — On Demand](#)

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- [Introduction to Business Valuation](#)
 - [Understanding Business Valuation](#)
 - [FVS Practice Aid 10-1: Serving as an Expert Witness or Consultant](#)
 - [*Characteristics and Skills of a Forensic Accountant*](#)

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