

David Finkel

5 biggest obstacles to building a professional practice



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Building a professional practice requires you to sidestep these 5 common obstacles. Here's how...

Growing a professional practice is no easy task. Here are five concrete insights to sidestep the biggest obstacles that trip up most business owners who run professional service firms.

Obstacle #1: Growing beyond the personal production of the owner (partners) in the professional practice.

8 out of 10 professional practices never grow beyond the personal production of the owner of the practice. This means that with the exception of a few support staff, these businesses are limited to the personal sales and production capacity of *just* the prime owners of the business.

At my business coaching company **Maui Mastermind** we call this the “*Self Employment Trap*”. This is where you the owner of the business are so consumed by your day-to-day production for the business that they don't have the time or space to step back and focus on *growing their professional practice* as a business. In essence you have built a self-employed job, not a business.

Take the case of Patricia, a successful chiropractor. For years Patricia was the main point of treatment for all her patients. She had staff who leveraged her, but

they did just that—circled her and helped her produce more.

To scale Patricia needed to bring in other team members who could both treat and sell (which in her case was doing the initial diagnostic evaluation.) During our two years working together she did this growing significantly. Best of all, she lowered the practices reliance on her and gained over 300 hours of freed up time per year in the process.

Yet this isn't how most professional practices do things. Typically the owner is too scared or convinced he/she can't bring in other talent to replicate the core service offering that the owner stays stuck as the core producer for the business.

Is it any wonder that so many of these professionals end up 5, 10, 20 years later totally burned out—hating the very business they once loved. They feel trapped. Their practice generates the income they need to support their family and their lifestyle. But because of how they have gone about building it, they can never really leave their practice for more than a short span of time. And they can't scale beyond their own ability to produce the main work of their practice.

Obstacle #2: Creating growth through lead generation and lead conversion.

Most professionals are very good at their core professional expertise (e.g. medicine, law, accounting,

engineering, consulting, etc.) but not very good at sales and marketing. What's more, many of them don't like doing these functions so they hire staff or outside companies to do it for them. They spend thousands of dollars a month on these outside services that market them just like they do all the other competing practices in their area. Is it any wonder why these business owners feel frustrated and out of control?

What's worse, because they have no clear systems for consistently generating leads and for reliably and effectively converting these leads into paying clients, they are unsure of how to predict, let alone scale, their practice!

This only makes obstacle #1 above worse because the business owner is scared she can't afford the new talent to come in to take over part of the production of their core professional service.

Without the consistent lead flow and a trusted conversion process, the practice stays small and struggling. Usually this includes one or more **formal referral systems** (versus the passive word of mouth most professional practices settle for), a **formal reactivation campaign** (to reactivate old accounts and clients), and a **clear sales/marketing score board** that they can use weekly and monthly to make sure things are on track.

The real goal of all this is predictable sales volume.

One of the biggest pain points we hear from new clients is that their business is either feast or famine. Of course it is, they scramble to find business until they are full. Then they shift their energies over to doing the client work and meeting the demand of all this new business. Then they finish up on a lot of this business and realize that they don't have any new business coming in so they scramble again to find more clients. And on and on this cycle goes.

It is incredibly difficult and risky to scale professional staff (and non-professional staff too for that matter) when you can't count on a steady flow of business. **Variability is the bane of building a professional practice.** And you must find a way to systematically bring in a consistent and growing stream of new and repeat business.

Obstacle #3: Keeping high quality of your professional work if/when you take on professional level staff.

So you make the brave and bold move to hire other professionals to work for your business, now you are left with the daunting and frustrating task of **making sure that the work they do meets your standards of excellence.**

Few, if any, professional practices have ever really built the expert systems they need to manage and produce their core professional service offering. The real know how to provide their services is in the heads of their professional staff.

But this not only leaves your company vulnerable to the devastating loss of a key employee, but more, **in the absence of a clear expert system for producing and fulfilling on your core professional service, it is almost impossible to effectively manage your professional staff!**

This is why one of the first things we do when coaching a client who is **building a professional practice** that has market demand and systems to grow sales is to help them create a clear process driven **system** for producing their

professional service.

Not only does this help them control quality, but done properly, we can help them increase value, reduce costs, and immediately expand capacity—from the same staffing levels they previously had!

The net result of this is better value for your clients and higher profitability for your company!

Obstacle #4: Managing your professional and non-professional staff to increase your business's utilization rate and hence protect your cash flow!

In most cases, your number one expense of your business is staff—both professional and non-professional.

The key number to track here is your "**Utilization Rate**" – the percentage of a staff member's time that is spent doing billable (or value creating) work.

First, does your firm have a clear, weekly scoreboard to see this number for all professional staff?

Have you strategically designed your workflow (including the expert level systems we already went over) to staff down (to non-professional staff and automated or templated or leveraged solutions) work?

Have you taken off all lower value work from your professional staff so that they don't spend \$250 an hour time doing \$25 an hour work?

Obstacle #5: Managing your cash flow to be able to afford your growth.

It's time to share a hard truth—from our work with thousands of professional services firms it is overwhelmingly clear that most professional services firms do NOT have a well-run financial pillar of their company. (This includes many of our CPA practice clients too, at least when we first took them on as **business coaching clients**)

Their collections are haphazard and slow; their billing systems fail to record and bill for a percentage of

their work; their reporting is too little, too late to do much strategic and managerial good; and their financial controls leave them vulnerable to theft and employee fraud.

The good news is that these are **simple fixes** for us to help them with to successfully *build a professional practice*. Our list of **financial pillar improvements** includes:

- Implementing a clear collections system with solid **tracking**;
- Creating billing controls that have at least two redundancies to ensure that all billable work has in fact been billed for; instituting a regular weekly, monthly and quarterly routine of managerial and strategic level reviews of the numbers;
- Implementing sound financial controls to make it 100 times less tempting for fraud to take place.
- Implementing systems to better manage cash flow and control expenses.

The net result of these efforts is that you will finally have a sound financial base from which to safely and successfully scale your professional services firm.

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About the Author

David Finkel is co-author of, **SCALE: 7 Proven Principles to Grow Your Business and Get Your Life Back** (written with Priceline.com co-founder Jeff Hoffman), and one of the nation's most respected business thinkers. A *Wall Street Journal* and *Business Week* bestselling author of 11 business books, David's weekly business owner e-letter is read by 100,000 business owners around the world. David is the CEO of **Maui Mastermind**, one of the nation's premier business coaching companies. Over the past 20 years, David and the other Maui coaches have personally scaled and sold over \$2 billion of businesses.

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Publication issued on 1 October 2015