

What CFOs Are Thinking When They're Thinking about Their Company's Outside CPA Firm

How finance executives pick accounting firms: [Join the survey; get the answers.](#)

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Here's some good news for accounting firms: Most companies stick with their CPA firms for at least five to 10 years. And they are loath to change. The reasons are myriad. The inherent cost of switching – getting a new set of outside accountants up to speed – is certainly one. However, another, less tangible reason, cannot be denied: The vast majority of CPA firms develop strong and deep relationships with their clients.

And yet, there is some fragility in the relationship to which no CPA firm, or corporate finance manager, should turn a blind eye. A surprising number of corporate finance managers want more from their CPA firms.

And therein lays the opportunity for competitive CPA firms and perceptive corporate finance managers. According to CPA Trendlines research, about a quarter to a third of corporate financial officers and managers say they've worked with their outside CPA firm for over 10 years – and just as many have stuck with their external accountants for five to 10 years. Nevertheless, the same study is coming up with an interesting irony: half of all responding corporate financial officers say they would not recommend their accountants to others.



How to reach these corporate finance managers?

A number of ways: They talk to colleagues and listen to recommendations. They like networking events and seminars. In addition, they want to see a CPA firm that's committed to their community and their industry.

One anonymous CFO from a business of 11 to 50 employees said a personal interview would make a difference. Someone in a large educational organization said, "Personal contact from a firm, not just telemarketing." One CFO in Salisbury, N.C., wanted to see not just "direct contact" but "entertainment." A sense of humor never hurts.

An anonymous senior staffer at a medium-sized company came right out and said just one word. It wasn't "SOX." It was "Golf." We're not sure we'd want that guy's business. A financial executive at Sound Transit in Seattle, would like to see an industry profile of the potential new suitor. Lesson: Know your client.

Therefore, in a nutshell, there's opportunity on both sides of the CPA-CFO relationship – opportunities for CFOs to get exactly what they want, and opportunities for the CPA firms that can deliver it.

Never Underestimate the Finance Manager

When companies go looking for a new audit or accounting firm, who decides which to pick? If you ask a corporate CPA, you'll get one answer. If you ask a CPA, you'll probably get another.

Want to wager on who's right? We know where we'd put our money.

CPAs are apparently under the impression that company owners are the Dudes of Decision. In our study, "What Clients Really Want," that's what about 75% of public accountants think.

Only seven percent think the CPA in business or industry – a CFO, controller or internal auditor – makes the decision. Just five or six percent say it's the CEO, and only seven percent say the board of directors decides.

But when we asked corporate accountants who makes the decision, we got a whole 'nother point of view.

CFOs seem to think that they, the CFOs themselves, make the decision. At least 56 percent of them think so. Only 26 percent said it's the owner. An equal percent attributed decisions to the board of directors.

See the problem? An awful lot of perfectly professional CPAs are pitching to and trying to please the owners of companies, when apparently it's the company's number-crunchers who decide the fate of firms.

Consider, you CPAs, how this affects your business. Do your marketing efforts target the right person? Do they carry the information that person is looking for? Does your communication with the client reach the ears and eyes of the right person? Whom are you taking to lunch next week?

Granted, there's a one-in-four chance that CPAs should be focusing their attention on the owners of companies, and certainly that's almost always true in small companies. And though the CFO or controller is your key contact in half of companies, that's only one out of two.

The point is, the decision-maker isn't always who you think it is.

And here's something else CPAs might not be reading correctly: their own popularity with the client. Forty-three percent think "nearly every client" would recommend them to their close friends. Another 38 percent think "most of them" would make the same recommendation.

Clients, however, seemed to have a markedly lower opinion of their auditors. Only half would recommend their CPA to a friend.

Those two findings – that CPAs often don't know who makes the decision to hire or fire them, and that they are a lot less loved than they think they are – should be enough to put any sane auditor in a sweat.

When we asked why clients switch firms, 79 percent said poor service. Price would negatively inspire 66 percent. Too little time with the firm's top people would terminally annoy 38 percent, while bad chemistry could taint relations at 34 percent.

Differences over technical issues came up a lot. So did "auditor not proactive enough" and "friendship at another firm". Some companies would change firms if they needed new or difference services.

A few offered answers we hadn't thought of.

A top finance executive at told us "lack of continuity on audit team" could send him looking for a new audit firm.

A financial officer in Giza, Egypt, had a good reason for looking around: "We're looking for an international firm."

A senior financial executive at a San Francisco start-up summed up several good ways to keep clients on board. “Listen and respond,” he said. “Treat the client as important even though fees may be low. Once fee is set, quit whining to the client about lack of profitability.”

But the best advice we can think of is this: Know your client, not just your contact, but the whole company. Know who makes the decision. Know how the decision gets made. Then help them make that decision. The right decision.

Rick Telberg is president and CEO of CPA Trendlines Research, the leading independent provider of actionable competitive intelligence for the tax, accounting and finance community and the vendors which serve it, available at <http://cpatrendlines.com>.