Focus Article

Does Your Revenue Model Optimize or Drain your Employee Experience?

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It's widely accepted that the hourly billing model inspires behaviors that detract from CPA firms' client experience (CX), but we seldom acknowledge how it tarnishes the employee experience (EX) as well. And the two are inexorably connected.

At the core: racking up hours on a client is seen as "good" (we earn more!) but only to a point since too many hours accumulated is "bad" (write offs). This contradiction is both complex and damaging.

Buyer Perspective

Though unintentional, billing hourly establishes a perfect environment for friction in client relationships and reduces service quality.

Customers who receive extra attention might be surprised to know most firms have internal disincentives or consequences for team members to provide it, especially when it goes unbilled. Yet the worse alternative is when customers are charged for that extra attention without knowing they will be. How would you feel as a buyer to experience a "great service" gesture, only to receive a bill for it later?

One should always know when they are incurring a financial obligation. All buyers should be equipped to opt into, or out of, every purchase. If they are asking for something extra, and we aren't giving it for free, they deserve to know beforehand that there is a charge.

Consider how buyers inquire about cost and are usually told, "we can't tell you how much you'll owe us until we finish." When firms do give an amount up front, it's typically a soft amount that's often adjusted upward in arrears upon seeing actual time incurred. This produces surprise bills, a practice I call "billing and ducking" — the hope you will be paid without hearing from an upset client.

These billing practices put firms in a defensive position rather than one aligned with their customer. They remove buyers' control over their spend and erode trust. They also impose upon CPAs' inherent desire to help people — the reason most pursue this profession. The draw to help clients is hindered by guilt over surprise bills, penalties for going the extra mile, or having firms' motives questioned when billing for "too much time." Poor CX often leads to poor EX.

Employee Morale

Hourly billing further harms employee morale because the model relies on assigned chargeable-hour goals which pressure employees to work longer, not smarter. This creates a paradox for some of our best people who are both fast and good. For example, there's an extremely bright second-year accountant who built a slick Excel macro enabling him to finish his work in a fraction of the time. He was initially told not to use it because he was "done too fast" but was then approved to use it because he could consequently be assigned more work. His work outputs were several times that of his peers who received comparable pay. After a while, this wears on a person.

Team members focusing excessively on hours versus outcomes creates a task-based grind mindset that's further exacerbated by the deadline-driven nature of our profession. Burnout is a common scenario.

A Better Revenue Model

All the above issues go away when your pricing model ensures prices are always provided in advance with clarity around what is and is not included in those prices. Worth-based pricing is a much more customer- and firm-friendly revenue model that offers transparency and grants customers total control over their purchases.

Done right, the worth-based pricing process spells out the rationale for your buyer's investment by shining a spotlight on exactly what they accomplish by hiring you: how they are different and better as a product of your relationship. Your deliverables are positioned not as documents or tasks, but as measurable results and situational transformations. It is obvious that the client will hear and see their value proposition, but what people seldom mention is how much internal job satisfaction rises when firms focus on outcomes, not hours.

Firms achieve incredible things for clients every day through their work but rarely communicate these outcomes because they talk about hours and inputs instead. A focus on worth teaches us to view ourselves and our work differently — it's a mindset shift.

An inspiring side effect of using worth-based pricing instead of hourly billing is how partners and team members connect to the purpose of their work in a powerful new way. Using this approach is proving to revive professionals' passion for their work; it reinforces the difference they make and reminds them why they got into the profession in the first place — to help people.

At a recent pricing workshop a gentleman in the twilight of his career shared very heavy words: "I wish I'd learned to do this earlier. If I had, even doing the same work, the last 20 years of my practice could have felt rewarding instead of just surviving one deadline after another." I'm not the only one who choked up at his candid admission. The room was filled with younger professionals who heeded his retrospective observation of what his career could have been for him.

When a person feels connected to the meaning and purpose in their work, their passion reinforces their career choice and deepens their commitment to their specific firm and clientele. Don't let your revenue model be part of the reason for employee defection. There are many reasons to move to a better, more modern and client-centric model, but I cannot think of a reason more important than every professional loving what they do to the greatest extent possible.

In summary, hourly billing has made it all too easy for firms to embark on projects without:

- **Considering ROI for the customer**
- **Giving buyers certainty in price and control of their purchase**
- **Defining and connecting to the purpose of their work**

When firms improve upon non-customer-centric processes and systems, they align with the very values most dear to them and this results in a more rewarding career experience. Coming full circle, happy team members ensure happier customers, which results in a healthy, profitable, more sustainable firm.

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