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A balanced approach

Planning and management system helps companies boost bottom lines, link key objectives

Pittsburgh Business Times - by [Jonathan Potts](#)

Your company might be profitable, but that doesn't mean that it's meeting its potential. Nor is setting sales goals the same as strategic planning, said Rick Alfera, president and managing partner of Brentwood accounting firm **Goff Backa Alfera and Co.**

Three years ago the firm adopted a strategic planning and management system called the Balanced Scorecard, which was developed in 1992 by Robert Kaplan, a Harvard Business School professor, and David Norton, who is now president of the Balanced Scorecard Collaborative in Lincoln, Mass.

Alfera said the system has helped his firm boost profits by 50 percent. The bottom line, however, is not the only measure of success that he considers. The system calls on managers to develop a strategic plan based on four key areas: employee training and education; internal processes; client/customer perspectives; and financial results.

"If you do a good job in the other three areas, the financial success will come about," Alfera said.

As the name implies, the company has developed a "scorecard" to measure its performance in the four key areas:

- Employee education is evaluated based on time and money spent on continuing education, ratio and total number of CPAs to staff, average years of service and experience, and retention rate.
- For internal processes, the firm considers staff leverage, realized dollars on billable time, average billed rate, targeted leverage and profitability ratios based on industry standards.



Joe Wojcik

Rick Alfera, president and managing partner of Goff Backa Alfera and Co., says the Balanced Scorecard approach has helped increase his firm's profits by 50 percent.

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- The client perspective is based on new revenue dollars from existing clients, number of referrals from clients and retention rate. The firm also measures nonbillable time, and a targeted growth rate based on the number of proposals, win/loss ratio, dollars from referral sources and organizations.
- Financial measurements include net profit goals, profit per partner, revenue growth and billable time.

Alfera came upon the system about five years ago when Goff, Backa and Alfera prepared to develop a strategic plan. The Balanced Scorecard is used by several Fortune 500 companies and other large firms, including Cigna P & C, **Wells Fargo Bank**, Hilton Hotels and UPS.

Alfera said the Balanced Scorecard is a good way for large firms, including manufacturers, to link together multiple divisions. But he said it's easily adaptable to smaller firms -- his has 17 employees -- and those that provide professional services.

"With the scorecard everybody knows where they are going to be spending time. ...We've directly linked management objectives to employee objectives," Alfera said.

Alfera now consults with other firms to help them implement the system and tailor it to their needs. Among his clients is The **Fragasso Group**, a Downtown financial planning and investment firm, which recently began developing its strategic plan.

"We really didn't have the metrics to know the full results of our efforts. People say, 'I'll know if I've been successful in what I'm doing.' But they really don't," said Robert Fragasso, founder and president of the firm.

Fragasso, the author of "Starting Your Own Practice: The Independence Guide for Professional Service Providers," described what he called the "pugil stick effect." A pugil stick is the large, padded weapon that resembles a cotton swab, which is used in military training. A former Marine, Fragasso said that Marines are taught strategies and techniques for using the pugil stick, but in the heat of a fight, they just "wail away."

That's how a lot of businesses operate -- they keep doing the same thing over and over again, blindly, with only anecdotal evidence that what they are doing has been successful, Fragasso said. "You've got to know what if you're wailing away at the right thing," he said.

To Jeffrey Morella, owner of **Morella and Associates**, a North Hills law firm, that means closely tracking how he and his colleagues spend their time -- and not just billable hours, either. For example,

what about all that time devoted to marketing and drumming up new clients? Are those chamber of commerce breakfasts worthwhile, and is the firm making the most of them?

"One way to measure success in marketing is how much business do you generate, but not how much time do you spend. Is it worth it?" Morella said.

Morella said the Balanced Scorecard system also will allow him to monitor the performance of each of his firm's five divisions, rather than merely the firm's overall profitability. Morella is working with Alfera to implement the system at his practice, which can be time consuming and expensive in the early stages. Firms that don't already have a strategic plan must first create one, and Alfera guides them through the process, examining a range of issues from management structure to taxes and succession.

He said he tries to break the process into "bite-sized pieces," and he encourages firms to start as soon as each component is in place, rather than waiting for the entire assessment system to be completed. Costs vary from client to client, Alfera said.

"The negatives are the cost and time commitments," Morella said.

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