

## Developing People Faster Takes a Different Approach – Part One

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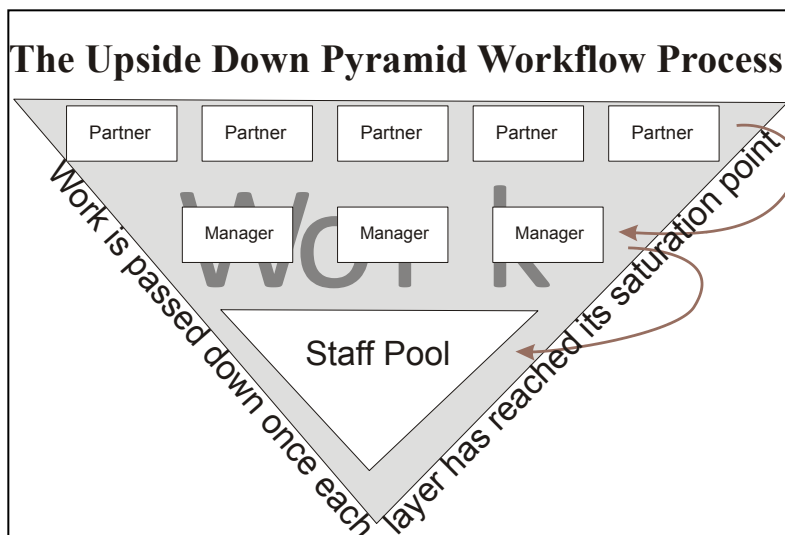
### Reversing the Upside Down Pyramid

During the last few decades, public accounting firms have dramatically expanded the scope of services they offer. Many of these services have been in specialty areas, aligned with industries like auto dealers or health care, or with services like business valuation or fraud detection. When these services are launched, they are typically championed by a partner, principal, or someone highly respected in the organization. Because some of these areas have sporadic demand or require a high level of expertise, firms have often relied on the same senior people to manage and do the bulk of the work. This has supported a trend in small to mid-sized firms, based on our observations, to build a *workflow process* that looks like an upside down pyramid. This operating environment, for many firms, functions as follows:

The lion's share of the firm's income is generated by the partners and managers. The partners and managers are very hands-on and involved in the details of most client projects. The workflow hierarchy trickles down; partners do the technical work until they have worked all the hours they can stand, and then the excess trickles down to the managers. The managers do the technical work until they have labored all they can stomach, and then the remains trickle down to the staff pool. In each case, keeping the workers busy in the levels below is almost an afterthought.

#### The Problem

These firms seem to have an attitude that subordinates (1) are employed to do the work that their superiors don't want to do and/or (2) are considered to be administrators providing assistance when needed. Utilizing this process, partners spend too much time doing non-partner work and staff is underworked and poorly trained.



#### Partners Doing Non-partner Work

This workflow process can easily harm the profitability and long-term viability of the firm. For example, instead of pushing work down to the lowest possible level, nearly the exact opposite happens. Work is performed by the most experienced person possible. Although one could surmise that this approach would garner higher fees (because the work is performed by people with higher billing rates), most of the time, that assumption is wrong. For much of the work we do as CPA firms, our total fees are either fixed-in-fact or in-presumption. Obviously, fees are fixed-in-fact when a specific project price was specified. The fees are fixed-in-presumption when we do recurring work, like preparing a tax return each year, and the client assumes that this

year's fees will be similar to those charged in previous years (unless the scope of the work changed). So if you consider that much of our work is fixed in price, then using more experienced people than necessary to do the work only creates larger write-downs. If you take the position that your more experienced people do the work faster so that write-downs are not a factor, then we would respond with "We'll bet there is higher level work your experienced people are avoiding that should be done by them instead." If partners or managers tie themselves up doing work that is below their capability, they are not only doing work someone else could do at a lower rate, but they are also diminishing the amount of time they can devote to work that only they can do.

### ***Under-worked and Under-trained Staff***

Because these firms follow a "work first, manage second" strategy at every level of the firm, employees are poorly trained. The response to this is commonly, "If I were to give this work to someone below me, I would end up spending so much time supervising them on the project that it is just quicker to do it myself." Our rebuttal is, "Both the roles of partner and manager are based in the philosophy that you are supposed to get the work done through others."

**Key Point:** As a manager of people, that title is descriptive of your job – to manage. Otherwise, your title would be "doer."

So the next time you hear yourself utter the words, "It will take too much time to train my people to do this," stop and remind yourself, "Hey, it may take longer, but my job is to train them so that they can do this work." By the way, another classic reaction from this upside down workflow pyramid is that employees rarely get feedback on their work. Instead of the partner or manager going over a list of errors with and for the originator to fix, the senior people reviewing the project make corrections and get the work out the door. Once again, if anyone in a supervisory position shirks his/her responsibilities, they create employees below them who lack the necessary competencies to ever do the work.

### **The Solution for Reversing the Pyramid – Step 1**

Reversing the workflow is a very straightforward concept: Partners must start focusing on partner-level work, which starts with: managing the firm's larger client relationships; actively nurturing new business; performing only the highest level advisory or expert work; creating and implementing strategy; and developing systems that benefit the entire firm rather than an individual. Managers must do more manager-level work, which is made up of: overseeing the work queue; managing client projects; supervising and training staff; providing guidance when necessary; reviewing work; and managing low- to mid-level client relationships.

Finally, the staff needs to become the workhorse. Consider this process. When work comes in, everything that can be delegated to staff is delegated first. Next, everything the staff can do with additional supervision and training is passed down, with the added step of actively monitoring the work. Once staff has no more bandwidth, managers can begin to perform the detailed work. This approach *reverses the pyramid* so that partners are freed up to spend more time building client loyalty, selling work and developing managers. A manager at one of our client firms said it best recently, "If one of the partners is in the office, we are not doing our jobs." With the partners out developing clients and referral relationships, as well as doing high-level advisory work, managers have to take the lead in managing the work and developing their people.

A foundational principle for reversing the pyramid is for staff to evolve at a fast pace due to the constant focus on training. Therefore, the first step in reversing the pyramid is to buy into the philosophy that the culture of the firm needs to shift from whoever “does the work” being hailed as the most valuable asset of the firm to “whoever can get the work done through others by passing it down, training and managing them” is the most valuable asset of the firm.

## **Understand and Embrace the Critical Importance of “Learn, Try, Fail™” Cycle – Step 2**

The learning process is often frustrating. So why is it so difficult to learn new things? One answer is that we don’t have “hooks” on which to hang new information when we don’t know (neither the mental acuity nor the physical skills) what we don’t know. An example of this is found every time we attempt to train our people. There is a common misperception that intellectual understanding and skill development are the same. We see people regularly giving instruction to their direct reports and then walking away thinking that the employee is now capable of competently completing a task or project just because it was explained verbally. If an employee has successfully done this work before, and the explanation is simply a reminder of the steps and processes to be followed, then success is likely. However, most of the time, the person receiving the instruction is being bombarded with a combination of previously known and new information simultaneously. When this occurs, especially regarding the new information, most of it will likely come across like a “fire hose shooting water” with a stream of information splashing everywhere.

Except in rare circumstances, a high volume of splashing information does not change one’s ability to perform. In order for our skills to improve, we typically need to go through a “Learn, Try, Fail™” cycle that looks like this:

- First, we need an intellectual understanding of what we are trying to accomplish.
- Second, we need to experience what we just learned.
- Third, based on that experience, with the likelihood of some level of failure being part of that experience, we can then discover important gaps in our understanding that negatively impacted our performance and ask for updated information.
- Fourth, repeat steps two and three until we are fully competent to do the work without supervision or guidance.

As we perform steps two and three over and over in the “Learn, Try, Fail™” cycle, we are repetitively building new “hooks” to hang new information or skills upon. Repetition is the fastest way to generate new hooks. Most organizations simply provide the planning or intellectual component of the training process. Management tells people what to do and what steps to follow. Even if they are conveying that information in the right amount of detail, the problem is that they mistake the transmission of facts and data with the recipient’s ability to be able to assimilate it and do it. The recipient might have heard it all and even taken good notes, but there are no available open hooks. Therefore, all that new information may be stored in their mind, but it won’t be accessible at a level to be applied.

We typically jump to the erroneous conclusion that the recipient’s successful assimilation of the new plan and knowledge equates to skill development. For skill development to occur, we need to know what we are trying to do, then attempt it, evaluate what we did grasp, identify what we missed, and then repeat it over and over.

With each progression of the Learn, Try, Fail™ cycle, we combine a little more knowledge and experience to create a little more skill. Don't short change your firm by losing sight of this important cycle. Put in the time to help your people build the hooks they need to continue progressing towards whatever competency gap you are trying to close.

### **Putting the Development Ingredients in Place – Step 3**

It is common for firms to have talented partners and principals. Depending on the firm's size and organizational structure, things start getting fuzzier from a competence perspective from below this level in the organizational chart. For example, some firms have a strong management group with a gap in talent starting at the senior or supervisor level. Others might experience their talent gap at the manager level because everyone that shows any self-starting initiative or promise is moved to a principal position early on. The size of your firm doesn't matter; you will likely be feeling a big gap or drop in talent somewhere in your organizational chart.

This occurs predominantly because we don't really develop anyone ... we give them CPE. Development requires these six ingredients:

- The person doing the work knows what is expected of them through a competency model and clear expectations.
- The person managing the worker can consistently articulate to that worker what is expected through the competency model.
- There is a developmental plan in place for each worker as to what areas need improvement, together with a training path to get there. This includes both education and on the job training with a formal assessment process.
- The developmental plan is based on a set of firm-expected competencies required for each level of worker, which is used to identify and close gaps between assessment and competency model.
- Someone is specifically assigned to make sure the worker develops according to the plan, and that the plan is working and effective by assigning direct reports to developmental coaches.
- Someone is specifically accountable to make sure the worker is developing according to the plan and that the plan is working and effective, which requires tying the performance of the direct reports to the coach/manager's compensation plan.

Most firms don't have formal competency models. Building one, or adopting one of the many that are available in the marketplace, allows your workers to know what they need to be able to perform well in their current position, as well as what they need to be able to do if they are striving to earn a promotion to the next level.

Many firms have developmental plans for their employees, but because they are not based on competencies, they are all over the board as to expectations and are customized by each manager or partner to suit their individual view of what a particular employee should be able to accomplish. Where this most often breaks down is that an employee may report to multiple people with each having their own unique view and requirements for advancement. What makes matters worse is that having a worker report to multiple managers means that no one has a real stake in the performance or improvement of that particular worker.

### **Everyone Needs to Report to One Boss – Step 4**

This is a critical concept to embrace if you want any development system to become part of your culture. It starts with embracing the idea that every employee, for developmental purposes, needs to directly report to somebody. To be clear, every worker will report to a number of people as they are assigned to various projects. But having a boss on a project is far different than having “only one boss.” The purpose of everyone reporting to someone is simply accountability and consistency. The overall boss’s or coach’s job is to:

- make sure the worker assigned to them knows how to do their job,
- monitor the worker’s performance (even though they will be working for many people),
- ensure that specific educational and on-the-job experiences are provided so the worker can develop according to their career path plan and competency expectations,
- step in and resolve conflicts or fight internal battles for their workers,
- be the final say for that worker when the direct report has been given conflicting instructions or direction by those in higher positions in the firm,
- be held accountable for that worker’s performance, with an appropriate monetary reward or punishment for that performance.

As we stated above, when workers report to several people, no one is responsible and therefore no one is accountable. So workers tend to have to survive in a “sink or swim” environment. The sink or swim model of development works fine if you have five job openings with 100 capable applicants wanting to fill those slots. But that has not been our economic model in the past 30 years (although we came close in the 2008-2010 recession), unless you were with one of the largest accounting firms. For as long as we can remember consulting with firms, every one of our clients has said, “We need to hire a (or many) 10-year people ...,” and for as long as I can remember, they haven’t been able to find even close to the numbers of experienced people they have been looking for. Today, that comment usually starts with, “We need to find several people with three to four years of experience” and then the firms list many more positions they are trying to fill at every experience level above that. The point is that no one can find these people, except as a fluke (such as someone returning back to their home town or transferring because of a spouse). And often the people they find on the market, which still are not enough to fill the existing capacity gap, are the “job hoppers” who look good on their resume, but basically get run off after about four years due to performance issues.

So, that leaves all of our firms with the same solution; hire right out of school and develop them quickly. This means that our future success is predicated on our ability to develop people faster than we ever have, and to develop them better and stronger than we ever have. The most assured way of accomplishing this is to have each of your people report to one person as his/her developmental supervisor/manager or coach.

We think it is necessary to reiterate again that we are NOT suggesting that everyone should only work for one person. In CPA firms, we use matrix management constantly, meaning that depending on the project, anyone could be working for almost anyone. And while working on a particular project, employees will have a boss – whoever is leading that project. But as soon as the employee, as a staff person, can’t get the work done, doesn’t have the skills to do the work being assigned, or is being directed to do things in opposition of his/her development plan, then the employee needs to know who his/her boss is to resolve any issues. When everything is going well, the workload that employees are expected to accomplish can easily be done during a normal work day; employees have the requisite skills to do the projects they’re assigned, and they don’t need to have just ONE boss. They can just do their jobs and work for whoever is leading the project they’re assigned to.

The fact is that this latter situation is not the norm. Often things are chaotic in CPA firms. The workload employees are required to accomplish can't be done in a normal day and they don't have the skills needed to do the level of work required to fully perform at their level. And during these times, having "a boss" is critical if you want to keep morale up and performance high. So someone, meaning only one person, needs to have the job to make sure the employee understands what needs to be accomplished, what the expected work hours should be, and most important, make sure the employee is given the training and oversight, including monitoring and feedback, necessary to live up to the competency expectations of the current job, as well as prepare the employee for the next one.

We will pick up here in my next column to continue to outline the steps necessary to build a system internally that will help your firm develop your people and help them become better, faster and stronger, and do this in far less time than it has historically taken.