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Is Your Firm Ready for You to Retire?

The value of many CPA firms took a hit during the downturn, postponing the retirement plans of many of your peers. Now that the economy is improving, values are rebounding and succession planning is becoming an increasing concern.

While there are a number of things to think about when you're ready to turn over your firm to the next generation of leadership, the top agenda item is clear. "The single most important thing to ensure succession is to get the founding owners to stop making themselves so damn indispensable," said Bill Reeb, CPA and CEO of Succession Institute LLC, a consulting firm specializing in organizational development work for CPA firms. Part of the problem is the perception by senior leadership that there's lots of ability at the top but a big void between the partners and the junior staff, he said.

"A lot of really smart entry-level types used to come into the profession. They're not there anymore," said Joseph A. Tarasco, CPA and founder of Accountants Advisory Group LLC, a consulting firm that specializes in practice management, marketing, and human capital for CPA firms. This has led to the mindset that partners have to keep a hand in all parts of the operation to keep the firm successful.

But the tide may be changing. According to the U.S. Bureau of Labor Statistics, employment of accountants and auditors is expected to grow by 22 percent between 2008 and 2018. Those who have professional certification, especially CPAs, should have the best

prospects. An increase in new businesses, changing financial laws and corporate governance regulations, and more accountability for protecting an organization's stakeholders will drive job growth, according to the Bureau.

In today's uncertain economy, many recent graduates with degrees in accounting look for employers that can show a path of steady career advancement, but there's typically no real career path in many CPA firms. "The profession has done a lousy job of developing a model for succession within firms and communicating to their staff about what they need to do," Tarasco said.

Career accountability is an elusive trait among CPA firms. "Everyone has to report to someone," Reeb said. A reporting structure should be set up so that each staff member has a manager who sets expectations and reviews performance. "Even a bad manager is better than no manager at all," he said.

When it's time for partners to retire, firms that have not developed junior staff or have not planned for succession are looking at a risky future. "Accountants are genetically coded to avoid risk," Reeb said. Those who remain at the firm after partners leave gain the most if the practice is sold internally, he said. To ensure that an internal sale has the greatest potential for long-term success, CPA firms should consider the following five keys:

(1) Create a transition plan for retiring partners. One way to guarantee a stable future is to start thinking about who will take over two or three years before a partner plans to retire, Tarasco said.

The recession delayed some retirements, but the slow uptick in the economy is prompting some partners to reconsider whether it's time to cash in their chips. By thinking ahead, firms can ensure that succession is smooth. "Succession starts on day one," Tarasco said. "The problem is that the majority of firms are in denial, and many of them start too late," he said.

(2) Develop successors. When it comes to succession planning, the recession probably did some CPA firms a favor. The recession "cleaned them up and thinned them out," Reeb said. "Firms should have been making those same choices anyway," he said. But as firms moved personnel up or out, they didn't train others to replace them. That can be a critical mistake, he said. "Survival is training someone else to do your job," he said. By training a junior staff member to take over your responsibilities, you are freeing yourself to take on new challenges and build your worth among your colleagues. "If the only person you can make better and faster and stronger is you, then you have limited value to the firm," Reeb said.

(3) Find leaders in your firm. The recession has given some firms the opportunity to bring in new talent, but all too often hiring is based strictly on accounting skills instead of on leadership skills. "It's hard to develop leadership through training," Tarasco said. "The key is to find leaders in your own firm." As a result, firms need to recruit CPAs who will complement and carry out the firm's vision today and beyond. At the same time, firms should build up the marketing, human resources and IT sides of the house so that new leaders will have the tools they need to take the practice to the

next level, he said.

(4) Recruit new blood. The time is now for CPA firms to fill their junior ranks by actively recruiting and developing the best talent. The majority of partners are baby boomers, so firms that are intent on raising their stature in the profession should always be on the lookout for rising stars. "At the end of the day, we're in the talent business," Tarasco said.

(5) Invest money in staff training. Professional development was put on hold while many CPA firms preserved their reserves during the recession. But as finances begin to bounce back, firms need to replenish their training budgets and develop in-house competencies to benefit the practice. "Education is not training," Reeb said. "Just because you have the knowledge doesn't mean you have the skill." It's important that staff members use the training they receive to cultivate new skills, he said. But although professional development is a no-brainer for some firms, others think it'll make their employees attractive for competitors looking to snatch away talent. "You could spend the money, and they might leave," Reeb said. "But don't train them, and they [won't] stay."

A successful succession plan is an insurance policy that pays dividends to employees at every level of the organization. "It's a great feeling to wake up in the morning and feel like everyone needs you," Reeb said. But the survival of the firm depends on spreading the knowledge and the clients to junior members who will ultimately take over the day-to-day operations, he said. "Succession is building leaders to buy you out," Reeb said.