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Avoid the Most Common Succession Planning Mistakes of CPA Firms

Succession planning is a major challenge facing many CPA firms right now—but it is a challenge about which too many firms are taking a “wait and see approach,” according to Sam Allred, founder and director of Upstream Academy in Helena, Montana. Allred is also a shareholder with Anderson Zurmehlen and so has experienced the issues of succession planning first-hand. He shared his observations as a partner and consultant in a session at the Association for Accounting Administration 2007 Practice Management Conference in Providence, Rhode Island, entitled “Succession Planning: Getting Your Head Out of the Sand.”

Why firms need to plan. In the next 10 to 15 years, more partners will be retiring from CPA firms than the total number who retired in the past 30 years. “That’s a significant change in leadership,” Allred said. Fear about successfully funding retirements and of dealing with the related issues of transitioning clients and workloads is what is holding up progress on succession planning.

That “wait and see” approach can have devastating results for the firm. “The worst strategy for responding to the significant issues facing your firm is simply to hope they will go away,” said Allred.

Mistakes to avoid. Allred described the common mistakes in succession planning that firms should be aware of and take steps to avoid:

1. Thinking of succession planning as an event. It must be an ongoing process, Allred noted, since your firm’s strategies and goals will change. Leadership must change to reflect those changes.

2. Delaying the plan. Succession issues are often difficult ones, so owners often delay. If you fail to plan, however, you may be forced to sell the firm or merge.

3. Not preparing personally for succession. Partners who don’t have a life outside of the firm and who lack good family relationships are going to have a much harder time moving to retired status, Allred said.

4. Failing to adequately prepare successors. This can be especially painful at the managing partner level. Allred recommends two to four years of preparation for a new managing partner and two years for

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transitioning the work of other partners prior to retirement. Preparation time is especially important to the retention of future partners, who "are often brighter and more talented." Failing to train those you identify as future leaders could mean the firm will lose them because they don't know the firm's plans.

5. Not preparing the firm for transition. Moving client work to others, preparing new partners to move into new leadership roles, and updating the funding plan are all factors that should be included. Training staff in the art and science of relationship building is another key factor.

6. Not understanding the difference between support and commitment. True commitment is necessary and must be spelled out. Support is the "go ahead, I'll stay out of your way" approach, while commitment is "I'll do all I can to make it happen," Allred explained.

7. Hanging on too long to a position or to clients. Partners who won't let go can damage the success of the transitioning process.

8. Failing to create a vision of the firm's future. You can't possibly hope to craft a workable succession plan if your firm lacks a strategic plan.

9. Not involving successors in developing the plan. Involve owners from all stages of ownership, Allred urged.

10. Not having a written plan. With a written plan, everyone understands it, can be held accountable, you can monitor and assess the progress of the plan, and correct your course as needed, Allred explained. Finally, a written plan can give everyone peace of mind.

For more information:

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