

Play of the Month

JANUARY 2012

RedZone
Practice Management

*Taking Successful CPA
Firms To The Next Level*

The Denial Syndrome in the CPA Profession

Denial is defined by Merriam -Webster Dictionary as "a psychological defense mechanism in which confrontation with reality is avoided by denying the existence of the problem or reality." Denial has run rampant in the CPA profession especially with small firms. The CPA profession has changed significantly (i.e., continuous consolidation, lack of quality CPA's, baby boomer partners retiring at a rapid pace, increased competition, etc.) and many firms are having difficulty adjusting to this change and related new reality—they are falling into deep denial. Denial is more endemic to firms with older baby-boomer partners because it often results from stubborn adherence to a once accurate perception of reality that has become obsolete in a changing marketplace. It's hard to overcome denial because it's a comfortable state of mind—it normally means avoiding change.

The following are more common denial symptoms in CPA firms:

- A firm can be successful in the long-term without strong leadership at the Managing Partner level.
- Firms with no succession planning in place avoiding merging into a larger firm because some partners don't have "the stomach" for a merger or because of the remote possibility that a firm of young successful partners will merge in and provide an exit strategy for the firm's partners.
- Not investing in quality professional marketing and human resource directors or consultants because the partners feel it's not a necessary

element of succession planning.

- Running the practice day to day as a preferential strategy over developing a strategic plan for two to five year intervals with partner accountability for implementing the plans.
- Promoting managers to non-equity partner status, who will never be equity partners and who don't bring in new business, as a retention strategy that will benefit the firm in their succession planning process.

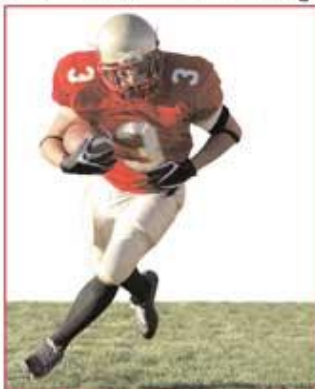
- Thinking that a compensation system purely based on collections rather than on partner performance will motivate partners to build a firm of the future.

- It's acceptable to fail at implementing action items from annual retreats because the partners are too busy and the tasks at hand will eventually be accomplished.

- The assumption that past success of a firm guarantees future success.

Denial has always been a problem for accounting firm partners; however, what is different now is the large number of firms facing tough succession planning issues in the next 5 years. Established firms, which have had some measure of

success, are more likely to be in denial because the old way of doing things worked for them and they have difficulty making tough decisions and adapting to an ever changing CPA firm marketplace. They have not bought into Charles Darwin's theory of survival of the fittest—"It is not the strongest of the species that survives, not the most intelligent, but the one most responsive to change."



*You play to win the
game—you don't play
to just play it.*



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