

**CCH-JOURNAL, CPA Practice Management Forum,
November 2007,
Operational Excellence Equates to Sustained Growth and Success**

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Weaver and Tidwell, L.L.P., a regional accounting and consulting firm with offices in Fort Worth, Dallas and Houston, has enjoyed a history of growth dating back to the firm's founding in 1950. Passage of the Sarbanes-Oxley Act of 2002 and other events have increased demand for accounting services, and most recently, contributed to the firm's successful growth rate. Strong local economies further enhanced the firm's growth prospects as well.

Capitalizing on such opportunities caused the firm to focus on improving its daily operations. It became clear that operational excellence had to become a top priority (along with practice development) in order for the firm to continue to meet its ambitious growth plans. While contemplating the firm's situation, W.M. "Mack" Lawhon, the firm's managing partner, became aware of immense operational and performance improvements another area business attributed to implementing and following the Valant Execution Model.

Based on the CEO's feedback, Lawhon contacted Larry Valant, and they set up an exploratory meeting in October 2004. As a start, Valant spent several days conducting interviews of Weaver and Tidwell management team. He then provided an initial assessment of the firm's strengths and needs, as well as a proposal for enhancing its performance. After evaluating the report, Lawhon and the firm's executive committee unanimously decided to hire Valant and begin implementing the Execution Model. The ensuing positive change has far exceeded the firm's expectations.

Understanding objectives, obstacles, strategies and plans

Valant committed to deliver quantifiable, predictable results that would allow the organization to "make plan," on time and on budget. The firm emphasized aligning organizational goals from top to bottom, attaining commitment from individuals at all levels, and holding each person accountable for reaching mutually-established goals during 13-week spans. The model focused on objectives, obstacles, strategies and organizational structure, with each aspect addressing related potential concerns.

- ***Objectives.*** The objectives element, for example, emphasized that objectives must be quantifiable, attainable, understood by all and committed to by all.
- ***Obstacles.*** Potential obstacles included organizational structure or staffing, systems, capacities, equipment or training.
- ***Strategies.*** Strategies encompassed specific actions, individuals or business units involved, how those activities were executed and resources needed to overcome obstacles. Strategies needed to be detailed, measurable and provide the basis for assigning related responsibilities.

- *Organizational structure.* This element addressed structure and function, with levels of authority, and alignments of decision-making and delegation responsibilities.

The rolling 13-week commitment plans defined each individual's purpose, responsibilities, standards of performance, and commitments and accountabilities over each 13-week period. Everyone in the firm --all administrative and professional staff --had a plan and a reporting structure designed for her or him. Residual income, which equates to net income after taxes minus the cost of capital, formed the basis for measuring financial performance in relation to goals.

Our strengths

The initial assessment of our firm highlighted numerous strengths. We had developed a wide array of service areas, as well as numerous niche practice areas including risk management and corporate governance, corporate tax preparation, employee benefits, retirement planning and other functions, as well as specific market segments, such as state and local government entities, construction companies, energy companies and manufacturers. Coupled with Weaver and Tidwell's emphasis on personalized service, enabling clients to enjoy the one-to-one relationships and individual attention from partners typically associated with much smaller firms, large and small clients alike found the firm to be a good partner.

The firm also had a number of individuals with considerable management capabilities. Those individuals worked in various line and staff functions, including tax, assurance and operational areas of marketing, finance, administration, human resources and information services.

Identifying areas for improvement

The initial assessment also identified areas for improvement. There was a lack of clear, regular communication from the firm's management to employees within various practice areas and functions. Efforts were fragmented and non-cohesive and did not tie to clearly defined goals. In many respects, Weaver and Tidwell functioned more as a consortium of smaller accounting firms, rather than as one firm with a shared vision among all stakeholders and common, clearly understood goals.

That lack of unity and shared focus promoted misunderstandings, indecisiveness and the inability to focus on the firm's key objectives. If left unaddressed, further expansion could have magnified those shortcomings, making growth increasingly cumbersome.

Adoption of a corporate structure drove the initial change

To overcome the obstacles that had been identified, the firm was urged to adopt more of a corporate organizational structure, with a more clearly defined hierarchy, and apply other practices more commonly associated with larger organizations. Specific changes included creating a partner-level chief operating officer (COO) position, with that person having responsibility for directing everyday service delivery activities and making operational decisions. Since regional accounting firms typically operate without a COO, our new structure would go against the industry norm. The change would free Lawhon to focus on strategic, long-term planning without worrying about daily operations.

A similar hierarchy was created within each service line (tax/business services and assurance), establishing reporting relationships at every level of the firm.

13-week plans

Operations and line leaders were required to prepare 13-week commitment plans and annual goals that aligned

with the firm's overall goals. The service line leaders were accountable to the COO, and the other partners were held accountable to their location lead partners for reaching stated practice area goals and contributing to the success of the firm as a whole.

Each employee was likewise held accountable for reaching agreed-upon goals for a rolling 13-week period, and every person within the firm was educated about the firm's overall goals and their role in reaching those goals.

Weekly meetings were held, at which each individual reported on progress or obstacles encountered in meeting the current 13-week goal. Year-to-date progress was also discussed. Bonuses were based upon the firm reaching its goals, with profitability measured by residual income. Such changes marked a significant departure from the existing culture.

Implementing change wasn't easy

While those planned steps directly addressed obstacles facing the firm, not everyone welcomed those changes wholeheartedly. Partners accustomed to enjoying considerable autonomy had to develop and follow annual goals for their practice areas that aligned with the firm's goals, and that was met with some resistance.

Partners and their staff accountants were also accustomed to planning weekly activities within a time and billing structure. While that structure would remain, they would need to incorporate weekly meetings into their schedules, meetings at which they would be held accountable for meeting their 13-week commitment plans.

The emphasis on aligning practice area goals with the firm's goals meant other changes too: Decisions for directing marketing support and other resources toward specific practice areas and activities were driven by the firm's annual plan, and requests by firm leaders for such help were evaluated on that basis. Throughout the firm, employees had to adjust to the emphasis on accountability, discipline and 13-week goals.

The underlying difficulty was convincing our people that the objective of the new structure was positive, not punitive. We began an internal marketing program that stressed, and then reinforced, the true role of the restructuring, which was to highlight accomplishments and keep the firm on track. The beginning was difficult. It was as if people made the adjustment at their own pace, but more and more came on board and began to appreciate the value of the changes. It took well into 2005 for everyone to adapt to our teamwork-focused culture and new way of working. One of the biggest hurdles we had to overcome was helping people understand team managers were not turning into unwelcome overseers.

Rather than taking on the roles of taskmasters and disciplinarians, team managers focused on coaching and counseling. They emphasized helping individuals improve. Their nurturing attitudes freed individuals to seek help if they were having difficulty reaching a goal. The weekly meetings assured that minor difficulties were identified and addressed before they could grow into significant problems.

Over time, employees who'd had trepidation regarding the emphasis on discipline, accountability and the rolling 13-week commitment plans welcomed the new culture. They found the discipline and accountability required to commit to goals over a 13-week period provided clarity and enabled them to better understand what was expected from them.

That result was a dramatically increased productivity. We believe that was due to a reduction in the amount of time and energy needed for unnecessary tasks and feelings of uncertainty. Weekly feedback became a productive event rather than a dreaded review, and the tangible improvements in work process and personal achievements positively affected all stakeholders.

Fully reaping the benefits of change

Understanding the links between individual and firm goals promoted everyone to act as though they each owned a piece of Weaver and Tidwell. That feeling of collective ownership provided a foundation for attaining substantial gains in overall performance.

In 2005, Weaver and Tidwell acquired two smaller Dallas accounting firms. By the end of fiscal year 2006, the firm realized a 20-percent increase in net revenue, and the DALLAS BUSINESS JOURNAL honored it as a Best Place to Work in the Dallas-Fort Worth area. In addition, the firm expanded its footprint by establishing an office in Houston, Texas' largest city. The firm reported a 30-percent increase in net revenue for its 2007 fiscal year. Profit sharing bonuses, based on the firm's increase in net income per partner from one year to the next, were awarded to all employees.

Our firm's adherence to our new culture and principles enables it to maintain ambitious long-term growth plans, while recognizing that all businesses and industries can and will experience downturns as parts of regular economic cycles. We believe that our flexibility is facilitated by our rolling 13-week commitment plans, which give us a formal structure under which we can recognize and respond to any potentially adverse events at an early stage. With that proactive approach, measured, incremental adjustments eliminate the need for drastic crisis responses. Taking such an approach enables Weaver and Tidwell to meet its inevitable challenges while remaining focused on its plans for sustained, long-term growth.

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