

Management Commentary

Leave It to the Firm Administrator

By Rita Keller

Free partners from the administrative jungle.

In many aspects, the CPA profession faces a future filled with economic challenges and overall change. As the economy improves, firms will continue to compete for new and better clients and increase their focus on client retention and service. The result will be greater partner accountability. In addition, as long-time leaders retire, new leaders must be groomed to take their place.

This creates a quandary in the many firms that also ask their partners to deal with the day-to-day challenges of efficiently running the firm. How can partners be expected to successfully commit the time needed for the business development and mentoring activities asked of them, run their book of business, and handle the demanding operational issues on a daily basis?

There is a better way. As Marc Rosenberg, consultant to the CPA profession, points out:

Average partner income in the U.S. is in the \$300K range. Administration can be done by people earning \$50K to \$150K annually, depending on the size of the firm and the skill level of the administrator. You shouldn't pay a partner to do administration.

Value

By adding the role of firm administrator or by elevating the role already established in your firm, you can save time and money while helping to position your firm for greater efficiency, effectiveness, and profitability. Depending on the firm, the administrator may be referred to as the administrative manager, office manager, director of administration, or chief operating officer (COO). The person may be at the employee, director, principal, or even partner level.

When the principals of Corbett, Duncan & Hubly, a 65-person Chicago-area firm, were looking for a firm ad-

ministrator with a passion for operations and strong leadership skills, they were looking for someone who could grow into a COO role as the firm grew. The firm hired Bernie Lietz, who had plenty of experience running the day-to-day operations of a small office but no public accounting experience. Managing principal, Bill Hubly, says:

Bernie contributes in a lot of different ways to our success—since joining our firm six years ago, his input and energy have been very instrumental for us to grow as a firm. He has freed up and taken the administrative burden off of our partners and allowed them to work in their areas of strength.

Establishing the role

Owners in smaller firms often wonder whether their firm is large enough for a firm administrator. In the smallest firms, the title "Firm Administrator" is sometimes given to the key administrative person in the firm. This person provides all of the administrative support that the firm requires and might be the only administrative person in the firm. This right-hand to the managing partner or owner is just as important to the success of the firm as the firm administrator in a much larger firm.

Barb Gillock is the firm administrator of Lynn & Associates, a nine-person firm in Springfield, Illinois. "Barb knows my thought process, so when it comes to execution, she champions the projects extremely well," says the firm's owner, Walter I. Lynn, Jr.

Gillock believes her value comes from being the communication link between Lynn and the other team members. "Even with one owner, communication can sometimes suffer," says Gillock, "Walter knows what he wants, but usually I can communicate it more effectively to the team."

Although small firms do benefit from a firm administrator, many firm owners only consider adding the role when the firm reaches 15 to 20 full-time employees.

An important step in establishing the role is to draft a position description. A clearly defined set of expectations not only helps the administrator, but it also helps partners thoroughly understand what the firm is trying to achieve through the role. The position description is also an important tool to use when interviewing candidates and evaluating performance when the role is filled.

Once a firm has identified the need, documented the job duties, and assigned a title to the role, it is time to promote from within or hire someone to fill the position. When filling the position, the considerations are similar to the traits necessary when adding any other professional to the CPA firm team, including:

- They must complement the style of the managing partner, yet not be a “yes” person.
- They must thrive on change and always be willing to try a better way.
- They must possess a very high work ethic and a desire to learn and improve, personally.
- They must have the ability to grow with the job, often moving from a hands-on doer to a true administrative supervisor and leader.

As the firm administrator gains experience and becomes knowledgeable about CPA firm management, administration, technology, marketing, human resources, and finance, the partners will receive fewer interruptions, freeing them up to focus on partner-appropriate activities. Questions about policies, procedures, employee benefits, continuing professional education, and operational issues can be fielded by the firm administrator. Partners may even receive fewer emails about issues with human resources and staffing. A major plus for the firm is that human resources will be handled consistently and confidentially. In addition, firms may also experience a reduced need for internal meetings.

One important aspect of establishing the role is the ability of the firm administrator to save the partners’ time. A firm administrator can quickly save the partners 20 hours per week, and an experienced administrator can save partners 40+ hours per week. The following example, using the billing rate from the 2011 Rosenberg MAP (managing an accounting practice) Survey, illustrates the projected annual savings in a \$2 to \$10 million dollar firm, where the average partner billing rate is \$269/hour:

Annual Savings*:

10 hours/week = \$ 139,880

20 hours/week = \$ 279,760

40 hours/week = \$ 559,520

*This savings in time is only beneficial if the partners do productive things with their new-found time.

Organizational structure

The firm administrator should report directly to the managing partner and this should be reflected in the organizational chart. All owners should support the firm administrator concept. “You don’t have to be a partner to make a difference,” says Tom Hager, Managing Partner of Schlabilg & Associates, a 16-person firm in Akron and Kent, Ohio. Hager is a strong advocate for the role of firm administrator and its value in making his firm more successful. He describes his firm’s Director of Administration, Kelly Nizzer Bates, as “the in-house expert on how the firm operates.” He says, “Kelly is an integral part of the management team involved in all phases of administration, personnel, finances, facilities, and marketing.”

Positioning the firm administrator at an executive-level position allows him or her to operate at senior manager level with the responsibility and authority to act in the best interest of the firm. Once proven, many firm administrators have become directors, principals, and partners in CPA firms.

Managing partner/firm administrator relationship: Built on trust

To achieve maximum effectiveness and success, the managing partner needs to build a strong relationship with the firm administrator. How well these two people work together can make a significant difference in the growth and success of the firm.

Being the high-level right-hand to the managing partner doesn’t mean always saying “yes.” It means developing the relationship to where the managing partner and the COO can have conflict and disagreement and still move forward with the best decision for the firm.

Bill Hubly has worked closely with Bernie Lietz to help him develop his skills and fully expand in his role. As a result, Lietz has been able to grow and improve and has been promoted to COO.

Their relationship illustrates a successful managing partner/firm administrator relationship that relies on the following:

- *Trust.* There can be no secrets between the managing partner and the firm administrator. Each must be able to

Exhibit 1: John Doe & Company Firm Governance Model

This Governance Document is provided to all firm employees as a resource in clarifying the responsibilities and roles of firm management.

Governing Board (Owners)	President/Managing Partner	Firm Administrator
<p>The board is made up of all shareholders of the CPA firm and is elected annually by the shareholders. Some board members may be non-shareholders depending on the wishes of the group. All board members are employees or consultants to the firm.</p> <p>The role of the board includes the following:</p> <ul style="list-style-type: none"> • Articulate and support the vision of the organization; • Address fundamental values and guard them; • Set policy for the organization; • Employ the president (managing partner) of the firm; • Grant the managing partner the authority to lead and manage the organization and hold the managing partner accountable to firm vision, values, and objectives; • Exercise the right to reject an action plan or set of procedures provided by the managing partner to carry out board policy, with an affirmative vote of at least 80 percent of the board; and • Approves mergers, acquisitions, major business line or product changes, and strategic alliances. 	<p>The managing partner is elected by the shareholders and serves an annual term.</p> <p>The role of the managing partner is as follows:</p> <ul style="list-style-type: none"> • Reports to the board of directors; • Carries out policies established by the board; • Responsible for running the business and the financial performance of the firm; • Hires top management team including the firm administrator position; • Responsible for establishing firm staffing levels and composition; • Mentors and coaches shareholders and the firm administrator; • Exhibits a leadership role in the community; • Exhibits leadership role inside the firm and is accessible; • Holds others accountable to firm vision, values, and objectives; • Develops and recommends policy to the board; • Develops and implements the procedures and action plan to carry out board policy, including measurement of accountability to the procedures; • Is responsible for the firm's ownership in other business entities, including the liaison relationship with those entities; • Responsible for liaison with professional resources and organizations; • Carries out the mission of the firm in accordance with stated firm values; and • Responsible for expansion of the firm via mergers, acquisitions, major business line or product changes, and strategic alliances. 	<p>The firm administrator is hired by the CEO and is a direct report to the managing partner. The role is as follows:</p> <ul style="list-style-type: none"> • Responsible for day-to-day operation of the firm; • Primary firm champion for operational efficiency focusing on client service and profitability; • Assists the managing partner with developing the procedures and action plan to carry out board policy; • Acts as chief-of-staff for the managing partner; • Primary operational liaison with related entities; • Responsible for supervising: (1) Human Resources, (2) Training, (3) Technology, (4) Accounting, (5) Marketing, and (6) Administration; • Responsible for maintaining outside peer relationships to benefit the firm both locally and nationally; • Maintains high-level knowledge of issues affecting the profession as they relate to successful management of the firm; • Recommends new initiatives to the managing partner; • Visible and active in the business community; and • Exhibits a leadership role inside the firm and is accessible.

initiate open and honest communication with the other.

They must be able to disagree about topics of importance to the firm and then go on to make a good decision. They must trust each other enough that they have no qualms about speaking for the other. This level of trust, of course, doesn't happen immediately; it grows over time.

- *Frequent communication.* The managing partner and the firm administrator should have regularly scheduled meetings on the calendar. These meetings can be re-scheduled, but never cancelled.

- *Shared to-do lists.* The managing partner and the firm administrator must know what the other is doing and support each other while being careful not to duplicate efforts.
- *Shared goals.* The managing partner and the firm administrator should determine and communicate to the other partners what they are working on together that will propel the firm forward.
- *Separate goals.* Each person must clarify and commit to individual goals. They must hold each other accountable.

- *Shared training.* At least once a year, the managing partner and firm administrator should attend a CPA management conference or seminar together. Hearing the same message, current trends, and best practices as a team doubles the odds for success when these ideas are brought back to the firm. This time together should be used to decide on and draft firm operational initiatives for the coming months.

Firm governance document

Because, in many accounting firms, there are multiple owners who must also fill the role of boss and employee, a clearly defined firm governance document that outlines the firm's management responsibilities is a useful tool in helping to clarify the management roles within the firm.

Firm owners usually act as a governing board with the president (or managing partner) reporting to the board and the firm administrator reporting to the managing partner. This document clearly communicates the importance of the role of the firm administrator and gives all employees an idea of the firm administrator's areas of responsibility.

While each firm must determine their own governance and management responsibilities, refer to Exhibit 1 as an example.

Supporting success

To set the stage for the success of the firm administrator, the firm must be willing to invest in his or her training and education. The firm administrator needs to:

- Attend MAP conferences to learn about what successful firms are doing and to have the opportunity

to meet consultants and advisors to the accounting profession. It is difficult to improve operations, processes, and procedures if you aren't aware that there is a better way. Much like the managing partner, the firm administrator learns from a network of people who fill the same role at other firms. The Association for Accounting Administration is one such resource for firm administrators and managing partners.

- Read everything possible regarding accounting firm management, whether it is online, in newsletters, books, or other CPA publications.
- Keep current *via* all the social media channels regarding firm management.

Conclusion

A professional firm administrator can be a huge asset to a firm as CPAs face a future filled with significant change. Now is the time to establish the role in your firm. If you already have a firm administrator, set aside time to discuss how the role can expand, the partners' expectations for the role, and how the administrator can help the firm face the future while personally enhancing his or her own career.

About the author: Rita Keller is the Founder and President of Keller Advisors, LLC and a widely respected voice to CPA firm management. Through her presentations and workshops she interacts with thousands of CPAs annually. Named as one of the Top 100 Influential People in the profession, she acts an advisor, counselor, and coach to CPA firm leaders across the country. She can be reached at rkeller@ritakeller.com. †

Lack of Implementation

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easier to keep team members focused on completing the plans required to achieve goals and objectives.

Conclusion

Football team game plans are meant to keep the team competitive, score touchdowns, and ultimately, win the game. However designed, it is not always the team with the best players that is successful. Many times, it is the team that can successfully execute a good game plan that wins more often. Similarly, a firm with a well-designed strategic plan, including

marketing, human resources, and technology, will only be successful if its plan is implemented in a timely fashion.

About the author: Joseph A. Tarasco is the founder of Accountants Advisory Group, LLC, (www.accountantsadvisory.com), a consulting firm that incorporates state-of-the-art practice management, marketing, and human-capital strategies to assist CPA firms in achieving long-term success and profitability. Voted "Top 10 Most Recommended Consultants" by INSIDE PUBLIC ACCOUNTING. Joe can be contacted at Joe@AccountantsAdvisory.com or 845-265-9046. †