

**WHEN YOUR MANAGERS QUIT AND WANT TO TAKE CLIENTS:
A GAME PLAN
By Marc Rosenberg, CPA**

It happens every day.

A firm grows and prospers over time for many reasons, one of which is the fine work and dedication of its staff. The firm is able to develop a small number of their staff into highly productive managers. The partners delegate a substantial amount of client relationship as well as client *engagement* responsibilities to these managers under the assumption that the firm is a team and everyone works together for the good of the firm. These managers are on track to become partners (though unfortunately, many firms mistakenly keep this a deep, dark secret from the managers).

Then one day, a manager marches into the managing partner's office and gives his/her two week notice. The conversation begins to deteriorate when it becomes clear that the manager plans on launching his/her own firm by taking some of the firm's clients. And maybe one or two of the firm's staff. The firm realizes that they are in trouble because the manager has stronger relationships with the clients than the engagement partners.

Once the manager resigns and walks out of the MP's office, what should be the firm's game plan for dealing with the manager's departure and equally important, keeping their clients and staff?

The tactics listed below should be strongly considered by any firm that finds itself in this predicament. Thanks to the following CPA industry consultants for their input to this game plan: Jennifer Wilson, Steve Weinstein, Bob Martin, August Aquila, and Rita Keller.

1. Get your attorney's advice.
2. Ask the managers if they intend to take clients. Even though they don't have to answer and even though they might lie, it will be useful to see their body language when you pose this question to them.
3. Get them out of the office. They should not be allowed to stay until their notice is up.
4. Change all passwords and office locks.
5. Make it very clear that you intend to aggressively enforce all terms of the non-compete, calling upon every legal tactic available under the letter of the law. This applies to clients, prospective clients and staff.
6. Even if you don't have a non-compete, there are circumstances where the law will support you in your legal efforts against the managers. Taking your assets, including workpapers and other information, may still be illegal, even if there is no non-compete.

7. Immediate client contact is critical. Personally visit the bigger ones. Phone calls to the others. In your communications with clients, be aware of the risk of some of the clients saying “a plague on both your houses – I’m going elsewhere.”
8. Consider taking a positive approach. Perhaps there are some relatively small clients that you really don’t want to keep such that, if the managers agree to take them and not pursue the important clients, then you won’t litigate. If they agree, this should be in writing.
9. Deliver an immediate communication in person to the staff, advising that the managers have chosen to leave, expressing disappointment but optimism, with the intent that the firm will be fine. The partners need to put on a good face and not bad-mouth or disparage the managers, wishing them the best, but being clear that the firm intends to retain all clients and that steps are being taken to communicate with the clients. It will provide some great opportunities for the staff to “step up” and assume more responsibility. Also tell them that the firm has already commenced efforts to replace the department managers.

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