

MANAGEMENT AND LEADERSHIP IN A CPA FIRM – PART 5

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PICKING UP WHERE WE LEFT OFF

In our last column, we talked about some high level competency areas we focus on when evaluating people within a firm and we introduced the “relative importance” concept as a way to differentiate expectations regarding the same competency for various levels within your firm. We concluded with a commitment to drill down even further into a competency model in this month’s column.

We decided the best way to accomplish this was to share some of the details of our competency model with you. It considers the following levels within a CPA firm (each firm needs to choose whatever breakdown works best for them):

- Owners Partners, Shareholders
- Managers
- Supervisors/Experienced Seniors
- Seniors
- Experienced Associates
- Associates

We selected a behavior or two from each of the 15 competency areas, as well as applicable prompting questions to give you a feel for how the model works and how the expectations of the various levels impact the questions. Notice on one extreme that some questions apply to multiple groups or levels within the firm, and yet other questions change to reflect a greater or lesser performance expectation for different levels in that competency area. We hope the information below will give you an idea or two of how you might fine tune or develop your own model. So, let’s jump right into it:

VISION AND STRATEGY

As we discussed in our last column, vision and strategy is commonly the bailiwick of the firm’s owners. While they may involve others in front-end preparation for strategic planning or back end implementation planning, the owners drive the vision and strategy process. Here are a couple of questions we ask to gain an understanding of how well a partner or shareholder is executing on this competency:

Owner (Partner, Shareholder) Level

Question: Can clearly explain the reason your firm exists--why it is in business.

Help detail for the evaluator to consider when responding to this question:

- Can this person describe, in simple terms, why your firm exists?
- Does he/she understand how you are different from your competition?

Question: Has the ability to set a clear course of direction for the firm.

Help detail for the evaluator to consider when responding to this question:

- Has this person developed an exciting, credible, and appropriate course for the future of the organization (or department or group)?

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JOB COMPETENCE

Job competence involves one's ability to carry out his or her basic job responsibilities—in other words, do you know what you are *doing*? Expectations of owners are different than the expectations set for other levels of people in the firm, as illustrated with the following two excerpts:

Owner (Partner, Shareholder) Level

Question: Demonstrates excellent skill and experience in his/her technical area.

Help detail for the evaluator to consider when responding to this question:

- Is this person perceived as an expert in the technical area for which he/she is responsible, whether it be audit and accounting, taxes, consulting, firm administration, marketing, or so on?
- If this person is a CEO or Managing Partner, does he/she demonstrate a well-rounded knowledge of all business disciplines?

Senior Accountant Level

Question: Demonstrates excellent skill and experience in his/her technical area at the senior level.

Help detail for the evaluator to consider when responding to this question:

- Is this person able to function without a great deal of oversight and supervision?
- Does he/she know what they don't know--can they recognize issues that call for expertise beyond their current level, and bring in assistance as required?
- Can he/she use the firm's workpaper system and other firm technology platforms effectively?

INDUSTRY KNOWLEDGE

How much do your people know about your clients' and your industry/profession? Again, we see an example from the Industry Knowledge competency area that shows different expectations for different levels of people in a firm, in this case, for managers and for supervisors:

Manager Level

Question: Has an in-depth understanding of the industries he/she works in for your firm's clients.

Help detail for the evaluator to consider when responding to this question:

- Does he/she create a sense of confidence that your firm is a force to be reckoned with in the industries it serves and within the accounting profession?

Supervisor Level

Question: Understands the industries he/she works in for your firm's clients.

Help detail for the evaluator to consider when responding to this question:

- How well does this person understand the significant issues posed for accounting, reporting and taxes in your clients' industries?

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COMMUNICATION

Communication is so important in our profession that everyone in the firm should be held to high standards for it. Whether you are a partner or an entry-level associate, you should be able to speak and write using decent grammatical form, in a way that others can understand you:

All Levels within the Firm

Question: Has the ability to express complicated ideas in a simple, direct and clear manner.

Help detail for the evaluator to consider when responding to this question:

- Can this person get to the point quickly and succinctly?
- Does he/she avoid technical jargon when talking with clients?
- Are his/her writing and oral communication grammatically correct?

LEADING CHANGE

Leading change is a competency that should be acquired by owners and senior management-level people. The following example shows part of what an owner should be able to do in this area. (At the other end of the organization chart, even associates have responsibility for being adaptable to change and doing their part to help implement change, however.)

Owner (Partner, Shareholder) Level

Question: Provides the leadership and motivation for substantive changes to be embraced.

Help detail for the evaluator to consider when responding to this question:

- Is this person a capable motivator for change?
- Does he/she possess the skills to persuade and encourage partners and staff to embrace and adopt substantive changes?

EXECUTION

How good are your people at getting things done—at setting and hitting targets? Execution addresses this for you:

Experienced Associate Level

Question: Has an unwavering resolve to achieve goals.

Help detail for the evaluator to consider when responding to this question:

- Will this person accept nothing less than successful achievement of key goals and objectives?
- Is he/she the kind of person who finishes what he/she starts, or does he/she have a tendency to lose steam after a while?
- Does he/she turn in quality work that requires few review points?

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LEADERSHIP IMAGE

Demonstrating leadership potential and behaviors is measured under the Leadership Image competency:

Owner and Manager Levels

Question: Leads by example.

Help detail for the evaluator to consider when responding to this question:

- Does this person possess strong, admirable leadership traits?
- Do you view him/her as a role model for effective leadership?

Question: Demonstrates personal humility.

Help detail for the evaluator to consider when responding to this question:

- Does this person take responsibility for failures?
- Is he/she able to recognize personal weaknesses and learn from mistakes?

DEVELOPING A FOLLOWING

Have you ever noticed how some people can get others to work with them and support their ideas, while others just seem to drive people away? The competency group, Developing a Following, addresses this:

All Levels within the Firm

Question: Has effective interpersonal skills.

Help detail for the evaluator to consider when responding to this question:

- Is this the kind of person you like to be around?
- Does he/she appear to understand and appreciate the give and take involved in building relationships?
- Does he or she self-monitor and effectively perceive clients' reactions to his/her behaviors and comments?

JUDGMENT AND DECISION MAKING

While there is room for a variety of styles in thinking, learning, decision-making and the like, at some point, you will need to make a decision, and hopefully an effective one at that:

Supervisor Level

Question: Is able to make timely decisions.

Help detail for the evaluator to consider when responding to this question:

- Does this person have the capacity to review facts and make a decision related to routine situations that commonly arise in his/her level of work, in a timely manner?
- When dealing with this person, do you feel he/she readily takes on decisions that can be addressed at his or her level, or avoids them?

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ETHICS AND INTEGRITY

If you've ever heard the adage, "Say what you're going to do, and then do what you said you would do," you have an idea of part of what's covered in this competency. It's not just about knowing and doing what's right. It also includes following through on commitments, for example:

All Levels within the Firm

Question: Demonstrates that personal ethics guide his/her decisions.

Help detail for the evaluator to consider when responding to this question:

- Does he/she appear to have a strict moral code?
- Can you count on this person to always behave in an ethical manner?

Question: Follows through on his/her promises.

Help detail for the evaluator to consider when responding to this question:

- Can you count on this person?
- If he/she commits to doing something are you confident he/she will do so?
- Can you trust his/her personal commitments?

COACHING AND MENTORING

Anyone who is supervising someone needs to be adept at coaching and mentoring, to help them develop and become "better, faster and stronger" as we say. Here are some examples of skills and behaviors for senior accountants:

Senior Accountant Level

Question: Creates an environment for learning, in which he/she takes the time to develop, coach and mentor his/her people.

Help detail for the evaluator to consider when responding to this question:

- In your view, does this person, perceive every staff member encounter or peer encounter as a potential learning, coaching or mentoring opportunity?
- Is this person generally able to motivate others to do their best?
- Does he/she provide appropriate feedback to others on a timely basis?

Question: Confronts low performers.

Help detail for the evaluator to consider when responding to this question:

- Has this person demonstrated that he/she is not afraid to deal with performance problems, (with management oversight and approval)?
- Is he/she comfortable offering constructive criticism, or does he/she tend to avoid the confrontation?

BUILDING TEAMS

In many firms, on many projects, engagement teams are used to serve clients. Team building as a competency includes a broad range of activities, including being a good team member yourself:

All Levels within the Firm

Question: Acts as a good team member himself or herself.

Help detail for the evaluator to consider when responding to this question:

- Does this person act as a role model for good teamwork?
- Does he/she demonstrate the type of support and unselfishness that makes for good teams?

MARKETING FOCUS

We recommend that everyone be involved in marketing in one way or another, even associates:

Associate Level

Question: Is actively involved in new business development.

Help detail for the evaluator to consider when responding to this question:

- Does this person ask to go along on visits with seniors or upper management to prospects and referral sources?
- Does he or she shadow seniors or members of management during business development activities to see how it's done?

BUSINESS SAVVY

These days, it's not good enough to just be a good tax or accounting professional—we need business savvy as well to be able to generate profit and longevity for the firm:

Supervisor Level

Question: Minimizes write-downs and charge-offs.

Help detail for the evaluator to consider when responding to this question:

- Does this person monitor projects appropriately to avoid billing surprises and unexpected write-downs at the end of the projects?
- Does he or she negotiate change orders in advance of doing out-of-scope work?

MOST TRUSTED BUSINESS ADVISOR

To differentiate your firm from the competition, or maybe even to just hang on to clients in a difficult economy, you need to be able to function as your clients' most trusted business advisor, not just their most trusted financial advisor:

Manager Level

Question: Proactively seeks to understand clients' business needs and concerns—not just financial and tax.

Help detail for the evaluator to consider when responding to this question:

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- Does he or she take it on himself or herself to learn about key clients' business, challenges and opportunities outside the scope of tax and audit work?
- Does he or she provide sounding board assistance to clients with their varied issues outside of tax and accounting?

As you can see, even by limiting the number of questions, this column turned into quite a few pages. But hopefully we covered enough for you to get a feel for what you want your firm's competency framework to look like. You can see the hierarchy of the this specific competency model with our fifteen different competency clusters ranging from Vision and Strategy, to Communication, to Most Trusted Business Advisor and all the rest in between. Within each of the competency groupings, there are from a few to several primary behaviors, such as "Can clearly explain why your firm is in business," or "Proactively seeks to understand clients' business needs and concerns—not just financial and tax." These behaviors are explained or amplified by the help questions that follow each of statements. There are a variety of ways to build competency models, and while the example we're sharing with you is not the only way to do it, we find it works well for us and our clients.

Now that we have done a pretty deep dive into the competency model, some important questions should be top of mind. Here are some we plan to address in our next column: "How do you use this competency model to develop your people?" and "What might an action plan look like to drive that development?" We look forward to sharing more next time. We hope you had a wonderful tax season!!!