

INSIDE Public Accounting

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From Staffing To Strategy, Leadership To Learning, Consultants Offer Practical Tips

Like housework and lawn maintenance, managing an accounting practice is a job that's never complete. There's always something more that partners can do to help their firms improve, grow and profit.

This month, we asked *IPA's* "Most Recommended Consultants" – those selected by participants in our 2005 Annual Analysis of Firms as consultants they're most likely to recommend to their peers – to furnish our readers with some of their favorite practice management tips that they can use to help make their firms grow, thrive, and easier to manage. (*For the complete list of IPA's 2005 Most Recommended Consultants, see IPA, November 2005.*)

There were some common threads among the 11 consultants suggestions: staffing, leadership and strategy, to name a few. Here's what readers' favorite advisors recommend for your practice ...

On staffing:

- Maintain expectations even during the staffing slump. Don't tolerate ridiculously low expectations for billable hours, and don't avoid giving the staff negative performance feedback, advises Marc Rosenberg of Wilmette, Ill. "Understand that staff members *want* to be kept busy with challenging work."

- Take recruiting seriously. One great idea won't cut it, so stop looking for a silver bullet. Develop a written recruitment plan, urges Sam Allred of Helena, Mont. (*See related story, p. 9.*) Learn how to answer key questions that great candidates will ask. Identify and train a recruiting team within your firm and develop a compelling recruiting message. Define ways to truly differentiate your firm in the eyes of prospective employees.

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**Look For New
Opportunities To
Learn And Teach**

- Re-recruit if you want to retain. For professionals with three to seven years of experience, develop a re-recruiting program with financial and educational benefits, including a deferred compensation agreement, formalized leadership training and management development education, advises Robert J. Gallagher of Pittsburgh. He suggests a four-year deferred compensation agreement with vesting over the four years. (For a sample plan, e-mail rjgcpa@telorama.com).
- Make your firm a place to learn. Create a Director of Learning position with an advisory team of representatives at all levels, Gallagher suggests. Hire or designate a technology training coordinator too, advises Roman Kepczyk of Phoenix. (*See related story, page 7.*) This person should capture best practices for firmwide applications, document them on the intranet, and provide ongoing support.
- Hold partners accountable for recruiting and retention. “Being a partner is not only about managing a book of business, billable time and bringing in business,” says Allan D. Koltin of Chicago. “It’s the ability to attract top talent to the firm and ultimately to develop people into future partners and leaders. Adds L. Gary Boomer of Manhattan, Kan.: “Employees leave firms due to the partners, not the firm. Turnover is mostly a partner issue. If you have high turnover, look first at your partners. Hold them accountable.”
- Be sure your performance appraisal system is meaningful. Be honest when conducting performance evaluations, especially with your professional staff and partners, insists Jay Nisberg of Ridgefield, Conn. Don’t distill the truth or fear insulting someone. “One can offer candid

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feedback without being cruel. Candor about one's performance will often lead to behavioral change or at least avoid any surprises when it becomes necessary to terminate an employee or partner," Nisberg notes. Gallagher suggests implementing a program that provides timely feedback throughout the year.

**Compensation's
New Golden Rule:
Pay For Results**

- Pay for performance. Get out of the habit of awarding annual raises, advises Jeff Pawlow of St. Louis. Paying for performance requires more effort and more measurement, but it ensures that stars are rewarded and mediocrity isn't. Allred agrees. "Beware of parity. Too many firms want to treat everybody the same for fear they will upset someone. The individuals who generally become upset with this approach are the very ones you can't afford to lose. When you treat everybody the same, you aren't treating anyone really special. Make sure you are doing the right things to keep your stars," he says.

- Be a leader whom others want to work for. "When staff members respect and admire you, they will follow you," says Troy Waugh of Nashville, Tenn. "They need fulfilling and challenging work, and they need to know they are part of a growing and learning organization. But mostly, staff members need to know they make a difference in the lives and businesses of other people. Great leaders find a way to obtain their vision by influencing staff members and meeting their needs."

On client service:

- Remember the "Three R's": Regulation, Rivalry and Rainmakers. That's the advice of Gale Crosley of Atlanta. *Regulation* is one of the key levers in strategic marketing, and it will move front and center in shaping future opportunities. Stay tapped into regulatory developments to be on the cutting edge of opportunity. *Rivalry* is key in today's environment of multiple service providers. Develop strategies to work with other firms up-market, down-market and laterally in the form of cross referrals, resource outsourcing and creative strategic alliances. Finally, be sure you have a sufficient mix of *rainmakers* and rainmakers-

in-training. Acquire them if you must. "You need a sufficient number of rainmakers per capita to compete effectively," Crosley says.

- Enlist community members to serve as advisors. Nisberg suggests an advisory board that includes a few partners and an equal number of highly successful business leaders or entrepreneurs who represent sectors such as law or banking and who are *not* clients. Gallagher recommends having a representative from the business community serve as an advisory member for each niche. Business leaders who aren't clients provide a valuable sounding board with no hidden agenda, and they can evolve into great referral sources.

Measure The Satisfaction Level Of Your Clients

- Conduct client satisfaction surveys. Send them to all A-level, most B-level and some C-level clients every other year, Nisberg advises. Referral sources also can be included. Use the results extensively in your marketing efforts and, if the results are positive, in all proposal packages.

- Seize opportunity offered in today's market for CPA services. Lots of opportunity combined with staff shortages strains firms' ability to get work out the door. Purge less profitable clients, put resources into providing first-class service to first-class clients, and keep your rates high, Rosenberg recommends.

On leadership:

- Reach consensus and place a value on how important leadership and management are to the firm. Some firms see these roles as administration, while others see them as the ability to impact partner performance and make tough decisions, Koltin points out. "At some firms, partners are willing to be managed. At others, partners want to be left alone. Each firm needs to have *real* clarity on this point," he says.

- Eliminate all obstacles to good firm management. The firm must be the MP's No. 1 client, Koltin emphasizes. For example, what happens to the MP if he or she transitions a significant book of business to other

partners and later is no longer the MP? Have a game plan so that a valuable partner can fall back into a position with comparable pay.

- Develop! Develop! Develop! If you want staff members with partner potential to become partners and eventually succeed you, you must help them get there, say Pawlow and Rosenberg. Many firms are turning to outside leadership development programs, but internal programs, coaching and mentoring are also critical.

Accountability Results In Goals That Are Realized

- Hold leaders accountable. “If you have an executive committee, set goals for that committee and hold it accountable for its performance,” Koltin insists. Also, demand high performance from department heads. “We have to evolve these people from administrators to CEOs of an entrepreneurial business where success is measured by a department’s ability to grow, profit and develop people,” he points out.

- Make tough decisions sooner rather than later. “This approach makes life better for everyone,” Nisberg says.

On strategy:

- Keep your eye on the ball. An MP without a vision for the firm is like a skipper who doesn’t know the destination he’s steering the ship toward. “Get all partners on the same page in terms of values, vision and their roles within the firm,” Koltin says. “If your partners aren’t in sync, the firm is at a significant competitive disadvantage.” Adds Rosenberg: “A common trait shared by the best firms is the commitment to a common vision and a set of core values for the firm.”

- Have a practical strategic plan, not an elaborate one. Strategic plans should be for periods of less than one year, says Steve Erickson of Albuquerque, N.M. “In this age of information and technology, change comes fast. The old model of annually planning is becoming less and less important as decisions are made in response to changing circumstances. Meet more often and refine your plans.” Keep your plan to one page, Boomer adds.

- Execute. “Many CEOs spend endless hours planning and setting priorities, but they fail to act,” says Waugh. Boomer agrees. Develop 90-day game plans for everybody in the firm and require 90-day accountability reviews, he suggests.

Other tips:

**Schedule With A
Sharp Eye Toward
Firm Profitability**

- Schedule strategically. Staffing shortages require effective scheduling. Be sure work is assigned to the appropriate level for both efficiency and staff development, Erickson suggests. Also, assign projects to part-time employees and partners. Part-time people can be responsible for client relationships and quality of service. Don’t hire part-timers based solely on hours worked but rather on needs of the client.
- Systemize. The most successful businesses systemize their key processes, Waugh notes. Develop systems for marketing, growth, staff recruiting and retention, financial reporting, billing, purchasing and other key functions of running an accounting firm for maximum results.
- Create a three-level partner admission policy. It should cover attributes and milestones for each level, Gallagher says. The three levels are equity partner, non-equity partner and contract partner.
- Embrace the power of the Internet. Develop an Internet strategy that includes client portals, Boomer advises.
- The consultants recommend the following books:
 - “Good To Great: Why Some Companies Make The Leap ... And Others Don’t,” by Jim Collins (\$27.50; Collins);
 - “The World Is Flat: A Brief History of the 21st Century,” by Thomas Friedman (\$27.50; Farrar, Straus and Giroux);
 - “Blink: The Power Of Thinking Without Thinking,” by Malcolm Gladwell (\$25.95; Little, Brown);

- “Blue Ocean Strategy: How To Create Uncontested Market Space And Make Competition Irrelevant,” by W. Chan Kim and Renée Mauborgne (\$27.95; Harvard Business School Press);
- “The 21 Irrefutable Laws of Leadership” by John C. Maxwell and Zig Ziglar (\$22.99; Nelson Business). ■