

Firm Malaise - Here's a New Prescription

Is your accounting firm healthy or sick? And how can you tell the difference? There are several symptoms of a sick firm. Here are the main ones that I have seen over the years of working with hundreds of firms:

- Unclear or no strategy,
- Lack of urgency,
- Sluggish decision making,
- Little or no accountability,
- Ineffective execution, and
- Rewards not aligned.

If you think these symptoms are prevalent in your practice, you will want to read this article.

I have seen these symptoms at small, medium and large firms, so size alone is rarely responsible for the problems that firms are facing. In fact, when we look at the broader business market, we have found that these same symptoms occur at many of the top businesses in the country, as well as in many smaller businesses.

Perhaps the only good thing about this illness is that it is not contagious. However, over time it does sap the life out of the firm. If you want to stay competitive, improve overall profitability and re-energize your partners and staff, follow my prescription rather than taking two aspirins and calling your advisor in the morning.

AQUILA's Prescription

Overcoming this sickness takes more than two aspirins. Let's briefly look at the symptoms and what we can do to alleviate them.

Unclear or no strategy. A firm becomes healthier and outperforms its competitors when it creates a competitive strategy. If you cannot clearly articulate your competitive strategy, you simply don't have one. If you don't know when to say "no" to a new proposal opportunity, opening a new office, acquiring another practice, etc., then you don't have a clear strategy. A clear strategy tells you what to do and what not to do. Many times, knowing what not to do is more important than knowing what to do.

Lack of urgency. Too many firms have a culture that things can be done tomorrow. They really don't want to change. They may think that they are still very successful, not realizing that their success and position in the industry is slipping away. If we believe that the external environment operates at the speed of light, complacency will certainly put us further and further behind the winning firms. The firms that have a real sense of urgency focus on important issues, not endless meetings. They get things done quickly rather than creating one committee or task force after another.

Sluggish decision making. Slow decision making in a firm is often the result of lack of trust or excessive politics among the partners. When trust is low in an organization, there are more water cooler discussions and more meetings. Decisions may take longer, because there is a lack of clarity as to who really makes the decision. Leaders either need to empower others to make decisions or ask for their input before they make the final decision.

Little or no accountability. The results of a proprietary survey that I conducted with over 400 accounting firms revealed that more than 75 percent of the firms surveyed did not have annual written goals for their partners. The word "accountability" in the accounting profession carries the same connotation as the word "sales." Both seem to have a very negative meaning for partners. In *The Oz Principle: Getting Results Through Individual and Organizational Accountability*, the authors point out that responsibility does not make you subservient to anyone else. Rather, accountability becomes a

choice to achieve results though seeing it, owning it, solving it and doing it (See It, Own It, Solve It and Do It®).

Accountability applies equally to the firm's leadership as it does to the rank and file. If you expect others to be accountable, make sure that you are the role model.

Ineffective execution of the strategic plan. Execution can only come from the top of the organization. If the managing partner or CEO does not have his/her heart and soul into making things happen, the entire strategic planning process is for naught. There are two key activities that the leader needs to drive: (1) he/she needs to set the direction and (2) select other leaders who are passionate about where the firm is going. A managing partner of a top 100 firm recently told me that he and his leadership team stood up before the entire firm to tell them what they had planned to do and that they would report on a quarterly basis their progress or lack thereof.

Rewards not aligned. This is perhaps the greatest error that I see when helping firms design new compensation plans and it is closely tied to point 1 above "unclear or no strategy." There is one simple question to ask: Are your rewards aligned with your strategic goals? This first requires the firm to identify mission-critical strategic objectives for the year and then look at its various reward elements (base salary, performance bonus, recognition program, perks, etc.). For example, if one of your strategic priorities was to create a "one-firm" culture among your many offices, your base salary would not be aligned with that priority. However, you may offer an equity position to those who help achieve this goal or you may structure your performance bonus to reward for the achievement of this initiative.

You can't attack each of these symptoms at once. So start at the top of the list. Vision should drive everything you do in the firm. From there, you can create a true sense of urgency and start working on getting your team to do what they say they are going to do. It won't be easy and it's a regiment that you will always have to follow. Get healthy today and enjoy your successes.

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