

ACCOUNTING OFFICE MANAGEMENT & ADMINISTRATION REPORT



ISSUE 06-03

WWW.IOMA.COM/CPA

MARCH 2006

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STAFFING ISSUES

How to Ease the Costs of Recruiting

CPA firms are feeling pain as it becomes harder to obtain quality midlevel staff accountants and top-notch administrative personnel. Longer and more difficult searches grow increasingly expensive—and the costs go way beyond ads and Web space, dealing with headhunters, and interviewing. This also includes additional costs for training and reduced morale from excessive workloads if staff is not added quickly enough.

That recruiting is expensive in any

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Retirement Planning 101

Avoid the current scramble to fund owner retirement and plan the financial side of succession by teaching your staff now about good retirement savings practices. Your firm's future generations will thank you. For how-tos, turn to page 2.

Costs of Recruiting

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industry is a proven fact in human resources circles. (See Exhibit 1 for a sample financial analysis of such costs.) Anything with a high price tag should immediately be of concern to owners, firm administrators, and other key firm leaders.

Many CPA firms are seeing extraordinary growth in engagements and revenues, which is only increasing the pressure to add staff. An often-heard statement from CPA firm partners these days: "Things would be great for us if we could get enough staff to handle the work." Some firms are forced to turn away work they would ordinarily be glad to take because there are not enough people to do it.

AOMAR believes that this situation should encourage CPA firms to consider how they recruit and hire—and how to do it better.

What is your firm's recruiting "style"?
Is it ad hoc? Focused? Strategic? Whatever

your style, it should ideally be on a continuum, with the ultimate goal being to raise the bar from wherever your program is now. So advised Jim Kennedy, president of Management Team Consultants, a San Rafael, California-based firm specializing in interview training, at a recent industry meeting.

Ad hoc programs are common, and can be dangerous. Kennedy identified these common "symptoms" of such recruiting programs:

- **A lack of consistency in what gets evaluated, and how.** In firms where staff are selected to conduct interviews based on their availability, the result is frequently an interview team that has not received the training needed to do the job successfully.

- **Partner-interviewers do too much or all of the talking,** often about irrelevant subjects.

- **Interviewers ask all prospects the same questions.**

- **Resumes are used as "props,"** so interviewers focus almost exclusively on checking off the information that is in front of them.

- **Hiring assessments may make too much of the interviewer's personality in considering whether to extend an offer.** Typical reactions: Joe's a pretty tough grader, so if he thinks a candidate is good, he or she must *really* be good. Or, Sally is a soft interviewer, so candidates who get a nod from her must be substandard.

- **Inadequate evaluation forms for collecting feedback** don't bring in the kinds of information that can result in smart hiring decisions. Busy CPAs and other staff may just check off boxes, but this can be highly inadequate, Kennedy believes. This is further compounded by the use of terms

Exhibit 1. Assessing Turnover Costs: Why Recruiting Matters

Do you know the cost of turnover at your firm? If the average pay and benefits for a midlevel staff CPA average around \$100,000, plus \$5,000 a year, say, for training and CPE, then your firm is losing at least \$105,000 every time a staff person departs.

And that doesn't include the costs of having others handle that staff person's workload, the effect on their productivity, and even the work that the firm might have to turn away if you are short too many staff. Add to that the amount of time it will take a new person to "ramp up" and be able to carry the full workload of the departing staffer, and you have an extremely expensive event.

Better recruiting may help to ensure that you choose right the first time—and hire the people who are most likely to make a long-term commitment to the firm, and, of course, provide the kinds of skills and contributions to profitability that will best help grow the firm.

Steps to consider include: first, hiring the best people you can find; next, educating them to enhance their skills and gratification from the job over time; and finally, provide them with the technology and support they need to be more efficient.

like “excellent” or “above average” since they always beg the question, “Excellent compared to what or whom?”

Evaluation forms that use subjective terms like, “poised,” “personality,” “appearance,” or “presence” are also loaded since each interviewer must project what

the words mean—so there’s no common measure of the candidates interviewed.

Characteristics of a focused recruiting program: Kennedy says firms with a focused recruiting program understand that:

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Exhibit 2. Can Technology Save the Day for CPA Firm Recruiting?

You already know that resumes may prove to be disappointing indicators of future success for staff CPAs and administrative staff. But what else do you have to work with?

Thanks to new recruiting technologies, you can begin to assess candidates by skills and competencies, rather than resume information. In fact, resumes may soon disappear as recruiting tools altogether, predicts Allen Schweyer, executive director of the Human Capital Institute (www.humancapitalinstitute.org), a think tank and educational resource, and Russell Glass, vice president of consumer products at Zoom Information, Inc. (www.zoominfo.com), whose ZoomInfo product researches and summarizes Web information about people—including job recruits.

Everybody into the (talent) pool. If your firm is moving to a less-paper environment, you already are taking advantage of key operational and technology steps that can allow more use of technology not only for recruiting, but for building your very own “talent pool” of skills and competencies within the firm.

“Talent pools are needed to provide efficient sources of labor, and electronic recruitment can help to develop and maintain such pools,” Schweyer noted. Once you have a talent pool to tap into, you will no longer need to start fresh every time you must fill a job, since you can keep in the pool skills information about candidates who may have passed on the firm at an earlier time or firm alumni.

Talent pools also encourage internal career mobility, since staff will see that the firm is tracking their development and new skills they are learning. This is a valuable retention strategy, and will also make it far easier to staff up when the firm decides to launch a new department or open a new office, since the owners will be able to see detailed information on the talent among their own staff.

To create a talent pool, Glass and Schweyer encourage firms to start by collecting information about the firm’s existing staff and partners. Each person fills out a skills profile, which he or she keeps current by adding new skills as they are acquired. Information on hiring, on-boarding, performance reviews, 360-degree feedback, training results, and retirement planning can be added.

Technology developments to watch. Although many vendors offer solutions for various elements in the recruitment and hiring process, there is no one solution yet to do it all, Glass noted. Despite this fact, online sourcing and related technologies offer great promise in efficiencies and cost savings.

Some areas to watch:

- **The new .jobs domain** helps eliminate the need for multiple job boards, since candidates know where to look.

- **“Deep” Internet searching and advanced resume search agents.** There are a few such products now that let you take resume databases and draw out information to isolate and compare skill sets.

- **Social networking and “global” employee referral.** There is a “very competitive quest” to automate the referral and social-networking processes that are so often used by job hunters, Glass said.

- **Recruitment and job-seeking intelligence.** Psychological assessments and matching of employers and employees will be a greater part of automated candidate searches, which should help to minimize the risk of hiring the wrong person.

- **Passive candidate sourcing.** “Passives” (those who look at online and newspaper ads, but don’t actually apply) are happy where they are, but may be interested in something else at a different company.

- **Web mining.** Glass’s company does this with its ZoomInfo product: It searches for information about individuals on the Web and collects it in one place.

- **Other areas** where automated recruiting and hiring are having an impact include job distribution; tools such as processing and interactive voice response; employee referrals; staffing agencies and contractors; recruitment and planning/measurement; and corporate career Web sites.

Schweyer added that the increased information from the Web can help recruiters reduce resume fraud and falsification, which now affects about 25% of resumes.

'The opportunity costs of making a bad decision start to mushroom and multiply.'

● **Partner-interviewers are not eager to provide feedback.** Kennedy notes that this has little to do with a lack of time. In many instances, owners either don't feel comfortable giving feedback or they're not sure about how to give constructive, behavioral feedback. "The first [reason] is an attitude, and the second may be a lack of training, but both suggest that feedback won't be coming easily," he explains.

● **Partner-interviewers and staff-interviewers need training** to build their interviewing skills, increase their confidence, and rehearse interviewing techniques. With consistent training and tryouts, they're much less likely to revert back to old ways.

A key point: When it comes to assessing candidates at the campus level, those who are reviewing resumes have to make good choices about who should receive in-person, in-depth interviews, as well as which candidates should be given an offer.

Feedback should be useful and avoid general statements such as "Looks good" or "Enjoyed talking to her." Instead, the focus should be on what interviewers have learned from the meeting, Kennedy says.

A strategic recruiting program, according to Kennedy, is one in which:

● **High expectations are set by the firm's managing partner, firm administrator, and human resources manager.** In such situations, all owners support the recruiting effort because they understand its importance to the firm's longevity. Leadership also knows the difference between the cost of the interview and the value of the decision, Kennedy maintains. Consider making quality participation in

interviewing and hiring a component in the compensation formula to give added weight to the firm's commitment to these efforts.

● **Long-range planning occurs** sometimes as far as three years in advance. The firm relies on a recruiting strategy to map out activities and allocate resources.

● **Hiring and performance are correlated.** The point here is to be very clear on hiring criteria and the ways they relate to how the firm conducts performance evaluations at the end of the first year, or periodically. There is also recognition that failure to perform at expected levels has nothing to do with credentials; it's explained by competencies.

● **Metrics are used to look beyond the obvious.** It's not enough, asserts Kennedy, to generate data on the number of staff hired. Firms with a strategic approach to recruiting look at data across schools, by interviewer, and related factors.

It's also important to consider what he calls "lost opportunity costs." In other words, a few "wrong picks" can cost the firm dearly because it may have lost forever the opportunity to hire other staff. He noted that this reasoning also applies to internship decisions, since many interns are eventually invited to work full time for the firm after graduation.

"The opportunity costs of making a bad decision start to mushroom and multiply," he observed, since the pool of available workers is smaller, too, and the firm will have invested valuable resources in orienting and training someone who simply was not a good fit or not capable of handling the required workload.

Solutions for CPA firms looking to work their way along the continuum. Kennedy recommends that firms consider:

● **Talent indicators.** What's easiest to assess (resume credentials) may not have the greatest bearing on things that are most important to know about candidates. *The point:* Think outside the box and challenge old recruiting assumptions.

Kennedy suggests that CPA firms would do well to make competencies the basis for hiring and advancement, rather than clinging to the traditional hierarchy of junior, senior, and so forth. College grades may or may not be an indicator of how well a newly hired accountant will do with actual engagement work, and they will probably shed even less light on how well the hire will get along with the engagement team, interact with client staff, or handle the stress of busy season.

As a result, Kennedy recommends that firms think about adding measures to the recruiting and hiring process that can better predict success at more than the ability to understand the tax law in your state.

● **The point of the interview process.** Kennedy stresses that the true purpose of the selection interview is to learn enough about the candidate to enable you to predict future on-the-job performance and behavior and make a sound hiring decision or recommendation based on your predictions. Selling the candidate on the merits of your firm is a secondary point, albeit an important one now that hiring has become so competitive among CPA firms and corporate accounting or finance positions as well.

● **Candidate competencies.** The key is to think about talent and categorize it in useful ways. *Four factors to consider:*

1. Educational experience factor (resume features) is a starting place, although many interviewers get stuck on this point to the detriment of the other three.

2. Intellectual factor relates to the prospect's basic capacity, application of that capacity, and his or her decision-making style. Kennedy says there's no reliable way to measure intellectual capacity during an interview. Consequently, interviewers must assume a certain intellectual capacity and focus on how the candidate applies it: Is the prospect well-organized, detailed-oriented, articulate?

3. Interpersonal factor. Consider: How does the person interact with others? This is very important in predicting "fit" with the firm and day-to-day relationships with other staff, partners, and clients. *A rule of thumb:* A person's basic character and temperament is formed in childhood. This doesn't mean people can't change, but fundamental change usually takes a major life event.

4. Motivational factor relates to goals, interests, commitments, and values. Money is one of the biggest motivators, since so many students emerge from school with

Coming in future issues of AOMAR

- Post Busy Season Reviews: Why the Time is Right to Add Pay for Performance
- Five Reasons to Consider Adding a Full-Time HR Professional to Your Firm's Administration Department
- 'Executive' Firm Administrators: What They Can Do to Improve Operations at Your CPA Firm
- Spending Too Much on Health Care? 10 Top Ways to Trim Costs
- How to Assess Which Technology to Keep, Which to Toss, Later This Year
- Preventing Discrimination Lawsuits: Yes, It Could Happen to Your Firm

AOMAR Accounting Office Cost Index

Each month AOMAR updates its Accounting Office Cost Index for major cities nationwide. This exclusive AOMAR monthly feature is aimed at helping accounting firm managing partners and administrators monitor relevant office cost changes within their area and compare them with other regions.

This index excludes accountants' salaries, benefits, and profit shares. It includes all other major cost factors in the accounting office: rent and other space expenses, equipment, support personnel, stationery, insurance, phone, etc. The index is derived from data from the Bureau of Labor Statistics and the American Chamber of Commerce. The base of 100 is for the national average in the first quarter of 1992. Current figures follow actuals by 90 days.

City	Current	Last Year	Two Years Ago	Change Over Last Two Years
Atlanta	118.4	115.3	113	4.8%
Boston	149.0	144.3	140.8	5.9
Buffalo	105.3	105.3	105.3	0.0
Chicago	137.6	133.7	105.3	30.7
Cincinnati	117.2	114.8	112.6	4.1
Cleveland	124.2	119.8	116.1	6.9
Dallas-Fort Worth	129.5	124.1	121.3	6.8
Denver	127.4	125.5	126.4	0.7
Detroit	131.9	128.6	125.6	5.0
Houston	121.6	117.9	113.9	6.7
Kansas City	120.6	118.2	116.2	3.8
Los Angeles	150.4	143.6	137.4	9.5
Miami	132.9	125.9	122.3	8.7
Milwaukee	121.0	118.9	117.7	2.8
Minneapolis-St. Paul	130.8	126.9	117.7	11.2
New York	153.1	148.1	142.5	7.4
Philadelphia	134.6	131.5	125.0	7.7
Pittsburgh	123.4	119.2	116.3	6.2
Portland, Ore.	127.1	119.2	121.5	4.6
St. Louis	122.6	118.7	114.2	7.4
San Diego	160.3	155.3	149.7	7.1
San Francisco	156.3	153.9	150.8	3.6
Seattle	133.8	130.8	129.0	3.7
Washington, D.C./ Baltimore*	125.6	121.1	116.9	7.5

*This combined metropolitan area is calculated on a November 1996 = 100 base.

debt. However, the current generation of graduates is also motivated to acquire valuable skills and work in an environment that encourages growth. Considering these and other motivations early in the interviewing process can not only improve the odds that you'll find candidates with a good fit to your firm, but will also give you ammunition against firms trying to tempt those candidates with higher pay.

Put technology to work for your firm.

Just as the firm achieves efficiencies in engagements because of technology, you can also do so in recruiting and hiring. There are new ways to "shop" for competencies that may work well for your firm, beyond resume data; Exhibit 2 describes changes in the recruiting technology market. Such tools can help you "use what you have," even if yours is a small firm, to obtain the best staff—and the staff most likely to succeed and commit to your firm. □