

CPA PRACTICE MANAGEMENT FORUM

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The Importance of Firm Culture

By Sandra Wiley

Firms are told everyday that they are supposed to build a tremendous culture so they can attract and retain the best staff and develop a firm that will survive successfully for years to come. So, what is culture? One thing it is not is a simple process where you make a checklist and check things off and, *voila*, you have a great culture! Culture is a system of shared beliefs. These beliefs are about goals, values and behaviors required to achieve the firm's vision. Culture is strategic and directly affects everyone in your firm. It is often inherited, but it can change if the firm is required to do so.

It is impossible to move a firm from generation to generation without a shared vision. In today's growth environment, firms are learning that maintaining a culture through mergers and acquisitions is not easy. For these merged entities to achieve long-term success, they must have a shared vision and supportive culture. With a shared vision and culture, firms position themselves to enter into the third stage of what we refer to as the Performance 3 formula.

- Stage 1—firm improvement through better planning, people and processes
- Stage 2—improved culture with the one-firm approach
- Stage 3—exponential growth and unlimited possibilities

All of these stages require an investment in thinking and planning, something most firms do too little of. Without integrating personal and firm goals, it is impossible for firms to communicate the significance to individual owners and employees. Without significance it is impossible to attract and retain the best and brightest talent.

Allowing yourself to be managed is not easy for many professionals and owners of professional service firms. However, doing so is liberating and allows the professionals to focus on their unique abilities.

You can grow through mergers and acquisition, but is it sustainable? Do you acquire the best and brightest people? Not if you don't have a shared vision and culture. Without a shared culture, firms will ultimately disintegrate at the top as partners compete among themselves for clients, resources and political power within the firm. It has happened in the past, is currently happening in some of the consolidations, and in my opinion, will happen in too

many firms in the future if they don't do something to change their cultures sooner rather than later. Yes, I said change their cultures because every firm has a culture, whether it is a good culture or a bad culture.

While every firm's culture is distinctive and in some ways unique, there are common characteristics that differentiate the firms that survive from one generation to another from those that are acquired or go out of business. Some of those cultural characteristics and beliefs are:

1. The firm is more important than any individual.
2. The owners have a shared vision.
3. Leadership is capable of building consensus.
4. The compensation system is tied to the firm's strategic plan. Honest and straightforward peer reviews at the owner level are conducted regularly.
5. The compensation system is viewed as fair and trusted by the owners.
6. Teams service clients and team members rotate to ensure knowledge transfer and client satisfaction. The value to the client is the firm and not just the individual. This requires a constant ego check by most partners.
7. Long-term objectives are important for the perpetuity of the firm.
8. Learning and training is a two-way street with support from firm leadership.

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Importance of Culture

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9. Core beliefs and values stay during major changes in strategy and organization.
10. Employees are just as important as clients. You can't attract and retain quality clients without quality employees and vice versa.

First-generation firms struggle in building an enduring organization. Most do not succeed, as it is challenging to say the least. It generally requires an investment (sacrifice in profits) by the founders and turning over client responsibilities and firm management to others. Allowing yourself to be managed is not easy for many professionals and owners of professional service firms. However, doing so is liberating and allows the professionals to focus on their unique abilities.

Culture can be a key competitive advantage or it can work against your firm. You must start from where you are today. The road ahead is up to you and your associates; however, there are some important first steps that will give any firm a quick start. The most important steps are:

1. Develop a shared vision strategic plan, soliciting input from owners, managers and staff.
2. Evaluate your system of governance and select the right leader(s) and manager(s). Support that leader with his or her management

team. Some of your existing management team members may have to be replaced.

3. Make sure your compensation system rewards owners for focusing on the firm's strategic initiatives.
4. Utilize 90-day game plans for everyone in the firm.
5. Hold everyone accountable, including the managing partner, with 90-day accountability reviews.

Your firm's culture will determine how you handle tensions. Too often, partnerships ignore these tensions until the firm and the individuals have been damaged.

6. Foster a learning/training culture where people can grow throughout their careers. Don't expect quality talent to do the same thing for an entire career. Lifetime learning and growth make for a rewarding career.

Managing a firm requires time, organization and the desire to ensure that others succeed. It is not just about managing a book of business or client projects. It is about ensuring personnel have the training and resources to succeed. Many

partners provide lip service, but few walk the walk when it comes to managing people.

You should expect some conflict and challenges. If your firm doesn't have some tension, it may not have a viable pulse. That is the nature of an accounting firm. You can expect tension among:

- partners, as they are competitive;
- generations that have different needs and desires;
- client teams with different clients and team members; and
- employees, who have goals that sometimes compete with firm goals.

Your firm's culture will determine how you handle these tensions. Too often, partnerships ignore these tensions until the firm and the individuals have been damaged. Culture is a stronger force than any partnership or shareholder agreement. Culture creates an emotional commitment of the owners and employees. It is also the second step to exponential growth and unlimited possibilities. Culture will bind your firm, its strategy and top performers together. Don't ignore this important competitive advantage; create it!

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