CPA FIRM STAFF: MANAGING YOUR #1 ASSET

Marc Rosenberg, CPA
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CPA Firm Partner Retirement/Buyout Plans
CPA Firm Mergers: Your Complete Guide
How CPA Firms Work: The Business of Public Accounting
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CPA Firm Management & Governance
CPA Firm Succession Planning: A Perfect Storm
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How to Bring in New Partners
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What Really Makes CPA Firms Profitable?
Effective Partner Relations and Communications

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Introduction

“Treat people as they are and they will remain as they are.
Treat people as they can be and should be and they will become
as they can and should be.”

Goethe

“You see, really and truly, apart from the things anyone can pick up such as dressing and the proper way of speaking and so on, the difference between a lady and a flower girl is not how she behaves, but how she’s treated. I shall always be a flower girl to Professor Higgins, because he always treats me as a flower girl. But I know I can be a lady to you, Colonel Pickering, because you always treat me as a lady and always will.”

Eliza Doolittle
My Fair Lady

The perspective of this book

The ancient Greek philosopher Heraclitus said: “There is nothing permanent except change.” People fly and drive cars instead of using horses and carts. Technology has replaced calculators, slide rules and how books are written. Food is purchased at grocery stores instead of grown on the farm.

Drastic changes have occurred in the CPA industry as well. One of the biggest areas of change is how staff are managed and treated, as shown by the chart on the next page.
# How CPA Firms Treat Their Staff: Changes From 20th Century To Today

<table>
<thead>
<tr>
<th>Issue</th>
<th>Yesterday</th>
<th>Today</th>
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<tbody>
<tr>
<td>Supply of staff</td>
<td>Like fruit on a tree.</td>
<td>Terrible.</td>
</tr>
<tr>
<td>Staff treated like</td>
<td>Plebes.</td>
<td>Professionals.</td>
</tr>
<tr>
<td>When the boss says jump, the staff say</td>
<td>How high?</td>
<td>Why do I need to jump?</td>
</tr>
<tr>
<td>Transparency</td>
<td>Staff have no rights. Partners are secretive about the firm.</td>
<td>Firms are much more open about the firm. Staff don’t like secrets.</td>
</tr>
<tr>
<td>Mentoring</td>
<td>Not in the CPA firm dictionary.</td>
<td>“Invented” in mid-2000s; progress made but there is a ways to go.</td>
</tr>
<tr>
<td>Leadership development</td>
<td>Not in the CPA firm dictionary.</td>
<td>Firms realize that if they do not proactively help and train staff to advance and become leaders, people will leave.</td>
</tr>
<tr>
<td>Importance of staff vs. clients</td>
<td>Staff might not have been in the top 5 of most important.</td>
<td>Most firms say staff are just as important as clients.</td>
</tr>
<tr>
<td>Where the staff work</td>
<td>In the office or at clients. No other options.</td>
<td>Working remotely is practiced regularly by many firms.</td>
</tr>
<tr>
<td>Flexibility, especially when work is done</td>
<td>9 to 5 every day. Mandatory OT hours at certain times.</td>
<td>Staff want flexible hours and firms are trying to accommodate them.</td>
</tr>
<tr>
<td>Staff retention</td>
<td>Awful. Awful.</td>
<td>Turnover still high.</td>
</tr>
</tbody>
</table>
If this book had been written 30 years ago, it would be totally different from what you are about to read. We have written this book from the perspective of firms wishing to adopt progressive polices and techniques to manage and develop their staff.

Two major drivers of the change in the way firms manage and treat their staff

1. The production model for managing CPA firms has changed dramatically. Years ago, partners were expected to be highly billable, with 1,400-1,600 hours being common. Today, this figure is roughly 1,100. As the trend to manage CPA firms like real businesses has become the norm rather than a radical concept, firms have come to realize that:
   
   a. It’s more important what partners do with their non-billable hours (firm management, practice development and staff mentoring) than their billable hours.
   
   b. Because firms value partners’ non-billable time so highly, inevitably their billable hours have come down. This means that partners must delegate even more of their work than in the past, resulting in staff-partner ratios increasing significantly in the past 30 years.

2. At a time when the model for operating firms calls for more staff time, the supply of staff has remained stagnant. It’s been this way for at least 20 years and shows no signs of abating any time soon. Even if there were an unexpected upward spike in students’ interest in accounting as a career, colleges and universities couldn’t handle the demand. There is a catastrophic shortage of accounting professors worldwide, which is also not expected to ease any time soon.

Faced with this dilemma, CPA firms woke up and realized that their whole perspective on managing and developing staff needed to change dramatically.
Many years ago, the HR director of a large firm told me:

“There isn’t anything firms can do to affect the supply of staff, but there is a lot firms can do to affect the retention and development of staff.”

That HR director was spot on, and this explains the changes that have occurred in the past 30 years in the management and treatment of staff. To paraphrase the quotes at the beginning of this chapter, if CPA firms want to retain, attract and develop staff into skilled practitioners and eventually leaders and partners, then they need to treat them like leaders and partners instead of seeing them merely as employees with no rights.

The new school of thought recognizes that allowing staff control over their work schedule and where they conduct their work is a major workplace motivator. Firms now trust their staff to act like professionals.

The #1 key to CPA firm success: The staff

If you ask CPA firm managing partners what is the most important key to the success of their firm, the hands-down winner will be “our staff.” OK, some may say it’s a two-way tie between clients and staff. But you get the point. There are many reasons for this:

1. Having a staff that is motivated, engaged, skilled, ambitious, productive and personable is critically important. No one would disagree with this. Just ask firms whose staff lack these traits.

2. The CPA firm business has traditionally experienced a high turnover rate. A rule of thumb is that the cost of replacing a staff person ranges from 1 to 1.5 times a person’s annual compensation. So the pain of turnover is compounded not only by the nearly impossible task of replacing the departed, but by its high cost as well.
More importantly, retaining good staff enables firms to ultimately provide better service to clients. When firms excel at making their firms great places to work where staff stay and thrive, client service always improves.

3. If firms adopt the more leveraged operating model discussed earlier in this chapter, this means that 70-90% of all client work must be performed by staff. This won’t be possible unless firms invest tremendous time and resources into developing staff that can perform the work at a highly proficient level.

4. Firms need a continuous flow of new leaders to grow and successfully transition work away from retiring partners. This will occur only if the firm excels at developing staff.

Proof

If you still aren’t convinced that staff is the biggest issue facing CPA firms today, here is a recent AICPA survey ranking what firms feel their top practice management issues are:

<table>
<thead>
<tr>
<th></th>
<th># of Professionals</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Over 21</td>
</tr>
<tr>
<td>Retaining qualified staff</td>
<td>1</td>
</tr>
<tr>
<td>Finding qualified staff</td>
<td>2</td>
</tr>
<tr>
<td>Accountability for partners</td>
<td>3</td>
</tr>
<tr>
<td>Seasonality/workload compression</td>
<td>4</td>
</tr>
<tr>
<td>Bringing in new clients; growth</td>
<td>5</td>
</tr>
<tr>
<td>Succession planning</td>
<td>5</td>
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</tbody>
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* Not ranked in the top 5.
Advice from Todd Shapiro, President/CEO of the Illinois CPA Society
Excerpted from his column in ISCPAS’ *Insight* Spring 2016 issue

“There are always reasons why firms decide not to devote resources to developing great employees, whether because of the impact on billable hours or ingrained corporate culture. **Truthfully, there are no excuses.** We have to commit to developing the skills needed for our young professionals to succeed. **To put it plainly, developing young talent is not a “nice to have,” but a “must have.”**

Advice from Jack Welch, former Chairman/CEO of General Electric

During his legendary tenure at the helm of Fortune 100 giant GE from 1981 to 2001, Jack Welch appeared on everyone’s list of top 10 CEOs. The accomplishments of GE during his reign were spectacular.

Woven throughout the books he authored and articles written about him is Welch’s #1 management philosophy: his fanatical insistence that GE executives consistently demonstrate their commitment and proven success in developing people. Indeed, he required that the top executives of each business unit identify and develop future leaders. He made coaching, training and developing people a performance metric that carried equal weight to financial results in determining promotions and compensation.
The Relevancy of the CPA Profession

The business graveyard is littered with major organizations that missed the boat by failing to see cataclysmic game-changers happening right before their eyes.

- Ice companies failed to get into refrigeration because they saw themselves in the ice business.

- Railroads missed out on autos and aerospace because they didn’t see themselves in the transportation business.

- A CEO of Digital Equipment Corporation (DEC) said he couldn’t imagine why people would want a computer in their own house.

- It took the Wright Brothers five years to get the U.S. government to even talk to them about their invention.

In all fairness it’s extremely difficult, if not impossible, to see, anticipate and accept massive changes like these.

Relevancy makes its first appearance to your humbled author

I was stunned to read that 20 of Accounting Today’s 2015 Top 100 Most Influential People cited the relevance of the CPA firm industry as a major CPA industry issue.
To be sure, the usual suspects were named repeatedly:

- Staff shortage
- Succession planning
- Baby Boomers retiring
- Merger mania
- Pace of technological change

But relevancy? I must have been living in a cocoon. This was the first I’d heard of it.

**What CPA industry leaders think**

Here’s what the profession’s thought leaders have to say (quotations are from *Accounting Today* and my own research):

“Relevancy is inhibiting the best and the brightest from joining the profession. You can’t attract Millennials who use Uber and Airbnb to a profession stuck in an industrial-era business model that makes you account for every six minutes of the day.”  
Ron Baker, VeraSage Institute

“Our profession is threatened by an outdated business model. The cloud, video conferencing, portals, mobility and social media enables CPAs to deliver work to far-flung clients efficiently and with the personal touch. The geographic borders in our minds need to come off. The business model is shifting from an individual book of business, tactical generalist, boots-on-the-ground approach to a leader-driven, strategic, specialist and digital future.”  
Gale Crosley, Crosley Company

“Technology is moving so fast that all the bean-counting that has been the heart and soul of the industry is rapidly disappearing. Recording purchases, writing checks, invoicing, collecting money, depositing checks and even financial statements, can all be done digitally instead of the old-school ways that hamper profitability and efficiency.”  
Chris Frederiksen, 2020 Group USA
“We continue to struggle hiring and retaining the required numbers of staff, many of whom have a negative impression about a career in public accounting.”
Rita Keller, Keller Consulting

“Many of the profession’s best and brightest see little or no future in the traditional, public accounting industry, seen by young people as increasingly irrelevant. The number of newly minted accountants entering the field is trending to an all-time low.”
Rick Telberg, CPA Trendlines

“In our increasingly digital, instant-information world, how can a profession comprised of predominantly compliance-oriented, historically minded traditionalists compete? Why would young, smart, tech-savvy professionals want to work in a profession still so married to ‘the way it was?’ CPAs must embrace new practices to add real value beyond reporting and filing.”
Jennifer Wilson, Convergence Coaching

“To be open to not only the skills of younger people but their wisdom as well takes real strength. No doubt the accounting industry will reinvent itself.”
Wendy Nemitz, Ingenuity Marketing Group

“Relevancy is a threat to every industry and the accounting profession is no different. It’s about being able to embrace new ways of doing things and expanded mindsets. Firms are increasingly embracing these traits and addressing relevancy. They are attracting and retaining the right people and making a partnership look attractive to the next generation.”
Sarah Dobek, Innovautus

“If we and our recruits believe all we do is record and process, we are already irrelevant. On the other hand, if we actually critique and evaluate business methods and records we will be right on target to be the most valuable professionals.”
Beverly Warburton, CPA
“Nonsense. We are more relevant than ever. Our clients need us for planning and advice. Compliance is secondary!”

Mark Perlson of Perlson LLP

“I’m an experienced, ambitious staff person at a CPA firm who wants to be pushed technically as well as on business development and soft skills. I’m not being pushed and challenged enough. It’s a shame that partners hesitate to push their staff for fear they might leave. I want to be pushed. I just don’t understand why CPA firm partners fail to see the value in mentoring and training, and why they don’t acknowledge the rewards of investing more in their employees.”

Anonymous staff person at a CPA firm

What does relevancy have to do with a book on staff?

The short answer: If young people view a career in the CPA firm industry as irrelevant, they won’t be motivated to stay in the profession or even consider pursuing an accounting degree in the first place.

Over the years, I have found that CPAs do not have a good grasp of the supply of accounting students. The AICPA conducts a marvelous biannual study of this, but it’s not widely read.

Here are some highlights of the most recent study, done in 2015, reporting on the 2013/2014 fiscal year:

Students enrolled in accounting degree programs:

<table>
<thead>
<tr>
<th>Year</th>
<th>Student Count</th>
<th>Observations</th>
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<tbody>
<tr>
<td>1995</td>
<td>214,000</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>144,000</td>
<td>An amazing 33% reduction in 5 years</td>
</tr>
<tr>
<td>2003</td>
<td>169,000</td>
<td>6% annual increase due to Enron/Andersen mess</td>
</tr>
<tr>
<td>2007</td>
<td>203,000</td>
<td>After 12 years, still not at 1995 level</td>
</tr>
<tr>
<td>2012</td>
<td>240,000</td>
<td>3.5% annual increase</td>
</tr>
<tr>
<td>2014</td>
<td>253,000</td>
<td>2.5% annual increase</td>
</tr>
</tbody>
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The media often exacerbate the dire situation of the staff shortage by ringing the bells when increases occur. In actuality, the annual increases have been quite low. However, to be fair, the increases would have been higher if not for the dire shortage of university accounting professors. Many colleges are reporting demand for classes that exceeds their ability to supply the classes.

Accounting degrees awarded actually dipped 0.5% from 2012 to 2014. However, the 2014 figure of 82,000 doubled over 2002.

As many in the accounting business have analyzed this data, they’ve concluded young people view accounting as an unpopular major that is nerdy, boring and tedious, with the work performed in a sweatshop environment largely devoid of interaction with the human species. Accountants have a lousy image, evidenced by the dozens of derogatory references to accountants in the movies.

But the relevancy issue has surfaced as further explanation for the low popularity of public accounting as a college major and as a career choice.

How to make a CPA firm career relevant to staff

1. **Engage them.** Make their jobs so interesting that they won’t want to leave.

2. **Unlimited paid time off.** No limits on vacations and holidays. Just hit productivity targets, do excellent work on time and most importantly, super-satisfy clients with world-class service that meets their needs, expectations and deadlines. If you do that, no one cares how much time off you take.

3. **Mentoring.** Staff want to be continually learning, improving and advancing with challenging work. When this stops, they leave. Firms added the term “mentoring” to their vocabulary only 10-20 years ago; few do it well and most do not compensate partners and other personnel who excel at it.

4. **Staff supervision.** Since the late 1990s, when the staff shortage began in earnest, firms have reacted by treating staff with kid gloves,
reluctant to give them honest feedback or to do anything that pushes them or threatens their work-life balance for fear of causing staff to quit. Firms need to stretch their people.

5. **Better performance feedback.** Continuous feedback beats annual reviews hands down. Both supervisors and employees hate traditional annual reviews and they usually aren’t very effective anyway. So, trash the annual reviews and focus on continuous feedback. Easy to say, but difficult for some firms to implement.

6. **Greater use of technology.** CPA firms are getting better at it but still have a long way to go. They need to be quicker at adopting innovations like the cloud, continuous auditing and data analytics. Staff expect automated research and content that can be easily communicated to clients.

7. **Marketing.** For decades, firms’ growth model has been mostly individual partner-centric vs. firm-centric. The rainmakers love this because they enjoy the rich compensation that goes along with being a business originator. But old-school practice development tactics don’t sit well with young people. They expect sophisticated, firm-wide marketing tools and techniques to drive prospect opportunities to them.

8. **Reduce “dumb” work.** Make the staff’s work as challenging as possible by finding ways to greatly reduce their “dumb” or “boring” work. Options are better use of technology and outsourcing, perhaps even hiring non-accountants.

9. **Let staff work anywhere; no more “butts in seats.”**

10. **More transparency** about what’s going on in the firm and how the firm is performing. CPA firms have traditionally been needlessly secretive and it makes staff feel like the partners are hiding something.

11. **Alternative career track to being a partner.** Though the up-or-out policy has largely been discarded, the unstated belief remains that one is not truly successful at a CPA firm unless one becomes a partner. Some staff don’t want to be partners. Still others are very good at what they do but just aren’t “partner material.”
Firms should have positions for these people that fulfill them professionally even if they don't become owners.

12. **Tax season hours.** OK, there is very little CPA firms can do to avoid overtime in the tax season. But by allowing flexibility on where and when the staff work and minimizing oppressive policies like mandatory Saturdays in the tax season, firms can reduce the unpleasantness of long tax season hours.

13. **A strategy and vision.** Traditionalists would say, “Why should the staff be concerned over whether or not the firm has a strategy and vision? Besides, it’s none of their business.” Wrong. It *is* their business because they want to work for an organization that is going places rather than treading water.

14. **More specialization.** Even at their inexperienced level, young staff are smart enough to see that we live in an age of specialization. When they see generalist partners who lack specialties, this can be a turnoff.

15. **Standardization of work processes.** At many firms, partners have their own ways of doing the exact same work process, making it frustrating and confusing to staff who have to learn how each partner wants the work done. Young people see CPA firms committed to archaic ways because the partners are resistant to change.

16. **More consulting.** Moving away from doing mainly compliance work to taking on more consulting makes firms more relevant to clients because (a) clients value consulting more than compliance work and (b) the staff enjoy consulting more than compliance. Firms need to develop professionals who are equipped to serve as high-level consultants to their clients. This should begin early, as it takes time to mature in this area.

17. **More diversity.** The CPA profession has a terrible shortage of talent. Yet firms do a horrible job at attracting minorities and retaining women, two huge labor pools. Young people have grown up in a much more diverse environment than partners did, and it’s disappointing for them to see the lack of diversity at most CPA firms.
Concluding statement on relevancy

All of these 17 items are easily doable. It’s not rocket science. But there remains a big obstacle, astutely identified by my colleague and fellow CPA firm consultant Carl George, longtime MP of Clifton Gunderson prior to its merger with Larson Allen:

“Partners are not paid to be relevant.”

What Carl means is this: The average income for partners in local, multi-partner firms is $410,000, an amount that most people consider pretty darned good.

Partners perceive, whether overtly or covertly, that the main factors enabling them to earn the $410,000 are the “big 3” production metrics:

- Finding—Bringing in business
- Minding—Managing a large client base
- Grinding—Billable hours

The emphasis in many firms’ partner compensation systems is on Finding, Minding and Grinding. Firms give token recognition to intangible factors such as helping staff learn and grow and addressing the 17 factors listed on the previous pages. So, if firms’ compensation systems provide so little incentive for partners to vary from the traditional, old-school model, or, as Carl says, “be relevant,” how can we expect change? You get what you measure.
Talent Management

“Executives spend more time on managing people and making people decisions than on anything else—and they should. No other decisions are so long lasting in their consequences or so difficult to unmake. And yet, by and large, executives make poor promotion and staffing decisions. At most, one-third of such decisions turn out right, one-third are minimally effective and a third are outright failures. In no other area of management would we put up with such miserable performance.”

Peter Drucker

This chapter was written in collaboration with Jeremy Wortman.

Jeremy Wortman is a consultant, trainer and speaker with The Growth Partnership, a firm that works exclusively with accounting firms and their professionals in marketing and smart skills training. He began partnering with them in 2009.

His areas of expertise include:
- Working with firms to build and execute talent management strategies.
- Building leadership talent.
- Coaching individual leaders.
Jeremy also runs his own talent management consulting company, HRD Initiatives, which helps organizations build and execute strategic plans regarding the people side of their business.

Wortman earned his Ph.D. in organizational behavior and a Master’s in Business Administration from the University of Nebraska. His undergraduate degrees are in economics and human resources.

Prior to Jeremy’s work with The Growth Partnership, he was with TD Ameritrade for eight years as their Director of Organizational Development and Effectiveness. In addition to the areas mentioned above, he focused on:

- Employee engagement surveys.
- Reward and recognition strategy.
- Executive and associate onboarding programs.
- Behavioral assessments and coaching of key leaders.

What is talent management?

It’s an umbrella term for how firms acquire talent, engage people in their firm, develop their skills and retain them. Among many things, it addresses:

- Behavior in the workplace.
- How and why people are different.
- How these differences affect motivation and job performance.
- How firms can improve productivity, retention and engagement.
- How to leverage each person for maximum performance, which drives bottom-line results.

*For a talent management strategy to be truly successful and worth the effort to create and implement, partners must believe that it will help the firm make more money.*
Without partners’ commitment, the plan will only be given lip service. Here is the bottom line: if you hire people whose talents fit the firm’s needs and assign them to excellent managers who coach and develop them, you’ll create a firm of engaged employees. Engaged employees create engaged clients. These clients spend more money with your firm by purchasing other services, which improves the bottom line.

The big disconnect

Jeremy gave a presentation to a roundtable group we run in Chicago. The group consists of 23 members, including two-thirds of the largest local firms in the Windy City.

Prior to his visit, he surveyed the group in a few of areas.

- 97% said that staff are essential or critical to the long-term success of the firm.
- 94% said their firms face challenges in talent management.

But only 10% had a robust, formal talent management strategy. Unfortunately, this is representative of CPA firms from coast to coast. If a plan is not in writing, generally speaking, it serves little purpose.

This disconnect makes no sense

Many important areas of firm management are put into writing much more frequently:

- Marketing plan.
- Partner agreement.
- Partner retirement/buyout agreement.
- Succession plan.
- Strategic plan.
- Quality control document.
- Personnel manual/policies and procedures.
But in an area such as talent management, which 97% of firms cite as essential or critical to success, only 10% have a formal plan to back that up. Puzzling.

What explains this huge disconnect?

1. **Complacency.** Partners may think: “Things are good. I make more money than I ever dreamed of. I like where I’m at. Sure, I would love to have better staff, but they come and go. There’s a limit to how much emotional energy I’m willing to devote to the nurturing and training of staff.”

2. **You get what you measure.** Managing staff and helping them learn and grow is minimally recognized in most firms’ partner compensation systems.

3. **Lack of time.** Partners are busy people. They may say that staff are just as important as clients, but when clients say “jump,” which is quite often, everything else stops and the clients get served first, with attention to staff getting the short end of the priority stick.

4. **No HR professional on board** to help the firm stay on track with its talent management strategy. Alternatively, some HR professionals lack breadth and depth in talent management.

5. **Lack of knowledge** of how to manage staff effectively. Let’s face it, accountants go to school to be technical experts. For us to expect them to naturally understand how to manage people well may be a little unrealistic.
A few other results of surveying the roundtable firms:

- **77% said personality and cultural fit are more important than technical knowledge to long-term employees’ success.**

Rosenberg asks: Then why is 90-100% of most firms’ CPE technical? And why is the recruiting process of many firms focused so heavily on interviewing for technical expertise and experience while neglecting interpersonal skills?

- **58% said they do not conduct employee surveys.**

Rosenberg asks: If there is true commitment to making the firm a great place to work that retains people and helps them grow, how can a firm not survey its staff to find out what they think? How can you fix anything if you don’t know what’s broken?

**A great opportunity for firms**

There are several keys to an effective recruiting program. (See Chapter 15 on recruiting.) One is a firm’s ability to convey to recruits that their firm is different and therefore “special” compared to other firms. What a great way to differentiate your firm: share with recruits your firm’s written talent management strategy.

**Talent management model and strategy**

Talent management is the integrated set of programs that help firms acquire, engage, build, leverage and retain the right talent for the right jobs at the right time. What makes talent management strategic is the alignment of these programs to the business strategy of the firm. All of them support its mission, vision and core values.

To help firm leaders think more comprehensively and holistically about the people side of their business, the simple model on the next page is a visual representation of the talent management model. Firm leaders can use this model to conduct their own internal talent management audit to identify both what they are already doing and what they should start.
Acquiring Talent
Engaging Talent
Building Talent
Leveraging Talent
Retaining Talent

<table>
<thead>
<tr>
<th>Acquiring Talent</th>
<th>Engaging Talent</th>
<th>Building Talent</th>
<th>Leveraging Talent</th>
<th>Retaining Talent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruiting</td>
<td>Recognition</td>
<td>Training</td>
<td>Advancement</td>
<td>Engagement surveys</td>
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<td>Culture fit</td>
<td>Feedback</td>
<td>Mentoring</td>
<td>Salaries</td>
<td>360° feedback</td>
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<tr>
<td>Personality</td>
<td>Challenge</td>
<td>Leadership</td>
<td>Job descriptions</td>
<td>Career path</td>
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<td>Selection &amp; Placement</td>
<td>Flexibility</td>
<td>development</td>
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<td>Onboarding</td>
<td>Great bosses</td>
<td>Individual</td>
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<tr>
<td>Employee Value Proposition</td>
<td>Communication</td>
<td>development plans</td>
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<tr>
<td>Teambuilding</td>
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<td>Challenge</td>
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</tbody>
</table>

The remainder of this chapter drills down on these five components of talent management.

The remaining chapters in this book provide best practices for implementing each of these areas.
ACQUIRING TALENT

Firms should use this process for acquiring talent:
- Identify the talent needs of the firm (now and in the future).
- Attract candidates who have the same motivational tendencies.
- Select individuals who have the best talent and technical expertise for the job to be done.
- Begin the onboarding process of the new firm employee.

The following are best practices to consider in building a firm’s talent acquisition practice:

1. **What attracts people to your firm doesn’t always keep them.**
   Things that attract staff are money, the role the new employee will play, the firm’s growth, cool offices, technology and training opportunities. Things that retain staff are challenge, promotional opportunities, great bosses, mentoring, feedback, collegiality with co-workers and the extent to which they learn and grow.

   This works in reverse as well. Firms often get attracted to a candidate for the wrong reasons. The vast majority of people will be hired if they have a good resume, interview well and provide good references. But that’s not enough.

2. **Before you interview the first recruit, use a validated assessment tool to objectively define the personality and culture of your firm** (Jeremy likes the OMS-Organization Management System, but there are others). Examples:
   a. Team player vs. individualistic.
   b. Comfort with conflict vs. conflict avoidance.
   c. Fast paced, multi-tasking, constant schedule changes vs. slower paced, routine, no surprises.
   d. The firm has lots of extroverts and values sociability vs. a firm of introverted personalities who prefer doing work at their desk.
   e. Things always changing vs. things staying the same.
   f. Sweat-shop vs. soft on hours.
   g. How flexible the firm is on where and when staff work.
   h. Self-starters who work well with minimal supervision vs. those who need constant guidance.
i. A firm that embraces transparency, involving staff in
decisions, instead of one that is secretive, making decisions
in an ivory tower.

j. A firm that has central processes that all partners buy into vs.
a firm where partners have their own way of doing the same
work.

k. Staff travel to clients because the firm likes work done in the
field vs. a firm where staff rarely leave the office.

3. **Assessing applicants’ fit.** Proactively, and scientifically, identify
the key personality traits of your firm’s best performers, as well
as those who fail. Then match the recruit’s personality to the
firm’s and let that guide your selection. When you select for
talent you create an engaged workforce that brings positive
results to the firm’s bottom line.

Partners typically raise two objections to this approach.

a. The CPA industry has a terrible shortage of labor. This
matching of the personalities of the firm and recruits sounds
great, but many times firms are lucky to get *any* recruits.
They feel they can’t afford to be choosy.

b. A recruit comes along who would be hired on the spot at
firms using the traditional hiring model: Great resume,
interviews well and very personable. Has all the technical
skills and experience needed. Good references. These firms
would say: “Give me a break. These kinds of people don’t
grow on trees. When they do, we need to hire them
yesterday!”

Those are formidable obstacles to the personality matching
model. But what if someone told you that, despite some recruits’
talent and allure, in six months they will be gone? Would you
still hire them? Certainly not.
Here are some examples. Assume that in all cases, the recruit has an impressive resume, interviews well, and has great references.

- The recruit’s personality profile shows difficulties with multi-tasking and dealing with abrupt changes, but these traits fit your busy firm to a T.

- The recruit’s profile is that of an introvert who is not sociable and prefers to work alone. Your firm is big on team play and most personnel, including the partners, are extremely sociable.

- The recruit’s profile indicates someone who needs lots of guidance and has difficulty making decisions independently. But your firm has a frenetic culture where everyone is constantly busy and not always accessible, thus requiring its people to be self-reliant.

Important: You may be a marvelous interviewer who asks great, penetrating questions to detect these types of problems, but the mismatch will remain undetected because the recruit knows how to game the process. Anyone who reads the job posting and rehearses for the interview can tell what you want to hear. Only a scientific assessment tool professionally tested and validated with thousands of people will accurately detect the mismatch.

Firms that use the personality matching model would not hire these otherwise outstanding candidates because they know from experience that these differences will eventually cause each of them to leave the firm within a year.

4. **Employee Value Proposition.** Firms that have created their client value proposition must clearly articulate it to their current and future staff. Thus, an EVP is what the firm offers in exchange for the productivity and performance of a staff person. It includes base pay and other rewards, benefits, challenging work and career advancement, as well as more intrinsic elements such as management style, work environment and culture.
The key questions you should be asking yourself are:

- Why should someone work for your firm?
- Why should someone stay with your firm?
- How does this compare to your competitors?

As we reflect on the changing nature of the business environment, we can compare and contrast the paradigm shift that accompanies the evolution of the EVP:

- Old school: They should be happy they have a job.
- New school: We are ecstatic our staff want to work for us.

(The EVP material is from Towers Watson.)

5. **Onboarding process.** Let’s get some definitions straight. The text below is from a blog post at the website *Expecting Change*, written by Andrea Ballard.

**Orientation** is largely administrative. It is event driven and usually includes new-hire paperwork, a tour of the office, a nice lunch and issuance of security cards, computers, and passwords. It’s often canceled or rescheduled at the last minute, either because the new employee needs to get to work quickly or the existing employees are too busy and don’t place a high priority on their orientation duties.

**Onboarding** is an ongoing process. While many firms use a 30- to 90-day orientation period, 90 days is often not long enough to expose new employees to the various aspects of their jobs. In an accounting firm, a great deal of onboarding takes place during busy season, as professionals learn expected norms around work hours and how to handle conflicting commitments to different supervisors. Onboarding involves giving new employees specific information about how to navigate relationships in your firm, whether it’s with peers, clients, supervisors, or partners. Professional staff may have excellent technical skills, but if they can’t figure out the trickier aspects of relating to people, they often will not last at your firm, or won’t advance as quickly as they should.
TALENT ENGAGEMENT

We used to think the primary driver of staff productivity and retention was job satisfaction. But more important is employee engagement where staff think: “I get to go to work today,” instead of, “I have to go to work today.”

While satisfaction is important, an engaged employee is more productive, produces higher-quality work and is less likely to leave your firm. Equally important, engaged staff create engaged clients. These clients spend more money with you by purchasing more services your firm has to offer.

The components of talent engagement:

1. Staff are proud to say they work for the firm and would enthusiastically recommend the firm to others.

2. Staff will go beyond the call of duty to get the job done.

3. Staff believe in the vision of the firm and why it exists (mission).

Tactics to achieve high talent engagement:

1. Involve staff in the development of the firm’s vision and mission. If these already exist, have each department create its own that support the firm’s. Then, help the staff see how their work contributes to them. Don’t assume they automatically get it!

2. Demonstrate to the staff how the key operational goals support the firm’s mission and values. Provide ongoing updates on how the firm as a whole is progressing toward those goals. People want to see progress and how they are contributing to it.

3. Be flexible about where and when the staff work. An entire chapter is devoted to this area. The flexibility trend basically says treating staff like professionals instead of plebes—giving them flexibility in getting work completed as long as they maintain productivity and fully satisfy client needs—engages them more in the firm and optimizes their overall performance.
4. Team-building programs. Wortman says, “Team-building exercises like paintball war games, sack races and cooking classes are crap because they are mostly done for novelty purposes and lacking in sustained behavioral change. What is effective are behavioral assessments. If done correctly with a trained facilitator, they help personnel understand themselves and each other, and that understanding makes it easier to tolerate each other and work better together in the future.”

Innovative Team-building Exercise

Have everyone take a personality profile and post the results on a wall without identifying names. Then ask everyone to identify who is who. Only 10% will guess correctly. We don’t know each other as well as we think we do.

5. Performance feedback. An entire chapter is devoted to this later. The overview: After completing assignments, employees should receive immediate face-to-face feedback on what they did well and what needs to improve. Annual performance appraisals are almost always ineffective and anxiety provoking, for both the counselor and the staff person.

6. Create a leadership expectation model. Everyone, no matter their position within a firm has the opportunity to demonstrate leadership behaviors. Firms must proactively identify what it means to be a leader within their own firm. When people know what’s expected of them, they are much more likely to be successful. Identify your firm’s ideal leadership behaviors and measure everyone against those behaviors.

7. Partners and managers must be great bosses. The #1 reason why employees in any organization leave is their relationship with their boss. People leave managers, not their jobs.
8. Effective nonmonetary recognition and reward programs. Sure, employees appreciate gift cards and bonuses. However, their motivational impact is very short-lived. Recognition from co-workers is more powerful in creating intrinsic motivation. This includes their staff, their peers and their bosses. It can be very simple to create and maintain these programs within your firm!

BUILDING TALENT

A chapter on each of these areas is included later in this book:
1. Training.
2. Mentoring.
3. Leadership development.
4. Every staff person develops individual development plans.

Bottom line—what attracts employees to your firm isn’t necessarily what keeps them. A large driver of employee retention is helping them to develop and contribute their full potential. If you don’t give them this love, they will go find another organization that will!

LEVERAGING TALENT

Once firms have engaged staff people whose talents have been nurtured and developed, they’re in position to leverage the talent for maximum performance by rewarding and advancing them.

1. **Advancement** is important for all employees but it is especially critical in satisfying top talent. Keep in mind that advancement isn’t limited to formal promotions. Getting more challenging assignments within the same position title is also important.

2. **Compensation.** Make sure you are rewarding good performance. Compensation is always an important key to retention, but it merely becomes ante to stay in the game when staff are well-compensated. Compensation alone will not guarantee retention.

3. **Job descriptions** that help to clarify expectations. Sadly, many firms do not have job descriptions at all, while many more have descriptions that are severely out of date.
How do you expect employees to perform to your expectations if they do not know what those expectations are? Worse yet, if there is no job description identifying the performance expectations of the job, how is their work performance being evaluated? Firms are missing a huge opportunity here to maximize the potential and overall effectiveness of their employees when they do not have good quality job descriptions.

RETAINING TALENT

1. Employee engagement surveys. Do this annually. Things DO change from year to year, given the industry’s 15-20% turnover.

2. 360-degree performance assessment. All leaders within the firm should be assessed annually against the firm’s leadership expectations using this methodology. That said, it is highly recommended that you use an independent third party to facilitate this anonymous process. If it’s done internally you run the risk of doing more harm than good because of the various mechanics and psychology involved.

   With this method of evaluation, leaders are evaluated by:
   a. Their own self-evaluation.
   b. Peers.
   c. Staff working for the person on client engagements.
   d. The bosses, usually partners and managers.

   Partners and managers could also consider being evaluated by their clients by adding them as a grouping to the categories mentioned above.

3. Career planning. One-on-one discussions between staff and an internal or external coach. This is where staff state what they want to be when they grow up and then identify key learning opportunities to explore the paths further. A key to retaining talent is for leaders to actively discuss career progression with their staff.
Staff Retention

The state of CPA firm professional staff turnover

The following data is from a recent Rosenberg Survey.

<table>
<thead>
<tr>
<th>Firms’ Annual Revenue</th>
<th>2014</th>
<th>2013</th>
<th>2009-2011 Recession Years</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over $20M</td>
<td>17.7%</td>
<td>18.0%</td>
<td>11.5%</td>
<td>16.2%</td>
</tr>
<tr>
<td>$10-20M</td>
<td>16.5%</td>
<td>17.6%</td>
<td>12.1%</td>
<td>16.2%</td>
</tr>
<tr>
<td>$2-10M</td>
<td>16.8%</td>
<td>15.3%</td>
<td>11.2%</td>
<td>13.6%</td>
</tr>
</tbody>
</table>

The $2-10M, which we consider to be the closest to a mainstream category for firms, is comprised of roughly 240 firms, whereas the two larger groups contain 35-65 firms each.

Main observations:

- Professional staff turnover for the two larger groups was noticeably higher, whereas the $2-$10M group’s turnover was unchanged.

- Although we don’t measure cumulative or multiyear turnover, one could deduce that the three-year turnover at all size firms is roughly 50%. This doesn’t mean that in six years, firms’ entire staff turns over; some staff stay for 10+ years, while turnover is
higher than 50% for people with 3-5 years of experience. Whichever way you choose to interpret the data, CPA firm turnover is high, even though it may not be higher than many other industries.

- The recession years show a significantly lower turnover than the years before and after because during the recession, staff stayed in their jobs. Most firms either were laying people off or had a hiring freeze. There was nowhere else for staff to go if they quit.

**The top reasons staff leave CPA firms**

There may be other reasons, but the ones listed below are what we see time and again, both in our consulting and in survey results. The items are not ranked in any way.

1. A less-than-favorable relationship with the boss, be it a senior, manager or partner.

2. Partners’ performance is generally not measured or compensated based on their success at staff retention and helping them learn and grow, particularly at smaller firms. As we’ve previously stated, you get what you measure.

3. Lack of challenging work and/or advancement opportunities.

4. Below-market compensation. Many firms are cocooned in their own little worlds, oblivious to what other firms in their market are paying. Firms need to be tenacious in researching what the competition is doing.

   Some firms respond to this by asking where to find competitive salary information. Easy. Simply poll the firms in your market, tabulate and share the results with the other firms. You will be amazed at how many firms will work with you on this because they want the same data.

5. Lack of staff engagement. In Chapter 3, Jeremy Wortman expounds on staff engagement. He says that just because staff are satisfied with their jobs doesn’t necessarily mean they are
engaged with the firm. When staff are engaged, they think: “I get to go to work today,” instead of “I have to go to work today.”


7. Lack of flexibility as to when and where they work.

8. Lack of work-life balance. Staff may enjoy their jobs but when they think about a long-term career at the firm, they see that the partners “working all the time.” This causes some to lose interest in becoming a partner because they don’t want to be a slave to their work as the partners appear to be.

9. Lack of female role models. 60% of the staff at CPA firms are female. 50% of college graduates are female. But only 17% of firm partners are female, an appalling statistic for the CPA profession. 25-50% of all firms under $15M have no female partners. This causes many women to assume that becoming a partner is not feasible. The unfortunate part of this is that most women “deselect” their firms years before they leave without discussing this with any of the partners.

10. Lack of feedback. Young people thrive on feedback, yet most CPA firms fail to provide effective and prompt performance feedback.

11. Lack of young co-workers. When we ask staff with one or two years’ experience what they like the most about their firms, the #1 answer every time is “the people I work with.” Young people like working with other young people they can become friends with. Many small firms employ few staff under 30 and the average age may be beyond 40. This is a turnoff to young staff.

12. Lack of technical skill. The job of a CPA firm staff is not easy. To succeed, staff must have strong technical skills, be productive, work long hours when needed, endure the tax season, deal with the stress of deadlines and have decent interpersonal skills. Not everyone is cut out to work in a CPA firm.
What staff DO like

Chris Frederiksen of Panalitix (formerly 2020 U.S.) is the dean of U.S. CPA firm consultants. He has surveyed a large number of young staff, and these are his findings:

- They like the cachet of being a CPA. Firms need to give their staff opportunities to be active in the community and meet referral sources.

- They like being with clients. Firms should maximize staff’s face time with clients. Some misguided firms allow their partners to completely monopolize client relationships and face time, bringing all the client work into the office for staff to work on instead of letting them interact with clients and do the work in the field.

- They like learning. When ambitious, competent young people stop learning and cease to be challenged, they often quit. Make your firm a continual learning institution.

- They like the flexibility of deciding when and where to work. Firms should provide plenty of flexibility in these areas.

- They like technology. The more the better. They get turned off by firms that are attached to paper. They get turned off by partners who barely know how to turn on a computer.

- They like opportunities for input into changes in the firm. They like transparency.
Retaining staff: Don’t underestimate the power of money

In addition to everything my friend Chris Frederiksen’s survey indicates, other surveys consistently show that compensation and benefits are at or near the top of what attracts staff and what retains them. The qualifier would be this: Compensation is critically important in recruiting and retaining staff, but it usually isn’t the reason why staff leave.

Here’s a great illustration. Every other year or so, I conduct a Staff Forum in Chicago. I ask 15 to 20 firms with annual revenues ranging from $8M to $20M to send me a staff person with one or two years of experience. For 2½ hours, we discuss their jobs, their firms, their partners and other supervisors and what’s important to them. Later in this chapter the results of the most recent Staff Forum are summarized.

One of my favorite moments is when I ask them what they think the partners at their firms earn. Their responses range from $150,000 to $250,000. A third of the responses are below $200,000. In the most recent session, the actual average was $410,000. When I reveal this, their jaws drop.

One year, after the session was over, a young man returned to his firm, marched immediately into the MP’s office and said: “I just came back from Rosenberg’s Staff Forum and found out how much money you guys make. What do I have to do to become a partner?”

When the MP told me of this, I asked him how the person was performing. The MP told me his performance was average at best. But in the years following this revelation, this staff person improved and his performance was rated excellent.

Doesn’t every truly successful employee define success in terms of BOTH job satisfaction and money? They are not mutually exclusive. We CAN have both!
My morning with 17 young CPA firm staff

Every couple of years I convene a Staff Forum of young staff with one or two years’ experience. The most recent session had 17 participants. Here are the key findings:

1. **What do you like most about your job?**
   - The people they work with.
   - Tremendous exposure to the business world.
   - The work is never boring and they enjoy the opportunities to keep learning and be challenged.

2. **What do you like least about your job?**
   - Unrealistic time and budget expectations of partners.
   - The stress.
   - Unpleasantness of the tax season.

3. **Why did you choose the firm you work for?**

   Very little had to do with ways that one firm might be *truly* different from another. Examples: Large vs. small. Specialties. Lots of young staff. Training programs. Leadership development and mentoring programs. Winner of awards for best place to work. Higher pay.

   Instead, most of the responses had to do with these factors:
   - How much the staff liked the partners they interviewed with (the importance of which can *never* be overstated).
   - Location (downtown vs. suburban).

   The takeaway: I know these firms. They are clients of mine. Many of the firms are indeed different from the others. But this message never came across to the recruits in the interview process. So, when recruiting, how can your firm do a *better* job of differentiating yourself from others?
4. **What do you think of your firm’s mentoring programs?** It seemed that half the firms had formal mentoring programs and those that had them, liked them.

Throughout the years, one of the most hotly debated mentoring practices has been the match of the mentor and mentee. Most firms opt to totally control this match. The group really emphasized the importance of having the right mentor assigned to them. Several said that they didn’t click with the mentor initially assigned to them and this made the mentoring program ineffective for them. Staff would like to be involved in some manner, in the mentor selection process.

5. **Do you know what it takes to be a partner at your firm?**

   There was a resounding “no” to this question. This is inexcusable if your firm is serious about developing staff into partners.

   Many partners in firms across the country are of the opinion that today’s young people don’t want to be partners. I have long disagreed with this as a blanket statement. Firms’ young people may indicate that they don’t want to be partners simply because they don’t know how to become partners or what it means to be a partner. **60% of our group said they wanted to be partners.**

   Firms need to do a much better job of:
   
   - Putting in writing what it takes to be a partner.
   - Mentoring the staff.
   - Constantly talking up to the staff why being a CPA firm partner is a fabulous job. Fabulous because partners earn high incomes, are essentially their own bosses, function as entrepreneurs, have clients that love them and do challenging work for interesting businesses.

6. **How many total hours do you think partners work annually?**

   The group’s average was a staggering 3,219. The actual number, per The Rosenberg Survey, is 2,450. Staff see partners working when they leave the office and know they frequently work nights and weekends.
7. **Do women feel that their long-term career and partner opportunities are the same as for men?** None of the women in our Forum aspired to become partners because they don’t see it being compatible with raising a family. Firms must work harder to communicate to their female staff that becoming partner and raising a family are not mutually exclusive.

8. **Overall satisfaction with their jobs.** Average rating was 7.9 with 10 the highest. I assume that the staff firms sent to our Forum were at least considered average to above average. Based on that assumption, I think firms would be unhappy with a 7.9.

9. **What’s most important to staff?** Staff ranked several factors in order of importance to them. 1 was high and 10 was low.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Important things that you want out of your job and the firm you work for</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Compensation and benefits</td>
</tr>
<tr>
<td>2</td>
<td>Advancement opportunities</td>
</tr>
<tr>
<td>3</td>
<td>Work-life balance</td>
</tr>
<tr>
<td>4</td>
<td>Challenge in your work</td>
</tr>
<tr>
<td>5</td>
<td>Supervisors who are good bosses</td>
</tr>
<tr>
<td>6</td>
<td>Training</td>
</tr>
<tr>
<td>7</td>
<td>Flexibility WHEN and WHERE you work</td>
</tr>
<tr>
<td>8</td>
<td>Fun</td>
</tr>
<tr>
<td>9</td>
<td>Appreciation and recognition</td>
</tr>
<tr>
<td>10</td>
<td>Mentoring</td>
</tr>
</tbody>
</table>

10. **What are examples of flexibility that appeal to you?** Two responses come out loud and clear and have for quite some time:

   - They want to be free of limits on when they start work and when they stop work. They want to be judged on the quality of their work and whether or not they completed the work on time, not whether or not they had their butts in seats.
   - They want to do more of their work remotely.
11. **What is your preferred method of communication?** This may come as a surprise to many, but our group understood the importance of face-to-face communication. At the same time, the staff admitted to preferring email over face-to-face communications because it gives them a record of what was stated and allows them to think about what they want to say before they respond.

12. **What can firms do to retain you for at least 5 more years?**
   - Give better feedback, especially more *timely* feedback.
   - Offer effective mentoring and leadership development programs.
   - Provide more client interaction.
   - Make the tax season less onerous.
   - Be more flexible about when and where they work.
   - Give better on-the-job training.
   - Employ lots of young people so a young staff person has a peer group.
   - Set more realistic budget expectations on jobs.

**The high cost of turnover**

Much has been written about the high cost of turnover. Almost all estimates range from 1 to 1.5 times an employee’s annual compensation. On the next page is a worksheet for computing the cost of turnover at your firm.
# COMPUTING THE COST OF TURNOVER AT CPA FIRMS

## HARD TURNOVER COSTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separation processing, admin time and exit interviews.</td>
<td></td>
</tr>
<tr>
<td>Temporary staff to fill in, including the time to hire and train them.</td>
<td></td>
</tr>
<tr>
<td>Search-firm fees and staff referral bounties.</td>
<td></td>
</tr>
<tr>
<td>Interviewing and screening time of all personnel involved.</td>
<td></td>
</tr>
<tr>
<td>Training and ramp-up time for new employee; includes time of trainers, external costs and on-the-job training.</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td><strong>LESS:</strong> Cost savings while the position is vacant.</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL HARD COSTS</strong></td>
<td></td>
</tr>
</tbody>
</table>

## SOFT TURNOVER COSTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost productivity during disengagement; reduced hours and effectiveness.</td>
<td></td>
</tr>
<tr>
<td>Time discussing issues and the need for change.</td>
<td></td>
</tr>
<tr>
<td>Lost work production during vacancy, including work rejected due to lost capacity.</td>
<td></td>
</tr>
<tr>
<td>Impact of overburdened staff and their reduced effectiveness.</td>
<td></td>
</tr>
<tr>
<td>Client dissatisfaction with the turnover, perhaps measured by lost clients.</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL SOFT COSTS</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Total cost of turnover – hard and soft costs**

*Courtesy of Kristen Rampe, CPA, a consultant to CPA firms at her firm, Kristen Rampe Consulting, www.kristenrampe.com.*
Flexibility

“We like to give people the freedom to work where they want, safe in the knowledge that they have the drive and expertise to perform excellently, whether they [are] at their desk or in their kitchen. Yours truly has never worked out of an office, and never will.”

Richard Branson

“Be stubborn about your goals and flexible about your methods.”

Anonymous

This entire chapter was produced by ConvergenceCoaching, cofounded and led by Jennifer Wilson. I have been in the CPA business for 30 years and have met many amazing thought leaders. Jen is at or near the top of my list in this regard. When Jen talks, I shut up and listen. Whenever I am in a meeting with Jen, I always learn.

ConvergenceCoaching, LLC, is a national CPA consulting firm dedicated to working with leaders to achieve success by helping them develop and implement leadership, succession, marketing, and training and development plans. Their ultimate goal is to make a transformational difference in the lives of their clients and firms.
Named as one of the 100 Most Influential People by Accounting Today, INSIDE Public Accounting's Top 10 Most Recommended Consultants, and CPA Practice Advisor's Top 25 Thought Leaders and Most Powerful Women in Accounting, Jennifer worked in both the public accounting and IT development sectors before cofounding ConvergenceCoaching, LLC.

Jennifer is a member of the New Horizon Group, CPA Consultants' Alliance, and Accountants’ Global Advisory Panel, all forums for leading consultants to the accounting profession. She is a nationally recognized speaker, teacher, and facilitator in the CPA industry.

What is work flexibility?

Convergence Coaching uses the terms “Anytime, Anywhere Work” and “work flexibility” very similarly. Both refer to increased flexibility around one’s work schedule and the place where work is done, while simultaneously meeting the needs of clients and staff and the goals of the firm.

ConvergenceCoaching’s Anytime, Anywhere Survey

In 2015, ConvergenceCoaching launched a survey about the adoption of flexible work initiatives at public accounting firms. They received responses from 155 firms:

- 18% had over 75 CPAs.
- 42% has 21-74 CPAs.
- 23% had 11-20 CPAs.
- 17% had fewer than 11 CPAs.
Survey highlights:

1. **Firms offering flexible work arrangements.** 97% offer flexible work arrangements like late start, part-time and 4-day work week.

2. **Firms with technology to support working away from the office.** 83% have made this investment and believe working remotely is as efficient as working in the office. Noteworthy comments:
   - “A lot of time can be wasted if you don’t have the technology.”
   - “Make sure IT security is in place to protect sensitive and confidential client information.”
   - “Make sure employees have the proper setup at home.”
   - “Make video calling mandatory throughout the firm.”

3. **Offering remote work programs.** 92% offer a work-from-home program. Some firms noted that their programs are limited in some way: only certain personnel are eligible, or it is offered as an as-needed short-term solution, not as normal protocol. More than half of the firms reported that their remote work program is for occasional rather than regular use.

   When asked about challenges with remote work programs, 19 firms shared that these programs have identified technology issues within their organizations.

4. **Written policy for anytime, anywhere work programs.** 48% have a written policy in place and 53% do not. One firm said:

   “Have very particular requirements in your policy. You can always make exceptions to back off, but it is hard to add additional requirements. Remote team members are expected to participate in all team meetings via web-conferencing so that they know what’s going on. Their remote work situation cannot create additional burdens for other team members. They communicate digitally with admin to let them know where they are so that callers can be quickly rerouted if needed.”
5. **Mandatory Saturday work hours during the busy season.**
36% of firms no longer mandate Saturday work during busy season, while 56% still mandate Saturday work. Participants gave the following comments:
- “It is not mandated but encouraged.”
- “Saturdays not required if you work the targeted hours during the week.”
- “Need to convince tax partners of this.”
- “Hard because we schedule many client meetings on Saturdays.”
- “I feel the elimination of mandatory Saturdays was a huge step forward for our firm. When you have kids, lots of things happen on Saturdays. It’s great to know you can attend those things guilt-free, as long as you get your work done on Friday night or Sunday or whatever works for you.”

6. **Hours worked as a performance measure.** 43% of firms have implemented performance measures for staff that are not based on time, while 47% have not. 13% answered that they are thinking about implementing performance measures based on something other than time.

7. **Firms employing staff in another geographic location.** 45%.

8. **Firms closing all/part of Fridays in the summer.** 33%.

9. **Firms closing between Christmas and New Year’s.** 8%.

We believe that firms of the future will move away from the time and place paradigm and embrace virtual work programs.
What's the best way to start a flexible work program?

1. Assemble a committee who will work through the issues to develop a policy document.

2. Record all of the programs currently in use at the firm, including programs like compressed work week, remote access and early start/late start. Identify differences between the programs currently used and those proposed in the new policy and decide how to address these differences.

3. The firm should consider the new policy a living, breathing document that will be updated and changed on a regular basis—at least annually. Approaching it this way will relieve some of the pressure to get it perfect on the first draft. It also leaves the door open to exploring new flexible work opportunities as they arise.

Guidelines for flexible work policies

The best way to reduce conflict and disappointment in flexible work policies is to clearly establish expectations, and there is no better way to accomplish this than by having a clear, transparent, and up-to-date policy document.

1. Have a clear policy in place that is followed consistently.

2. Establish a process for requesting and approving program participation. Have an application approval process. Make sure there is a provision that allows this program to be withdrawn at any time.

3. Be transparent about the programs that are available. Make sure the policy is available to everyone who is eligible. Keep it simple and be fair. Don’t make it a secret program that others resent.

4. Consider the policy a work in process and revisit it on a regular basis.
5. Develop performance measures and clear expectations. Document expectations for availability and communication. Emphasize that client service and response time cannot suffer and that communication with project team members is critical.

6. Create a framework for evaluating the success of flexible work arrangements. Re-evaluate individual agreements every six or 12 months to ensure it is working for both parties.

Unlimited PTO

PTO is an abbreviation for “paid time off.” It consists of vacation, holidays, sick time and personal time off. Of all personnel policies, this is an area that is changing rapidly.

Traditionally firms have specifically stated the number of vacation days, holidays, sick and personal days off that staff are allowed. About 10-15 years ago, many firms made a moderate adjustment, specifying a total for all of these days and calling them PTO days. This was a nice step towards giving staff more flexibility in taking time off when they needed it.

But the movement today is to totally abandon all policies governing the amount of time staff can take time off. Instead, let them take as much time off as they wish. The critical caveats are (a) staff must meet their firms’ production targets and (b) staff must satisfy clients’ needs, meet deadlines and provide them with world-class service. These standards continue to be paramount and non-negotiable.

As we write this book in mid-2016, the number of firms changing to unlimited PTO is under 10%. But many industry observers see this becoming the norm in a few years.

ConvergenceCoaching presented a wonderful webinar in 2016 entitled Unlimited PTO: How Firms Are Managing This Emerging Benefit. Managing partners and an HR director who had recently implemented unlimited PTO programs were the speakers. Their firms ranged in size from 72 to 111 total personnel, including partners. Here are highlights:
Why the firms adopted unlimited PTO.

1. We respect our staff as professionals and want to create a culture of mutual trust.

2. Unlimited PTO makes it easier for staff to find guilt-free balance that fits their personal situation. It allows our staff to take care of themselves.

3. We want staff focused on attaining their expected hours without worrying about PTO.

4. We focus staff on what they SHOULD be doing instead of what they CAN’T.

5. It allows staff to make up for overtime in the busy season.

6. Unlimited PTO eases the administrative burden about tracking PTO, especially vacation banks.

Factors and issues considered.

1. Existing flexible work accommodations.
2. Existing PTO banks.
3. Impact on non-exempt staff.
4. Budgets of billable hours for staff.
5. Blackout periods.
7. Process for approving requests for time off.

Who was involved in the transition process? Partners, staff, HR, marketing and MPs from other firms.

Eligibility considerations.

1. Exempt staff working on planned hour arrangements. State labor laws make it very difficult for firms to offer unlimited PTO to non-exempt personnel.

2. Staff must meet their billable hour targets on an annual basis.
Advice to new adopters.

1. Get input from a diverse array of firm personnel.

2. Consider impact on current PTO policies.

3. Be very clear on hours expectations and how PTO is recorded on timesheets.

4. Make sure you have measurement tools in place. **This may be the best piece of advice in this entire section. If your firm had poor systems for measuring staff productivity before implementing unlimited PTO, you WILL have difficulty ensuring that staff remain productive with unlimited PTO.**

5. Expect to update the policy over time.

6. Post pictures of partners and staff taking vacations.

7. Initially, it’s natural to worry about staff abusing time off. But one of the biggest problems firms have experienced is staff not taking enough time off.

8. Consider limits to the number of consecutive days off people are allowed.

Are mandatory Saturdays a thing of the past?

*From a blog post by Jennifer Wilson.*

I always challenge firm leaders to evaluate their “old school” practices and shift toward more engaging, motivating and even “cool” ways of operating to retain top talent. **One of the ideas we’re hearing cool firms employ is the elimination of mandatory Saturdays during busy season.** When I’ve shared this in group settings at CPA conferences this fall, I literally hear a gasp of surprise because it challenges one of the most fundamental elements of public accounting—tracking, measuring and valuing time. In this blog, I want to explore the possibility of eliminating mandatory Saturdays—which does NOT mean eliminating overtime in most
cases—and discuss ways that might help make this “new school” idea work and make public accounting an even cooler profession for up-and-comers.

To get us started, I want to address **a few mental shifts I believe your leadership team will have to make to get to the place where you give up mandatory Saturdays:**

1. Most firms feel that they need a certain number of total charge hours per person (varying by level and role) to meet their top-line revenue goals. **I want to challenge this and suggest that what firms really need is a certain amount of revenue charged, realized and collected per person or per client, to meet revenue goals.**

2. When you make that leap, **your firm will also have to empower your team members to work anytime they can and anywhere they want to meet their revenue and client service objectives.** I realize that this ‘anytime, anywhere’ philosophy doesn’t work for all team members—especially those in their first year or two. Certain administrative staff and those who simply cannot keep focused without the structure of their office work space. That said, many professionals are capable of working from home, while traveling, or from other locations and can produce high-quality work and perhaps be even more productive working remotely. **Your firm must provide a mechanism for these self-directed people to do just that—or they will go to work for a firm that will.**

3. **A related philosophy must also be banished: the attachment to “face time.”** For many Baby Boomers, there is a direct correlation between seeing someone’s face at work and believing they are committed to their job, clients and the firm. Many partners speak of people they value as “putting in the time” and others they question as “never coming in early,” “not staying late,” or “not being here as much as others.” When I ask whether these people work from home in the evenings, whether they are meeting their goals, etc., there is often an acknowledgment that their performance is not suffering. Be careful not to measure office or face time over the more important measurement of deliverables and results generated.
4. So, if you can begin measuring contributions and results, supporting anytime, anywhere work styles and giving up some of your face-time expectations, then your firm may be ready to make the leap that some new school firms are making—eliminating mandatory Saturdays during busy season periods. Instead of mandating specific work days and hours, firms are instead:

a. Establishing specific revenue and realization goals for each staff member—broken down into a weekly number. Some firms will use charge-hour targets.

b. Establishing goals for client deliverables like turnaround time goals, filing objectives and work flow targets.

c. Teaching all team members the basic economics of the firm so they understand the drivers of firm growth and profitability and their part in contributing to the financial well-being of the firm. Most team members do not understand this concept!

d. Investing in technology to enable access to client workpapers, files and production systems anytime, anywhere with performance that rivals performance within the confines of the office.

e. Investing in tech support of personnel working remotely.

f. Measuring and reporting on firm performance against goals on a weekly basis, addressing situations where deliverables are not being completed.
Are flexible hours helping or hurting us?

Excerpted from an article written by Derek Loosvelt, Senior Finance Editor and writer for Vault.com, that appeared in Vault Blogs on March 30, 2016.

For better or worse, we can now work anywhere. There’s nowhere our employers and clients can’t reach us. And there’s nowhere we can’t reach our employers and clients.

Some of us like this arrangement. Some of us don’t. All things considered, are flexible hours helping or hurting us?

According to some 9,000 professionals who took our latest accounting survey, flexible hours are indeed helping us, are good and are a blessing. If fact, when we asked accountants to tell us what the best non-monetary perks were at their firms, they told us that #1 was vacation time, followed very closely by #2, flexible hours.

What can be difficult, though, is being able to take time off during the tax season.

This topic of flexibility was addressed in a recent Wall Street Journal piece. The article delineated between integrators—employees that embrace flex time—and separators—those that don’t.

Integrators “allow work and home life to bleed together.” They “toggle between work and home tasks from the moment they wake up.” They answer emails “while working out and while waiting in the carpool line.” They get more work done after the children are in bed. Integrators feel “this enables them to be as productive as possible.”

Separators prefer to draw a line between home and work life. These people want to focus on work when they’re at the office and on personal life when they are home. For them, the act of shifting gears saps their energy and frustrates them.

Separately, but related, another thing accountants told us in overwhelming numbers is that even outside of busy season it can be difficult to use their vacation days.
So, even while accountants appreciate the generosity of PTO days offered, they’d appreciate them a lot more if they could actually use them.

Unintended consequences

The following is excerpted from an excellent blog post in February 2016 by Art Kuesel of Kuesel Consulting.

It’s funny how people and organizations launch a new philosophy, policy or approach with the best of intentions, but somehow fail to consider an unintended consequence that threatens to negate the whole purpose of the original initiative.

Examples:

- Many people raise their children to make their own decisions, live within their means and be financially independent as adults. Yet legions of parents routinely subsidize their adult children.

- When CPA firms give all the “good clients” to their best staff while idling average staff, they may fail to develop the latter by denying them the opportunity to learn and grow.

Kuesel’s post illustrates the principle of unintended consequences quite well. He cites the rash of CPA firms who have recently moved to an “everyday jeans policy.” He points out the major caveat of the policy: “if you don’t have a client meeting.”

While this “all jeans” policy might seem to be a cause for celebration for staff, it has unintended consequences. Kuesel asks: “Don’t we want our personnel to be spending time with clients? Might this all jeans policy subconsciously lead to a reduction of face time with clients by partners and staff?”
Program Purpose

[YOUR FIRM NAME] is committed to helping team members manage the competing demands of work, family, and life-related issues by offering a number of possible flexible work options. The goal is to provide team members with increased flexibility around their work schedule and the place where work gets done, while simultaneously meeting the needs of our clients and team members and the goals and objectives of our firm.

FULL PRODUCTION, FLEX TIME PROGRAMS

The following are common flexible work plans that offer you more control over when your work is completed. These programs don’t impact the production expectations of those participating, and therefore should have no impact on compensation, benefits, and work assignments. Arrangements can be modified to create the most suitable plan for your specific situation.

Day-to-Day flex time—This type of plan officially recognizes that team members have obligations outside the firm and empowers team members to adjust their schedules accordingly. It allows for small choices and changes when team members work, and includes only non-recurring, inconsistent events. We want our team members to attend their kids’ sporting events, concerts, and other school functions. It acknowledges that outside commitments like doctor appointments, home repairs, and auto repairs (to name a few) are a part of everyday life.

In this type of day-to-day flex time, team members are trusted to make up any production lost due to missed work for personal appointments at night, on weekends, or whenever the team member chooses. For exempt employees—those that are salaried and exempt
from overtime pay—true day-to-day flex-time does not require that the team member get permission for this time off, nor are they required to use paid time off (PTO) when they need time off for a small portion of the day. This allows team members to feel trusted and also acknowledges the “give and take” of a true professional – where they may work more hours in one week, but need a few hours off the next. It is expected that the time off be blocked off on your calendar so that it is clear that you are otherwise engaged and not accessible for work.

**Early / Late Start**
This program allows team members to start and end their day at a time of their choosing. This may be a structured program where you work a set schedule like 7am–4 pm, or 9 am–6 pm. Or, it may be a more informal program that allows you to start your day when you choose, as long as expected production is achieved.

If you are using the early/late start program, you must be available and accessible during our firm’s **Core Working Hours for work from 10 am to 3 pm, Monday through Friday**, unless you have a non-recurring event taking place during this time period.

**Compressed Work Week**
A compressed work week program allows exempt (salaried) team members to work more hours per day so that they can work fewer days per week or month. An example of this would be working four 10 hour days or 12 hours during peak work periods.

**PARTIAL PRODUCTION, FLEX TIME PROGRAMS**

This next set of flexible work arrangements impacts hours and production expectations. Team members who pursue these flex-time programs seek to produce a reduced amount of work results than would be expected in a full-time position. As a result, there are key considerations in creating each individual’s agreement and plan, namely compensation and benefits adjustments, work assignments, expected administrative time, and eligibility to manage others. With all of these programs, good communication is vital to ensure client and firm needs are attended to regularly.
**Part-time** – This program can be customized to fit the firm’s needs as well as the team member’s, and allows for reduced weekly schedules or working for only part of the year.

**Zero Overtime Program** – This program allows team members to work full-time without the requirement of working extra hours.

**Reduced Hours Off-Peak**
This program allows an exempt employee to work overtime hours in peak season, and then reduce their work hours in non-peak periods.

**FULL PRODUCTION, FLEX-PLACE PROGRAMS**

**Day-to-Day Anywhere Work**
This plan recognizes that team members have obligations outside the firm and empowers them to adjust their worksite accordingly. It is for small choices and changes where team members work, and includes only non-recurring, inconsistent events. It recognizes that team members might want to attend their child’s midday music performance, or attend an important event in a parent’s life, and recognizes that work that day becomes more effective from home than the office. It acknowledges that, for example, a child’s illness or a visit from the plumber is part of everyday life and a team member can still work productively away from the office while tending to these matters.

**Work From Home**
A work-from-home arrangement allows a team member to work virtually from their home for part or their entire work schedule. When a work-from-home program is approved, it is typically expected that childcare be arranged, especially for younger children, to minimize distractions and allow team members to maximize their productivity.

**Remote Team Members**
[YOUR FIRM NAME] welcomes the opportunity to retain team members who, for personal reasons, choose to move out of the firm’s geographic area. These work relationships require pre-approval but can allow an employee to live in a different geography and still be a productive part of our team.
PROGRAM DETAILS

Eligibility
Personal responsibility will be imperative in making a flexible work arrangement successful. Staff that demonstrate a high level of motivation, organization and ability to meet certain requirements will be considered for flexible work arrangements. Please keep in mind that a work arrangement must be appropriate for your position at [YOUR FIRM NAME] and that some arrangements might not be possible for all positions and many are disallowed for non-exempt employees based on state labor laws.

[YOUR FIRM NAME] must also consider coverage and the need to meet client and staff service expectations.

If a team member’s performance declines significantly while participating in a flexible work arrangement, the firm reserves the right to review the team member’s participation in the program.

Duration
Each work arrangement will be unique and specific to each individual’s needs as well as those of [YOUR FIRM NAME]; therefore, the duration of arrangements will vary based on need.

Flexibility
A crucial component for a successful arrangement is flexibility. Although every attempt will be made to honor your schedule, it must be understood that client meetings, CPE, etc. may be scheduled at times outside of the agreed upon hours and you will be expected to participate in those events.

Accessibility and Communication
Team members participating in flexible work arrangements are expected to regularly communicate their schedule and accessibility to their supervisor and others and communicate best methods for staying in contact.

Remote team members should plan to respond on the same day to communications that occur during core hours, even if the response is only a commitment to get back to the issue on a future day and time.
**Evaluation**
Each work arrangement will be evaluated as necessary, but at least every six months, to ensure that the work arrangement is successful and accommodating to both the team member and [YOUR FIRM NAME.]

**Compensation and Benefits**
If appropriate, compensation and benefits may be adjusted to reflect changes in the individual’s production and contributions to the firm based on their flexible work arrangement when it involves reduced production.

**Continuing Professional Education**
We take pride in ensuring that our staff are up to date on the most recent information and therefore, continuing education is an important part of our continued success, including those with flexible work arrangements.

**Career Advancement**
Career advancement may be different for those utilizing a flexible work arrangement. Advancement will be determined on a case-by-case basis after considering the participant’s experience and performance.
YOUR FIRM NAME
FLEXIBLE WORK ARRANGEMENT REQUEST FORM

NAME_____________________

1. ARRANGEMENT DESCRIPTION

Flexible Work Arrangement Requested

<table>
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<tr>
<th>Days</th>
<th>Schedule Requested</th>
<th>At the Office</th>
<th>Off-Site</th>
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</table>

2. HOW WILL YOU ENSURE EFFECTIVE INTERACTIONS WITH
   a. Internal customers
   b. Team/co-workers
   c. Subordinates
   d. Supervisor(s)/Partner(s)

Team Member Signature:_____________________________  
Date:__________

3. APPROVALS

Managing Partner Signature__________________________  
Date:__________
The Importance of Great Bosses

“A boss says ‘Go!’ A leader says ‘Let’s Go.’”
E.M. Kelly

A built-in flaw of the traditional CPA firm structure

In most organizations, everyone reports to someone. Early in my career, I was the controller of a valve manufacturing company. The company grew to the point where I needed to hire an assistant controller. Guess who that person reported to 100%? Guess who was totally responsible for the success of that assistant controller? Me, in both cases. If that person failed due to no fault of my own, it still reflected negatively on me. I was held accountable.

But CPA firms operate differently, and therein lies the rub. Staff have multiple bosses because each client they work on has a team consisting of a partner, a manager and/or a senior. I have called this the “who’s my boss syndrome.” Staff often feel like they have no boss and therefore, no one is looking out for them.

This is one of many reasons mentoring is so important. One of the mentor’s jobs is to make their mentees feel like someone is looking out for them. We’ll discuss mentoring in a later chapter.
Definition of a good boss

There are two parts to being a good boss:

1. **Being nice.** This is the easier of the two to master. You know all the adjectives: Upbeat. Caring. Respectful. Courteous. Polite. Professional. Accessible. Nice bosses make you feel comfortable when you are around them.

2. **Helping staff learn and grow.** The boss helps staff increase their knowledge and their value to the firm, positioning them to advance and succeed, whether at the current firm or in their next job.

It’s good to be a nice boss, but that’s not enough. Not by a mile.

Why bosses are so important

*I began collecting research on this section in 2000, starting with a New York Times article, and have read many corroborating articles since then.*

This book isn’t half over and you may already feel overwhelmed by the number of things your firm should be doing to retain and develop staff. But if there is one takeaway from all of this advice, it is this:

The #1 reason staff leave CPA firms is their relationship with the boss. For our purposes, let’s agree that the “boss” at a CPA firm is the collective group of people that supervise staff, from senior to partner.

“People join companies and leave managers,” says Marcus Buckingham, a senior managing consultant at Gallup.

“Staff with bad bosses are four times more likely to leave than people with nice bosses,” according to Spherion, a staffing and consulting firm in Ft. Lauderdale. Lou Harris Associates concurs.

The Gallup Organization did a study that shows that most workers rate having a caring boss even more highly than pay.

One of the biggest disconnects in CPA firm practice management

I’m sure you are already getting a key message: Hiring, retaining and developing great staff is the #1 key to a CPA firm’s success. Very few CPA firms would disagree with this.

Well, if this is the case, why do firms’ partner compensation systems almost totally lack any meaningful incentive for partners to develop and retain staff? It makes no sense. Caveat: With larger firms, it is more likely that their compensation will have a major component for staff development.

One Top 50 firm told me: “In our system, partners are evaluated on, among other factors, the extent that staff, by name, have advanced under a partner’s tutelage.”

You get what you measure.
Checklist: Things CPA firm supervisors do be good bosses

SOFT SKILLS

1. Engage staff.
2. Challenge and stretch them.
3. Counsel staff.
4. Show an interest in the staff beyond their jobs.
5. Proactively help people qualify for promotions.
6. Sponsor people in the firm.
7. Inspire confidence; show trust.
8. Let them make mistakes.
10. Treat staff like equals, not subordinates.
11. Treat staff respectfully.
12. Be respectful of their time and other commitments.
13. Be a good listener.
14. Don’t pull rank; earn respect from staff by your actions, not your title.

TECHNICAL AND WORK METHODS

1. Provide great on-the-job training, mostly face-to-face instead of the “prior year workpaper dump” method, which is defined as follows: With little or no personal contact, the supervisor dumps the prior year workpapers on the desk of the staff person who will be working on the job for the first time. The supervisor leaves a note: “Call me with questions.”

2. Clearly communicate the budget and deadline for every job. Be realistic.

3. Explain how the assignment fits into the big picture of serving the client.

4. Communicate important events and decisions on the job regarding client needs, expectations, problems, etc.

5. Monitor progress of all jobs. Review the staff’s work and critique it effectively. Let the staff make changes.
6. Encourage professional development.

7. Whenever possible, involve the staff in client meetings.

8. Set a good example in work habits.

9. Avoid the “my way or the highway” attitude. Don’t insist on doing things the way they’ve always been done if the staff have another method in mind. Encourage the staff to be creative and think for themselves; be receptive to their ideas.


11. Be accessible for questions.

12. Don’t be a control freak; err on the side of delegating TOO much.
OUTRAGEOUS BEHAVIOR BY CPA FIRM BOSSES

1. Yelling at staff in public.

2. Engaging in long phone calls while the staff person sits in your office.

3. Passing someone in a corridor without saying hello.

4. Putting pressure on staff to do a job with a tight deadline, only to have the work sit in the supervisor’s office for weeks, awaiting review.

5. Putting staff in an untenable situation where they are given conflicting instructions by two bosses in areas such as scheduling and workpaper techniques.

6. Giving overtime-intensive assignments to staff with virtually no notice, especially at the end of the week.

7. Giving work to someone that is clearly beyond their ability, without proper training.

8. Reviewing the staff’s work and making changes without telling them.

9. Writing a negative job evaluation without first discussing the problems with the staff person face to face.

10. Talking down to the staff, making them feel dumb for not doing something correctly or even for asking questions.

11. Being inaccessible; seldom available to answer questions.

12. Treating people abusively and unprofessionally.

13. Indulging in a “My way or the highway” mentality.
Recognition

“I could live two months on a compliment alone.”

Mark Twain

Suppose you ask staff (or partners, for that matter), “How important is it for the firm or your boss to recognize your accomplishments and efforts?” A knee-jerk response may be: “It’s nice but not that important. I’m self-motivated and don’t need others to tell me when I do something good.”

I usually regard these responses as somewhat defensive and automated because everyone wants recognition. A fundamental human need.

Here is an excerpt from a 2013 Forbes online article by Meghan Biro:

“People crave positive feedback and recognition when they put in extra effort. They love to be acknowledged by their leaders and peers and experience the glow that comes with knowing an achievement has been seen, appreciated and celebrated.

Financial reward is a great thing, don’t get me wrong, but it’s not the equivalent of recognition. Let’s not kid ourselves. It’s a short-term solution. Neither is constant praise for average work. Recognition is a key tool in employee retention programs for a reason: people need more than constructive feedback and positive affirmation. They need recognition of extra effort. They need to “feel” it. This will always be a basic human need.”

Biro continues: “An effective approach to employee recognition encompasses these key points:
1. **In the moment.** Be timely. Catch people doing exemplary work and acknowledge their efforts. But don’t just knee-jerk—showing up for work on time does not count in most cases.

2. **Appropriate in volume and scale.** Randomness is not your ally. Recognition should match effort and results, or it loses meaning.

3. **Authentic, not automatic.** You have to mean it when you give staff recognition. The human touch is so important to effective recognition.

4. **Tied to the employee’s perception of value.** Monetary rewards can skew this notion of value, linking it to cash when it should be linked to appreciation of extra effort and smarts. Money is appropriate much of the time, but it’s not the only—or even the most effective—motivator. Treat employees as valued team members, not as numbers. Most of the time it’s the best way to really recognize a valued player.”

*The One Minute Manager*

We all want to be cool. One way to be “uncool” is to cite old books. But sorry, *The One Minute Manager* is so inspiring and timeless that it must be cited whenever the discussion focuses on recognition.

*The One-Minute Manager* was written by Ken Blanchard and Spencer Johnson in 1982. It’s one of the top two or three best books ever written on management. It’s short, with large type and told in a narrative fashion. It will take you an hour, two at the most, to read it.

The book tells us that to manage people effectively, there are only three things you need to do. And the cool thing is that each takes just one minute; hence the title.
Here’s the Cliffs’ Notes version:

1. **One-Minute Goal Setting.** Making your staff aware of what is expected from the beginning. It takes only one minute.

2. **One-Minute Praisings.** Catch people doing something right—perhaps the single best line I’ve ever heard about how to manage people. This is when the one-minute praisings are given. One-minute praisings are so called because it hardly takes a minute for you to tell people that they did a good job and you noticed it. One minute praisings include praising the people immediately, telling them what they did right, how you feel about it and encouraging them to do more of the same.

3. **One Minute Reprimands.** Given as soon as a staff person does something wrong. One minute reprimands have two parts. The first half includes telling these people what they did wrong and how you feel about it. Then in the second part you tell them how much you think they are capable of and how much you value them. One important aspect of one-minute reprimands is that they criticize the work, not the people. The staff people are not blamed; rather, they are told that their work is not up to the desired level. And once again, it’s over in one minute.

**Common ways that CPA firms recognize their staff**

1. Face-to-face praise. Always has been and always will be the best way to recognize people.

2. Public recognition at staff meetings and other firm events.

3. MP hands out gift certificates or other awards.

4. Notes to individuals, with copies to MP, personnel file, etc.

5. “You’ve been working real hard – take the rest of the day off.”

6. Corporate massages.

7. Promotions.
8. Merit-based raises and bonuses.

9. Communication of above-average promotion potential in counseling and mentoring sessions.

10. Anniversary-of-service recognition.

11. Food and firm events.

12. Internal newsletter mention.

13. Periodic awards for outstanding service to a client, marketing idea, etc.

Let’s face it. CPAs are trained to find things that are wrong. Unfortunately, many firms’ cultures take on this characteristic. Their attitude is “You only get feedback if you do something wrong” or “If you don’t hear anything from me, you’re doing well.”

Don’t let this happen.
“The delicate balance of mentoring someone is not creating them in your own image, but giving them the opportunity to create themselves.”

Steven Spielberg

Mentoring defined

The existence of a mentoring program is a statement by the firm that it doesn’t want to leave the retention, development and success of its staff to chance. Instead, the firm wants to be proactive about helping staff succeed and grow.

A mentor is a neutral sounding board for the staff person. Ideally, a mentor should not be a staff person’s supervisor on a work project. A mentor helps staff navigate office politics and shows them the ropes, helping guide them to their next roles.

From the AICPA: “Mentors motivate their mentees to do their best work and make decisions that will bring career and personal happiness. In this coach-like role, a mentor asks thought-provoking questions of mentees, assists them to assimilate the firm’s culture and assists them in developing goals.”
Old-school vs. new-school approach to mentoring

The term “mentoring” didn’t officially appear in the CPA firm’s lexicon until 10-15 years ago. Firms have gotten better at mentoring but most still have a long way to go.

**Old-school attitude.** It’s up to the staff person to show the partners that he/she has the “right stuff.” Old-school partners felt that no one helped them on their way up, so why should they act any differently? They feel that staff have to first tell a partner of their interest in a leadership role before a finger is lifted to help them along.

**New-school thinking.** Staff is at a premium these days. Firms struggle mightily to develop staff into partners. Firms now realize that the passive, wait-and-see attitude is a recipe for disaster. Young people have many more opportunities to move to other positions and jobs. They don't have the inhibitions about job-hopping that old school partners had.

Partners need to show staff how great a job they have. Fabulous pay. Clients they love who love them back. Challenging work. Being entrepreneurs. Virtually unlimited freedom to perform. Partners need to get staff excited about a career in public accounting.

**What mentors do**

1. Take mentees under their wings; make them feel like someone is looking out for them.
2. Offer insight and advice about challenges.
3. Explain how the firm works.
4. Serve as a sounding board to all questions, even some that may seem stupid.
5. Create a safe place for staff to take their most intimate, sensitive issues and feelings.
6. Advise how to advance in the firm by getting the mentee to focus on the knowledge and skills needed.

7. Listen to personal problems (but avoid acting like a psychologist).

8. Stand by their mentees in critical situations.

9. Talk to the mentees’ supervisors to get feedback on their performance.

10. Identify the mentees’ strengths and best growth opportunities and counsel how to take advantage of them to be successful in the firm.

11. See the mentoring relationship as continuing, not a one-time fix.

Keys to successful mentoring programs

We hesitate to provide the following list because there probably aren’t two firms in the country that adhere to the exact same program. However, successful programs typically incorporate many of these elements. But don’t blindly implement everything on this list just because it appears in a book. Be flexible. Use your judgment to craft a mentoring program that is right for your firm.

1. Act as a champion to coordinate all activities, including assignment of mentoring duties.

2. Understand that you get what you measure. Mentoring should not be viewed as an activity that you can opt in and out of. Mentors should be accountable for their performance. Linking some of a mentor’s compensation to his or her success as a mentor makes good sense.

3. Limit mentor assignments to those who have the skills for it and the commitment to follow through.
4. It is acceptable to allow employees to choose their mentors, but firms need to be careful about this. Good mentors are usually in short supply. The employees know who the best mentors are, and they may all choose the same ones.

5. Mentoring sessions should take place at least quarterly and perhaps more often.

6. Avoid convening mentoring sessions in restaurants. A properly conducted mentoring session touches on sensitive areas which are difficult to address in a noisy restaurant with lots of distractions and other tables within easy earshot.

7. Mentors should set specific goals with their mentees and monitor progress toward the goals on a regular basis.

8. An effective mentor must be able to positively impact the mentee’s career. The mentor must have experience and credibility in the firm—someone who has enjoyed a substantial amount of success and therefore, can impart the keys to this success to others. Partners often make the best mentors, but as a practical matter, there may not be enough partners to handle the mentoring load. Managers can serve as mentors, but only if they are on a path to partner and know enough about “how things work” to be effective.

9. Mentors should not try to make every contact a high-impact session in which the employee always discusses sensitive details about “how things are going.” Some of the contacts should be solely dedicated to developing rapport with each other.

10. Both mentors and mentees should complete confidential surveys to assess the effectiveness of the program.

11. Mentors need not be permanently assigned. The mentor/mentee relationship can get stale over a long period of time. It may make sense to change mentors periodically to give the employee a new point of view.
12. Who should be mentored? Of all the items on this list, this is most subject to what is right for your firm and how many mentors are available. Consider whether the following staff should be admitted to the mentoring program:

a. Inexperienced staff. Many firms feel that staff with under a year or two of experience are too young for a formal mentoring program because the turnover is so high at this level. Why waste time? On the other hand, a good case can be made for newbies being the best candidates for mentoring because they need the most help and guidance.

b. Permanent, long-time managers. Many firms have them on board. Every session is the “same old, same old.” Everyone, including the manager, knows that they will never advance further in the firm. Yet, the manager is valuable to the firm. Most firms take these people out of the program because mentoring them serves little purpose.

c. Administrative staff. Client service staff usually don’t have one supervisor, but most administrative staff do. Admin staff should be mentored by their immediate supervisors. There is no need for a separate mentor.

13. There are many challenges to running a great mentoring program. One of them is making the fatal assumption that people know how to be effective mentors. Periodic “train the mentors” sessions make good sense.

14. Create short, high-impact evaluations for both the mentor and mentee to complete after each session. These forms are sent to the mentoring program champion to assess the success of the sessions.
What Mentoring Is and Is Not

Mentoring is NOT

- Taking someone out to lunch on their first day.
- Being a “buddy.”
- Technical training.
- Supervising staff on a client project.
- Giving someone a periodic performance review.
- Done by someone who is perceived as being unable to affect the mentee’s career.
- Trying to be a psychologist or a priest.

Mentoring IS

- Natural and spontaneous. It must be flexible and informal.
- Proactive.
- Providing a sounding board to mentees.
- A process requiring active participation from both people.
- Taken seriously by the mentor. Failure is not an option.
- Safe and confidential for the mentee.
- A process that includes goal-setting and monitoring progress.
- Good listening by the mentor; minimal preaching and lecturing.
- A series of sessions, not a one-shot deal.
Mentoring vs. sponsorship

I have read some literature recently that suggests there is a difference between mentoring and sponsorship in the context of helping staff grow. In one piece, Ida Abbott of Abbott Consulting defines sponsorship as “taking purposeful action on another’s behalf to advance their career interests.”

I disagree with Abbott’s distinction between mentoring and sponsorship. While the fine print on the definitions varies slightly, there can be a huge overlap. A good mentor should look for opportunities to sponsor a mentee when situations present themselves.

A 35,000’ view of mentoring

Virtually everything one reads or hears about mentoring is how it benefits staff.

But there is a second benefit: what mentoring does for the firm.

When mentees are made more effective by the mentoring process, this improves the firm because engaged staff provide better service to clients and work better with co-workers, all of which increase the success of the firm.
Leadership Development

“Before you are a leader, success is all about growing yourself. When you become a leader, success is all about growing others.”
Jack Welch

“Good employees make mistakes. Great leaders allow them to.”
Anonymous

The look and feel of leadership at CPA firms

I’m probably the millionth person to form a list of important leadership qualities, but I want to share what I have learned from working with CPA firms for over 20 years.

Many of these traits are geared to partners and firm management, but many apply to staff as well.

Vision
A leader is always thinking about what the firm should be, and regularly meets with other firms to share best practices.

Delegation
Leaders should not be burdened with heavy client responsibility and administration. They need the time to have the mental focus and to create the time to manage a CPA firm well.
People Skills
Treat people well; show empathy. Leaders see people for what they can be. Great leaders understand that the #1 reason staff leave firms is their relationship with the boss, so they work hard to be great bosses.

Inspiration
Introduce excitement and enthusiasm into the firm. This goes a long way to engaging staff in the firm, a key to retention. Staff look forward to coming to work each day.

Conflict Resolution
Excel at conflict management; deal with problems promptly.

Change
Facilitate change and overcome resistance to it. Stubbornly clinging to the old ways guarantees defeat. Understand what Roberto Goizueta, former President of Coca-Cola said: “To succeed, we have to disturb the present.”

Listening
It’s the first act of respect and mutual support.

Accountability
Unless there are consequences when people fail to do what is expected of them, they will be less likely to achieve their goals. But good leaders hold others accountable in positive ways instead of wielding a club over their heads.

Leadership development
Leaders grow the people to lead the organization before the current leaders are gone.

Communication
Good communication is all about talking...clearly.

The CPA firm is a business, not a practice
CPA firms are businesses and should be run as such. Embrace the corporate vs. partnership governance model.
Says Tony Kendall, MP of Mitchell and Titus: “I can’t manage this firm if I have to take a vote every time I want to make a decision.”

Charisma is vastly overrated; it’s more important to be a leader with inspired standards.

What firms are doing to develop staff into partners

*Items in bold are the most commonly used tactics.*

**Leadership development practices:**

1. **Partners are required to delegate; they can’t opt out.**
2. **Formal mentoring and informal coaching.**
3. Staff sit in on high level client meetings to observe partner conduct, even if the time can’t be billed.
4. Staff prepare the agendas for the meetings and prepare the minutes of the meeting.
5. **Turn clients over to staff with complete responsibility.**
6. Develop personal goals with deadlines.
7. Staff accompany partners on sales calls
8. Staff draft client billing and assist with collections.
9. Staff prepare engagement letters and proposals.
10. Encourage staff to pursue specialties. They should carve out a name for themselves as the go-to person for something.
11. Get staff involved with client consulting.
12. Invite those managers who are on a partner track to certain portions of partner meetings and retreats. Share firm financials with them as appropriate.
13. At an appropriate level, explain to staff what it means to be a partner. Cover both benefits and obligations. Ask them if they want to be partners.
Training:

1. **Pursue formal outside leadership development programs.**
2. Attend high-level technical conferences to sharpen their technical skills.
3. **Implement business development training programs.**
4. Get the staff to review the performance of other staff who work with them on their engagements.
5. Provide whatever training is needed to perform the most complex projects. Partners should never complain that they have to do all the complex work because managers can’t do it.

Firm-wide career development:

1. Create formal, written criteria for becoming partner.
2. **Identify partner-potentials, communicate this to them and gauge their interest in becoming partners.**
3. Create a non-equity partner track to ensure a good fit prior to becoming equity partner.

Interpersonal skill development:

1. Get staff involved in organizations to gain networking experience.
2. Give them challenging assignments.
3. Encourage them to explore new technologies and new ways of doing things.
4. Let them make mistakes.
Young partners talk about their rise

At a Chicago roundtable group I lead, I had three panelists from local CPA firms: Chris Bozarth from Weiss & Company, Michelle Prosecky of Pasquesi Shepard and Tom Keenan of Mowery & Schoenfeld (left to right). All three firms are in the $5-10M revenue range, enjoy sparkling reputations in the Chicago community and would be considered highly successful by any measure. Highlights:

MR: What were the keys to becoming a partner for you?

PANEL: Three things were cited. First, earning a reputation with the partners for getting things done and being reliable. Second, mentoring I received from older partners was critical to advancing in the firm. Third, establishing solid relationships with clients. This enabled me to win clients’ trust as well as that of the partners.

MR: What are some techniques your mentors used to help you learn and grow?

PANEL: Although we are improving at it, none of us made our mark by being rainmakers. But our partners did two things to help us along. First, they understood that it’s easier to grow a book of business if you have one to begin with. Partners delegated clients to us, allowing us to capitalize on our strong client relationship skills to develop more business with existing clients through expanded services and referrals.

Second, when clients called the senior partners and left a message, they would forward the message to us, fill us in on the details, give us some talking points and have us return the clients’ calls. It didn’t take long for the clients to start calling us first.
The common thread was the partners were proactive in helping us advance.

**MR:** When did you know you were close to becoming a partner?

**PANEL:** Two things: First, we would hear that in partner meetings, the partners sang our praises. Second, partners kept giving us more and more clients to manage.

**MR:** As you observe the traits of young staff at your firms, how would you describe them?

**PANEL:** (1) They have a lot of knowledge, (2) they constantly need reward and encouragement, (3) they want a roadmap for how to get from point A to point B in their careers, (4) they are always looking for ways to use technology and go paperless, and (5) they like to communicate electronically, which unfortunately has led to (6) a reluctance to converse with clients.

**Leadership spotlight:** Jim Metzler, CPA, CGMA, Owner of Metzler Advisory Group

My good friends at ConvergenceCoaching, a consulting firm that works with CPA firms from coast to coast, publish an outstanding weekly blog. It’s one of the few I make a point to read as often as I can.

Recently they profiled Jim Metzler. Jim spent 32 years with Buffalo-based CPA firm Gaines Metzler Kriner and then cofounded ConvergenceCoaching with Jennifer Wilson. Later he served as VP of Small Firm Interests for the AICPA. Currently Jim operates his own consulting firm, Metzler Advisory Group.

**Convergence Coaching: What do you look for in young up-and-coming leaders?**

**JM:** Leadership for CPAs has two distinct roles. The first is that CPAs must lead clients through successes, challenges and new opportunities. That said, I look for up-and-coming CPAs who are enthused and excited about the clients they work with.
They exhibit endless thirst to learn more about the clients and their businesses. Their enthusiasm is driven by a desire to make a difference for their clients and to help them get to a place they couldn’t get to on their own. One can almost feel the eagerness to get out of the office and be with clients.

The other distinct role that up-and-coming leaders have is their participation and involvement within the firm. Truly emerging leaders always volunteer to lead their firm’s community service initiatives, special projects, and team-oriented activities. They are usually the same people who take the time to mentor and coach the newest recruits in the firm and are willing to give of themselves to help make their colleagues more successful.

**Convergence Coaching: How do you develop leadership in others?**

**JM:** I’m deeply involved in the education of rising stars and new firm owners as part of the services of Metzler Advisory Group. I mentor and coach an equal number of CPAs and new firm owners who are not clients as well. There are many aspects to the coaching work I do, but the one theme I try to teach is how to think at a deeper level. This involves coming to grips with their own leadership strengths and weaknesses and their continuous improvement of both. Thinking, reflection, and practice all add up to greater emotional maturity and accurate discernment in leadership situations.

**Convergence Coaching: What advice do you have for those looking to step into a leadership position in their firms?**

**JM:** Spend the time to learn more about themselves in their interactions and relationships with others, and then develop their leadership skills accordingly. The operative words here are “spend the time.” This is the Achilles heel for CPAs who rarely set aside time for improvement of their own personal behavior and abilities. I always advise they set recurring non-cancellable appointments with themselves to work on leadership and personal development skills. Few, if any, of us are born with high-level leadership skills, but the good news is that they can be learned and mastered.
Advancement and Challenge

The importance of advancement and challenge in retaining and developing staff

A great table-setter for this chapter is an AICPA/PCPS Top Talent Survey, conducted in December 2011. The following were noted as keys to retaining CPA firm staff:

- Career growth opportunities.
- Interesting and challenging client projects.

Advancement opportunities and challenging work have been important to all generations. Job-hopping was taboo for older generations, but times have changed; young people’s attitudes towards changing jobs have shifted since the groundbreaking research done on Generation X.

- Data from the Bureau of Labor Statistics in 2012 showed that the average worker stays on a job 4.4 years, less for younger people.

- 91% of Millennials expect to stay in a job for less than three years, according to the Future Workplace’s “Multiple Generations at Work” survey.

Generation X and Millennials are less concerned about job-hopping because they are more concerned about advancement opportunities and challenge, learning and feedback. When these stop, people leave.
Jeanne Meister, a consultant with Future Workspace, wrote the following for *Forbes*, explaining why job-hopping doesn’t faze young people:

- It speeds career development, avoiding the dues-paying that can slow one’s ascent up the corporate ladder.
- It can lead to greater job fulfillment, which is more important to today’s young people than any previous generation.
- Since humans are terrible at predicting what will make us happy, young people feel it is crucial to find job satisfaction through trial and error.

Bottom line: if you want to retain your staff, you better figure out ways they can advance and ways you can keep them challenged.

**Components of a good advancement program at a CPA firm**

1. Define what the core competencies are for each position in the firm in writing. This is the logical start of any advancement program: People advance when they master the core competencies of the job they currently have.

2. Clarify in writing, at all levels (including partner), what it takes to advance to the next position.

3. Review these promotion criteria with staff during mentoring and performance evaluation sessions.

4. Managers and partners must discuss these criteria face to face, proactively counseling the staff in attaining the advancement requirements. It’s not enough to simply give a staff person a sheet of paper stating the written criteria for advancement.

5. Goal-setting programs. Make it crystal clear what the firm expects of each person in the firm. Those expectations should be written in the form of goals.
6. Establish multiple promotion tracks:
   - It’s easy to understand how staff might think that the only measure of true success is to become a partner. To combat this mindset, firms need to establish alternative career paths for key staff who will never make partner.
   - Don’t forget about alternative tracks for part-timers and flex-timers as well as full-timers.

How firms can make staff’s jobs challenging

1. There are aspects of many jobs at a CPA firm that are considered grunt work. It’s important work that needs to be done, but it’s tedious, boring and not unchallenging. Too much of this work for too long a time will be a real turnoff to staff. Use technology, outsourcing and paraprofessionals to do the grunt work.

2. Stretch your staff. To walk the talk on making staff jobs challenging, supervisors need to think of ways to stretch the staff’s abilities by giving them more complex assignments.

3. CPAs are too slow to assign advanced work to staff, adhering to a dues-paying mentality. Err on the side of over-delegating.

4. Make work challenging. It takes two to tango. The onus is on the firm, but staff can play an important role, too. Train your staff to ask for added responsibilities and more advanced work.

5. Training plays an important role in making work challenging. It’s all fine and good to preach stretching your staff’s abilities, but there is a limit to how many advanced assignments they can handle without first receiving a certain amount of training.

6. Varied responsibilities keep work challenging. A job gets stale when someone is assigned the same clients and same type of work year after year. Give your staff as much variety as possible.

7. Use technology for tasks that were previously done manually.
General performance traits needed to advance (regardless of the position you aspire to)

<table>
<thead>
<tr>
<th>BASICS</th>
<th>WILD CARDS*</th>
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<tbody>
<tr>
<td>Learn and absorb what you are taught; get work done accurately and presentably.</td>
<td>* “Wild cards” are skills that all CPA firms would love their staff to develop, though many staff and indeed partners don’t develop them.</td>
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<tr>
<td>Complete work within the number of hours expected.</td>
<td>Some firms require these skills to be considered for partner while many others say, “It would be great, but we will stop short of requiring them to make partner.”</td>
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<tr>
<td>Complete your work on time.</td>
<td>EXAMPLES</td>
</tr>
<tr>
<td>Complete your work so thoroughly that it seldom needs to be changed.</td>
<td>Bring in clients.</td>
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<tr>
<td>Be proficient with technology.</td>
<td>Develop a specialty.</td>
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<td>Stay busy with client work.</td>
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<tr>
<td>Develop effective interpersonal and communication skills.</td>
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<tr>
<td>Supervise staff effectively; help staff grow.</td>
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<tr>
<td>Ability to work on multiple jobs at the same time.</td>
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<td>Effective relationships with clients.</td>
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<td>Technical excellence.</td>
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<td>Passion and enthusiasm for your work.</td>
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*“Wild cards” are skills that all CPA firms would love their staff to develop, though many staff and indeed partners don’t develop them. Some firms require these skills to be considered for partner while many others say, “It would be great, but we will stop short of requiring them to make partner.”

EXAMPLES

Bring in clients.

Develop a specialty.
What it takes to advance for specific titles in CPA firms

CPA firms have many different titles. We will address the most common:

- Staff
- Senior
- Manager
- Partner

This section addresses what it takes to advance from staff to senior and from senior to manager. In the next section, we will address what it takes to advance to partner.

<table>
<thead>
<tr>
<th>Title</th>
<th>Position Description</th>
<th>Next Promotion</th>
<th>What it takes to advance</th>
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<tbody>
<tr>
<td>Staff</td>
<td>• Entry level&lt;br&gt;• Works on one job at a time&lt;br&gt;• Does not supervise staff&lt;br&gt;• Main focus is on learning basic technical skills&lt;br&gt;• Rarely reports to a partner</td>
<td>Senior</td>
<td>• Ability to senior small jobs&lt;br&gt;• Hits annual charge hour budget with acceptable realization&lt;br&gt;• Has mastered basic, technical work&lt;br&gt;• Doesn't repeat mistakes&lt;br&gt;• 2-3 years as a staff person</td>
</tr>
<tr>
<td>Senior</td>
<td>• Runs jobs in the field&lt;br&gt;• Mostly does one job at a time, but not always&lt;br&gt;• Supervises staff&lt;br&gt;• Heavy client contact&lt;br&gt;• Lots of partner contact</td>
<td>Manager</td>
<td>• Jobs delivered to manager or partner need minimal change&lt;br&gt;• Skillful supervisor&lt;br&gt;• Productive; realizable&lt;br&gt;• Partner or permanent manager potential&lt;br&gt;• Credibility with staff and upward to partners&lt;br&gt;• 2-3 years as a senior</td>
</tr>
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Promotion to Partner: Thresholds and Core Competencies

Intangibles
1. TRUST. Integrity, honesty and sound ethical behavior/judgment.
2. Credibility with partners and staff.
3. Encourages client confidence: Clients are comfortable calling the partner-potential first rather than the originating partner.
4. Strong work ethic.
5. Loyalty and commitment.
6. Team player.
7. Communication and interpersonal skills.
8. Leadership skills.

Financial and legal
1. Is willing and able to buy in.
2. Is willing to take on partner retirement obligation.
3. Is willing to sign a non-solicitation agreement.
4. Demonstrates personal financial stability.

Practice development
1. Originates X amount of business.
2. Constantly pursues meetings with clients, prospects and referral sources to get new business.
3. Actively seeks opportunities to cross-sell additional services to existing clients.
4. Has been active for at least several years in building up a network of business contacts.

Production and client management
1. Manages X number of clients (billing, relationship and engagement management).
2. Achieves X billable hours...
3. ...at X realization.
Technical

1. Demonstrates a high level of analytical and problem-solving skills; solves clients’ problems.
2. Exhibits high level of technical skill so the firm is comfortable that once the partner candidate has finished a client project, no one else needs to review it to make sure it was done correctly. Candidates have proven ability to complete highly technical projects with minimal assistance from others.

Supervision

1. Has solid experience supervising staff.
2. Is a delegator.
3. Is able to develop others.

Administration

1. Follows and complies with policies, procedures and deadlines.
Compensation

“If you pick the right people and give them the opportunity to spread their wings and put compensation as a carrier behind it, you almost don’t have to manage them.”

Jack Welch

“Pay your people the least possible and you’ll get from them the same.”

Malcolm Forbes

Every CPA industry survey I’ve seen for decades shows that compensation is #1 to staff.

For example, the AICPA/PCPS 2011 Top Talent Survey showed:

- Salary was #2 for what attracts staff; #1 was career growth opportunities.

- Salary was #1 for what retains staff.

My feeling is that compensation is ante to enter or stay in the game. Put another way, according to Jeremy Wortman:

If college graduates are looking for their first job, or a young person with a little experience is job-hunting, compensation is huge. If a person has two offers, one for $55,000 and the other for $60,000, the higher offer will get the person almost every time. But if the offers are $500 apart and the person likes the firm offering the lower salary
better, it’s likely that the lower-paying firm will get the nod.

Assume a situation where a senior or a manager at a CPA firm is doing well and is highly thought of. Further assume he or she earns $100,000. If this person gets an offer from another firm for $130,000, compensation may affect the decision significantly. But it’s possible that opportunity may be more important than money. It depends on the person and the situation.

Just because compensation is at the top of the list, it doesn’t mean it always trumps everything else. If people are well paid, but unhappy with their jobs, opportunities at other firms will most likely trump the money.

Regardless of how these surveys are analyzed, compensation is clearly very important to both staff recruiting and retention. Firms interested in attracting and retaining good staff should make sure that they are offering competitive compensation.

Tips for setting base salaries

1. Be in touch with the market. At a minimum, access salary surveys. Also, touch base with executive search firms; they often have a good sense of compensation levels.

   A very powerful tactic that many firms either don’t think of or feel is not worth trying is to poll your competitors. You will be surprised at how willing they are to share data.

   **TIP:** When you ask other firms for compensation data, ask them to respond with three components: Base, bonus overtime and total. This way, you ensure an apples-to-apples comparison.
Another benefit of polling other firms on salary data is that it arms your firm with useful information in the event that staff complain they are underpaid when in fact, they are paid fairly.

2. **Under no circumstances** should you use national surveys, including those tabulated by your own association, that show average compensation for various staff positions and/or years of experience. When firms from a range of metro population centers such as New York, Pittsburgh, New Orleans, Des Moines, Santa Fe and Seattle are included in the computation, the results are meaningless to an individual firm. Firms need salary information from their own market, not a national average.

3. Take care of your stars first; don’t worry about offending the marginal or ordinary staff. Yes, I know, staff talk to each other about their salaries, so others will find out about the stars’ higher compensation and could get upset.

   Get over it. Making sure that you give special attention to your above-average staff is far more important than appeasing the ordinary or marginal people.

   Besides, if you compensate the stars the same as the others, it will upset the stars. You can’t win!

   When I suggest “taking care of your stars,” the comp of the stars is often a lot higher than that of the ordinary staff. For example, for many years now, the average salary raise for staff overall has been in the 3-6% range. However, stars often receive 10-12% increases.

4. In the old days, firms that were national, regional and/or downtown always paid staff more than local and/or suburban firms, especially for entry-level positions. Local firms felt that they couldn’t compete with the big firms.
These days, progressive local firms understand that they are competing for a very limited supply of staff, and they refuse to be outbid by the competition, regardless of their size.

5. From time to time, the salary market for staff jumps up, most commonly at the entry and other lower levels. This creates a dilemma for firms because the salaries of lower-level people get uncomfortably close to the levels just above. When this happens, most firms give a one-time increase to the affected staff to get everyone back on an even playing field.

6. More and more firms are moving their staff away from overtime, consistent with the overall movement to treat staff like professionals, not hourly workers. Professionals in all walks of life are paid a salary without overtime, with the understanding that the person works as much as necessary to get the job done.

The trick to converting from overtime to no overtime is to increase the base to cover the overtime pay lost. Firms must keep their staff’s comp whole as a result of the change. In the first year or two, some trial and error may be necessary, but after that, it’s smooth sailing.
Bonuses

Firms have a number of different bonus programs:

1. **Goal setting.** Create a short set of high impact goals that are linked to a bonus. The goals should be SMART goals: Smart, Measurable, Attainable, Realistic and Time-bounded. Here is an example:

<table>
<thead>
<tr>
<th>Goal</th>
<th>% of Total Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Join ABC organization and become active.</td>
<td>10%</td>
</tr>
<tr>
<td>Convene 3 meetings per month with clients and/or prospects, by name, over breakfast or lunch.</td>
<td>25%</td>
</tr>
<tr>
<td>Develop expertise in a technical area or an industry that provides genuine value to the firm.</td>
<td>15%</td>
</tr>
<tr>
<td>Head up the firm’s new-employee orientation and training program.</td>
<td>5%</td>
</tr>
<tr>
<td>Achieve annual billable hours of __________ at a minimum realization of ___%.</td>
<td>20%</td>
</tr>
<tr>
<td>Management’s discretion.</td>
<td>25%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Caveat: Goals should clearly help both the firm and the staff.

To increase the likelihood that the goals will be achieved, put everything in writing and set hard deadlines.

A sure way for goals NOT to be achieved is to develop the goal on January 1 and then never discuss progress until December 31. Progress toward goals should be monitored regularly throughout the year.

2. **Bonus for bringing in new business.** Some firms prefer to build this into the staff’s annual salary increase. The downside to this is the bonus is built into the base salary, so the bonus is paid every year for the same accomplishment.
My tip on this: Make sure that the program pays for generating leads for more senior personnel to close, in addition to actually closing a new client. It’s a lot easier for young staff to generate a lead than close it.

3. **Discretionary bonus tied to production and intangible performance factors.** Bonuses are determined by the subjective judgment of the firm. In addition, bonuses are often affected by the performance of the firm. Partners reason that if the firm had a really good year, they should share some of the profits with the staff instead of pocketing it all for themselves.

   There are three problems with this method:

   a. The staff have no idea what they have to do to earn the bonus since most firms don’t disclose specifics about how the bonus is decided. So at the end of the year, staff nervously open an envelope without any idea what is inside.

   b. Most firms that award discretionary bonuses do so without regard to differences in performance among the various staff members. They often decide an amount to be paid for different positions—staff, senior and manager, with bonus amounts higher for each successive level. Also, there often is no consistency from year to year as to how bonuses are awarded.

   c. This approach lends itself to one of the cardinal no-no’s of bonus programs: Annual bonus awards get to the point that they are expected by the staff and don’t have any incentive impact.

4. Pay bonuses strictly on the basis of staff exceeding their billable hour targets. Payouts may be quarterly or at year-end.

5. Pay bonuses (sometimes called bounties) to staff who refer new hires who stay with the firm for a prescribed period of time.

6. Pay bonuses to staff who obtain signed change orders on client engagements.
One of the best staff compensation practices I’ve ever seen

Each year, ask each staff person to write a one-page letter explaining what they would like to be paid and why. The substance and credibility of the letter affect the bonus award.

Extraordinary staff benefits

1. University/curriculum-based training, giving staff lots of options for outside courses.

2. Staff are offered a study-abroad opportunity with a sister firm in another country for 6-12 months. The foreign firm pays the person’s comp and the home firm pays travel and living expenses.

3. The firm invites all employees in the firm, from partner to file clerk, along with a guest, to a resort for a long weekend—all-expenses-paid.

4. Staff perform volunteer work during the day without being docked.

5. A $2,000-$10,000 subsidy is offered to first-time home buyers.

6. Set up a white board in the lunchroom upon which staff are encouraged to write “interesting” things.

7. In the tax season, staff are required to take at least one long weekend off.

8. Concierge services-free (laundry pick-up, grocery shopping, etc.)
9. Meal and snack services:
   • Chefs are brought in to make lunches.
   • In the busy season, celebrity chefs are brought in to prepare gourmet dinners; spouses and families are invited. This gets firm members to socialize with each other.

10. Daycare is provided on Saturdays with licensed providers.

11. Masseuses, manicurists and shoeshines are available at no charge in the office.

12. Cell phones or tablets are purchased for all firm members.
Training

“Training is everything. The peach was once a bitter almond; cauliflower is nothing but cabbage with an education.”

Mark Twain

Training ≠ CPE

I cringe when CPAs use “training” and “CPE” synonymously.

- **CPE** coursework is often reactive, taken to maintain a CPA license. It may or may not educate. It may or may not be the type of education an individual needs. Many look upon CPE as a nuisance to be complied with. The smaller the firm and the older the CPA, the more likely this is the case.

- **Training** is primarily proactive, undertaken to expand a person’s knowledge, performance and capabilities. The training is in alignment with what the person needs to do the job and provide value to the firm and its clients.

Ideally, the training identified as needed also qualifies as CPE.
Examples of high-impact training:

1. Participating in outside leadership development programs.
2. Attending a regularly scheduled roundtable group with other practitioners.
3. Learning how to use a new software product.
5. Attending a conference that teaches business valuations.
7. Becoming an expert in a niche by reading articles and books and attending conferences in the niche area.

Three types of training

There are three types of training that all CPA firm personnel need:

1. **Technical.** Tax updates, new professional pronouncements, specialty training, etc. Traditionally, this is the training area that CPA firms focus on the most, to the unwise exclusion of the other two types below.

2. **Soft skills.** Everyone would agree that skills such as leadership, networking, practice development, writing, supervising people and delegation are critical. The vast majority of firms provide little training in soft skills.

3. **Technology.** Today, CPA firm personnel literally can’t function unless their computers and software are working properly. The changes that take place from year to year are mind-boggling. Unfortunately, many firms’ default training technique for technology is “learn it yourself.” This is a big mistake. A firm’s training regimen should include training in technology.
Brad Self, Director of Learning & Development at 368-person Clark, Schaefer, Hackett & Co. in Cincinnati, was recently interviewed by Dan Hood, Editor-In-Chief of Accounting Today:

“Coming into public accounting, it amazed me that it’s such a relationship business and that’s what grows the business. Yet the focus has been so much on the technical aspects of tax and assurance, and there’s very little work on the ‘soft skills’ of developing relationships. As a result, we often find that relational skills are sometimes not fully developed.”

Says Hood: “With its culture firmly in mind and a clear idea of the soft skills and behaviors it wants to see in staff, Clark, Schaefer has developed behavioral interview processes and questionnaires that allow the firm to hire exactly the type of people it is looking for and bring them into the firm through a unique, thorough onboarding process.”

**University or curriculum-based training**

This is one of the most important changes that CPA firms have made in the past 10 years. The old-school approach to training was something like this:

- Passive vs. needs-based.
- Personnel see an outside seminar, request permission and go.
- For training needed by a large block of personnel, usually in a technical area, the firm would bring in an expert to teach a session at the firm for a half or whole day. The most common, by far, has been the annual tax update.
- Some firms would send their younger staff to multi-day training seminars with a general focus: Training for first-year staff, second-year, third-year, etc. Often titled Level 1, 2, 3, etc. these sessions were offered mostly by the AICPA or state CPA societies. A quick look on the Internet shows that these seminars still exist.
• And the worst: firms purchase training videos and assemble certain groups of staff to view them during a “working lunch.” The firm brings in the pizza, personnel bring in the newspapers and the stale environment induces a coma-like siesta. **I strongly suggest discontinuing the use of training videos except in rare circumstances.**

Unfortunately, many firms still adhere to the above regimen. But progressive firms have adopted a whole new way of training, termed curriculum-based programs. These courses are modeled after universities and colleges; predetermined arrays of courses in several fields of study, each providing options for students to meet their individual interests and learning needs. The curriculum is the basis for a multiyear period of study, not just for the current year.

Characteristics of the curriculum include:

• Introductory, intermediate and advanced courses.

• Different curricula for various areas of specialization, such as construction, estate planning and health care, similar to college majors.

• The educators develop training objectives, prepare a curriculum for each course, develop lesson plans and teach the courses.

Many accounting firms have patterned their training after universities. In fact, it is now quite common to see firms refer to their training as the Brown and Smith University or the Jones and White University. It not only makes their training more organized and effective, but it is an effective recruiting tool.
Three training formats

1. Classroom with live presenters.
2. On-the-job training.
3. Personal reading, usually after hours.

All three are important and should play a prominent role in the individual training plan for each person in the firm.

Many firms find that on-the-job training has the highest impact and is the best way to learn. OJT is most effective when done at the client’s site.

- Show how the work is done.
- Give a client assignment using the training.
- Monitor progress.
- Provide feedback when the assignment is completed.
- Move onto the next assignment. And so on.

I strongly suggest that training time be built into the time budget for every client project. Otherwise, pressure to stay within the time budget will cause supervisors to cut the training time short.
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Training Best Practices

1. On-the-job training is the most effective form of training for CPA firm staff, especially young people. It starts with the supervisor reviewing the engagement with the team before the job begins, clarifying expectations and giving specific instructions.

2. When a client project is complete, the supervisor should evaluate the performance of all team members. There should be a space on the client routing sheet for a sign-off that this was done.

3. Mandatory reading for all supervisors: *The One Minute Manager* by Blanchard and Johnson. It’s the best book ever written on how to manage people.

4. Work should be reviewed in a timely manner. Supervisors should have staff make corrections.

5. Train how to supervise and delegate.

6. New employee orientation or onboarding should not be seen as a process taking a few hours on the person’s first day. Instead, it should be spread out over weeks or months.

7. Take a university or curriculum-based approach to training. Be sure to include soft skill and technical training.

8. When the firm convenes staff meetings, every meeting should have a training agenda item, even if only 5 minutes.

9. One-shot outside seminars need follow-up to be effective. Example: the firm wants staff to learn about tax section ABC and sends them to an outside seminar in this area.
Here are three great ways to help staff get the most from external training courses:

- The staff person should meet with a supervisor, mentor or both for debriefing that helps them fully understand how to use what they learned on client projects. Convert the classroom knowledge to practical experience.

- The firm should assign work to the staff person in the area that the outside seminar focused on. If you don’t use it, you lose it.

- When staff attend an outside training seminar, they should be required to present the highlights in a staff meeting. There is no better way to learn something than by teaching it.

10. Use performance reviews (continuous job evaluations, not annual performance appraisals) and mentoring sessions to identify areas of future training for the person.

11. Develop financial rewards for effective trainers.

12. Training classes should focus on internal, not external. Minimize using training videos with no instructor. Emphasize small group sessions that are hands-on.

13. Build training time into client budgets. You don’t want a culture in which people avoid training younger staff because the budget doesn’t allow for it.

14. Develop written standards for how your firm does basic assignments such as audits, 1040s and compilations.

15. Lunch and learns. These are lunchtime, informal, small group sessions, often led by partners, on “business-thinking” subjects.

16. Perform and review as much work in the field as possible.
17. Schedule staff for jobs they are qualified to perform and that they need to develop certain skills for advancement. Give them assignments that stretch their abilities.

18. Have staff walk through mock audits, tax returns, etc.

19. If your firm has niches, focus training in each niche.

20. Smaller groups are preferable to large for internal training.

21. Hire a training coordinator.

Training: An eye-opening best practice at Porte Brown

I recently led a group of managing partners in a discussion of best practices. Porte Brown, a 12-partner, 100-person firm in Chicago, shared a practice with the group that was a real eye-opener.

Bruce Jones, as innovative an MP as there is these days, said: “The first Wednesday of every month (except in the tax season), the entire firm shuts down for a mandatory all-day training session.”

Since Porte Brown is a client of mine, I was already familiar with their fervent commitment to consistent and efficient processes. It’s a hallmark of their excellent track record of growth and profitability. But I didn’t know about the monthly training day practice. Bruce drilled down for me:

All personnel attend the training day. The meeting starts with an update of administrative issues, current marketing events, and a review of all new clients for the month and how they were obtained. Next, department heads give an update on current department issues. This includes an IT segment where new software, IT tips and new hardware are discussed.
“After excusing the admin staff, we dive into presentations on general practitioner knowledge, most of which are tax-related,” Jones said.

Firm personnel lead the group in a tax session, followed by an accounting session. Toward the end of the day they break into separate practice group meetings such as manufacturing, construction and not-for-profit.

It’s very unusual to find CPA firm practices that differ substantially from the norm. Porte Brown's dedication to efficient processes and mandatory monthly one-day training sessions truly are differentiators for them.
Performance Feedback

“Feedback is the breakfast of champions.”  Ken Blanchard

“Average players want to be left alone. Good players want to be coached. Great players want to be told the truth.”  Doc Rivers
NBA Basketball Coach

This chapter is divided into two sections:

• The **progressive** view of providing performance feedback, which a minority of firms today practice. Whenever something new appears in a major way, some firms are always slow to embrace it. Examples: Proactive selling, going paperless, adopting the cloud and managing a CPA firm like a real business.

• The **traditional** view of providing performance feedback, which a majority of firms still practice today. If asked why the traditional practice continues, a common response is often, “That’s the way we’ve always done it. It ain’t perfect, but we are reasonably satisfied with it.”
PROGRESSIVE PERFORMANCE FEEDBACK

Continuous feedback trumps annual reviews ANY day!

As a veteran observer of how CPA management has evolved over the past 30 years, I've been fascinated to see how practices developed years ago are rediscovered. It’s as if these things are being invented for the first time.

This relates to performance feedback. The norm in virtually all organizations for providing feedback is the dreaded annual performance appraisal. Yet for decades, firms have known that continuous feedback is much more effective than an annual appraisal.

- **Continuous feedback** means that when a project is completed, the staff are given immediate feedback on their performance. This way the feedback is fresh and can be used by the staff immediately to improve their performance on their very next project. Some, but not enough, firms have been providing continuous feedback for a long, long time.

  I remember my experience with Ernst & Young, my first job out of college, like it was yesterday. I was paid a handsome salary at a prestigious firm to be trained on the job, for practically my entire first year! Every project I worked on—not most, but all—ended in a meeting with my supervisor regarding my performance. This of course was in addition to the detailed “review notes” I received every time I turned in work.

- **An annual performance appraisal** is an event that takes place once a year, often combined with the process of giving staff salary increases. In many cases, firms that give annual reviews don’t provide much feedback after jobs. It's quite possible that the first time staff hear feedback on jobs they completed months ago is during the annual review.
Finally, firms are acknowledging that annual reviews suck.

Rajeev Behera wrote in *Reflektive* on November 17, 2015:

“It’s no secret that annual reviews don’t accomplish what they are intended to do--develop staff and improve performance and productivity.”

Here are the problems with annual reviews:

1. Neither the staff nor the supervisor looks forward to them. Annual reviews create a lot of anxiety for both parties. Reviews put staff on the defensive when they receive feedback instead of being receptive to it.

2. The formality of annual reviews adds to the anxiety. Usually the supervisor gives the staff person a date for the review, often days or weeks in advance. This can make both parties nervous wrecks by the time the day of the review arrives.

3. Some supervisors convene reviews over lunch, the worst possible place for them. Restaurants are crowded, noisy places totally lacking the privacy needed for sensitive conversations. Supervisors may feel that the celebratory aspect of meeting in a restaurant reduces the anxiety, but it only adds to it.

4. Because reviews are done once a year, time will inevitably be spent discussing old jobs as well as recent projects. No one can remember anything about the old jobs, which makes for an anxious and unproductive discussion.

5. Because supervisors know there will be an annual review, they may hold off giving the more important feedback. So staff often hear criticism the first time during the annual appraisal. The review can turn into a “here’s what you’ve done wrong” session.

6. Often, there is an anxiety-provoking order to the appraisal session: First, the good things, followed by the bad things. Staff can’t really listen to the good things because they are waiting for the shoe to drop at some point and get beat up.
The case for trashing the annual performance review

Here is a great article by Ed Mendlowitz. Ed merged his small firm into Withum, an East Coast CPA firm powerhouse, and has since become a prolific writer and thought leader on practice management. When I see something written by Ed, I always look forward to reading it.

Excerpts from “Art of Accounting: Annual Staff Evaluations”

I have never felt annual staff evaluations are effective.

They are forced meetings that lay on complaints for past failures, many of which are not remembered or are vague memories at best. I think these annual meetings are a waste of time. Instead, I have been very successful with immediate and periodic evaluations, coupled with regular mentoring sessions.

When someone does something wrong, I point out right away what it is and how it should have been done. If possible, I discuss what might have been the reason for the incorrect work. I also try to catch people doing something good and tell them—immediately.

I also schedule quarterly meetings to discuss performance, growth, satisfaction and goals and what can be done to improve in those areas. I have never liked measuring performance with metrics. It makes it too clinical and doesn’t provide accurate measures.

A good manager recognizes who the good people are through supervision, oversight, mentoring and interaction. The periodically scheduled mentoring sessions provide time to work on these issues. Annual evaluations provide no opportunity for this.
The One Minute Manager by Blanchard and Johnson

As referenced earlier, The One Minute Manager is an allegory about a bright young man in search for the effective manager. He hears about the CEO of a company in a nearby town and interviews him.

The CEO tells him that he is a One Minute Manager: someone who takes very little time to get very big results from people.

The CEO tells him:

**PEOPLE WHO FEEL GOOD ABOUT THEMSELVES PRODUCE GOOD RESULTS**

The man interviews three people who report to the CEO. He learns the following three secrets:

1. **One-Minute Goal Setting.** Clarify responsibilities and what the subordinate is accountable for. It should take no more than a minute to discuss each goal.

2. **One-Minute Praisings.** Give crystal-clear feedback to subordinates on how they are doing. Tell people up front that you are going to do it. Praise people immediately. Be specific. Shake hands or touch people in a way that makes them feel good about their success. This should take no more than a minute.

**HELP PEOPLE REACH THEIR FULL POTENTIAL. CATCH THEM DOING SOMETHING RIGHT!**

3. **One-Minute Reprimand.** Give staff crystal-clear feedback on what they did wrong. Be specific. Give the feedback in a style that communicates unhappiness with the behavior; don’t attack them personally. Touch them in a way that reassures them that you think well of them and that they are valued employees. This should take no more than a minute.
Other philosophies of The *One-Minute Manager*:

1. The best minute you spend is the one invested in people.
2. Feedback is the breakfast of champions.
3. Everyone is a potential winner. Some people are disguised as losers. Don't let their appearances fool you.
4. You will be successful with the One-Minute Reprimand when you really care about the welfare of the person you are reprimanding.

**Warning**

After reading the last few pages, you may be pumping your fists in the air, shouting “Down with annual performance appraisals.”

Not so fast. The decision to cut back or eliminate annual reviews must be directly and tenaciously accompanied by a major commitment to providing continuous feedback on a routine basis. Unless this is done, firms will end up providing no feedback to staff, which would be disastrous.
# JOB EVALUATION FORM

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<th>Date</th>
<th>Person reviewed</th>
<th>Supervisor doing the review</th>
<th>Client</th>
<th>Hours worked on the job</th>
</tr>
</thead>
</table>

## Accounting and tax skills

<table>
<thead>
<tr>
<th></th>
<th>Excellent</th>
<th>Met Expectations</th>
<th>Needs Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge of audit and accounting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge of tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workpaper preparation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Review techniques</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Was the person’s work thorough when submitted?</td>
<td></td>
<td></td>
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</tbody>
</table>

Overall Comments: ______________________________________________________
____________________________________________________________________

## General skills

<table>
<thead>
<tr>
<th></th>
<th>Excellent</th>
<th>Met Expectations</th>
<th>Needs Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization &amp; planning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accuracy of work</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability to work independently</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adhered to the time budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Met deadlines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall attitude; conscientiousness</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communications skills</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effectiveness as a supervisor</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Overall Comments: ______________________________________________________
____________________________________________________________________

115
JOB EVALUATION FORM – page 2

What the person needs to work on and needs more experience in
__________________________________________________________________________
__________________________________________________________________________

Comments by the employee reviewed
__________________________________________________________________________
__________________________________________________________________________

Signature of the person reviewed____________________________

Signature of the supervisor ________________________________
TRADITIONAL PERFORMANCE FEEDBACK:
THE ABCs

Throughout the year:

1. Review the jobs in advance with the staff.
3. Clarify expectations:
   a. Technical.
   b. Time budget.
   c. Deadlines.
4. Provide immediate feedback when each job concludes.
5. Summarize the feedback using the firm’s evaluation form.
6. Build in feedback time in the time budget.
7. Routing sheet should include a checkbox for providing immediate feedback before the job is considered complete.

Preparing for the annual appraisal session:

1. Give advance notice of the date of the session. Make a specific appointment.
2. Make arrangements for the appraisal session to be convened in a quiet, private room with no interruptions. Do not convene appraisal sessions in public places such as restaurants.
3. The counselor should not make an appointment for after the appraisal session that could cause the session to end prematurely.
4. Do not discuss salary issues during the appraisal session. Salary increases should be discussed in a completely separate session. Performance issues are the focus of the appraisal session.
5. The staff person should complete a self-evaluation form and share it with the counselor before the appraisal session. Says Stephen Covey (of Seven Habits of Highly Effective People fame):
“It is much more ennobling to the human spirit to let people judge themselves than to judge them.”

6. The counselor should obtain feedback from all supervisors who worked with the staff person and use this feedback in the appraisal session.

7. Counselors should be trained and effective at conducting performance appraisals.

**The appraisal session itself**

1. Ideally, continuous feedback has been provided to the staff person throughout the year. If this is done, the annual appraisal session is much more effective because instead of dredging up ages-old jobs that no one remembers, the session focuses on the future, where the person stands with the firm and what is needed to advance.

2. Make sure that the message and tone of the session are consistent with the individual’s performance. In particular, don’t let the person walk away from the session feeling “I did well” when in fact, the firm feels the person is a below-average or marginal performer. This creates a labor law exposure in the event the person is eventually dismissed despite personnel records indicating acceptable performance.

3. The annual appraisal session is neither the beginning nor the end to anything. Clarify what is expected of the staff person going forward, define the job description and create formal, written performance goals for the person.

4. When making general remarks, be prepared to give specific examples.

5. Stick with observed behavior; avoid hearsay.

6. Don’t allow interruptions. Conduct the session in a quiet, private environment.
7. Provide enough time; don’t let outside obligations end the session prematurely.

8. The counselor should do lots of listening. An appraisal session is not something that happens to the person, but rather with the person.

9. Don’t mix salary and performance in the same session.

10. End on an upbeat note.

Annual performance appraisal form

This is a form that for some reason, firms just love to play with and change on a frequent basis. It is most often changed when a new person starts heading up the review function. These new people are often under the misguided assumption that the best thing they can do, right from the beginning, is to change the review form.

I considered omitting a sample appraisal form from this book, but I wasn’t prepared to face the wrath of those expecting such a form in a book about managing staff.

So the form on the next page is a compendium of some of the better forms I have seen over the years. I always urge firms to keep the form as short as possible. Here goes!
ANNUAL PERFORMANCE APPRAISAL FORM (SAMPLE)

Date: __________
Name of person being reviewed: ______________________
Name of counselor: _________________________________
Hire date: __________ Present position: _________________

Technical knowledge

<table>
<thead>
<tr>
<th></th>
<th>Excellent</th>
<th>Met Expectations</th>
<th>Needs Improvement</th>
<th>No basis for judgment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditing and accounting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial statement &amp; footnote preparation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognition and resolution of problem areas</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Understanding of the clients’ business</td>
<td></td>
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</tr>
<tr>
<td>Workpaper organization</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Technology skills</td>
<td></td>
<td></td>
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</tbody>
</table>
### Engagement management

<table>
<thead>
<tr>
<th></th>
<th>Excellent</th>
<th>Met Expectations</th>
<th>Needs Improvement</th>
<th>No basis for judgment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has good client relations; gains their acceptance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identifies opportunities for cross-selling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meets time budgets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meets deadlines</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills promptly</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills aggressively; avoids needless writeoffs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plans engagements well</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercises good judgment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is able to work independently</td>
<td></td>
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</table>

### Practice development

<table>
<thead>
<tr>
<th></th>
<th>Excellent</th>
<th>Met Expectations</th>
<th>Needs Improvement</th>
<th>No basis for judgment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practice development activity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business origination</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Keeping superiors informed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Soft skills

<table>
<thead>
<tr>
<th></th>
<th>Excellent</th>
<th>Met Expectations</th>
<th>Needs Improvement</th>
<th>No basis for judgment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective supervision and training of staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication skills</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shows enthusiasm for the work and the job</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dependability; reliability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Team orientation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Overall evaluation:
[ ] Excellent [ ] Met expectations [ ] Needs improvement

Suggestions for improvement—be specific___________________________

__________________________________________________________________

What the person should work on during the next year____________

__________________________________________________________________

**Goal setting.** Attach a sheet with a short number of high-impact goals for the year. All goals should be SMART (Specific, Measurable, Attainable, Realistic and Time-Bounded). Note: Staff should draft their goals before the review session.
Developing Women Partners

“If I have 500 partners and 400 are men, I figure I have 150 underperforming partners.”

A Big 4 MP

Let’s open this discussion in very simple terms

The CPA profession suffers mightily from a shortage of labor. There are several reasons for this, in no particular order:

1. Accounting is not currently a popular major in college.

2. Since the turn of this century, a dreadful shortage of accounting professors has evolved, which challenges universities’ ability to meet student demand for accounting courses.

3. The CPA firm industry has high turnover, generally in the 15-20% range. Reasons for the turnover include the technical demands of the work, the profession’s requirement for one to wait 10-20 years before making partner and the lack of partner accountability to mentor staff.

4. CPA firms do a woeful job of attracting and retaining minorities and women.
Think how the world of recruiting and retaining CPA firm staff would improve if the profession could attract a representative number of minorities and women instead of relying so heavily on white men.

This chapter focuses on women’s issues in the CPA industry.

The facts: Read ‘em and weep

The AICPA’s biannual Study of Accounting Graduates and Demand for Public Accounting Recruits has shown for decades that the male-to-female ratio of accounting graduates has been very close to 50-50.

Yet the retention of women at firms and their ascension to partner has been appalling. A recent Rosenberg Survey shows:

- 60% of CPA firm staff are women.
- 17% of CPA firm partners are women. This metric is representative of a pool of roughly 3,000 typical, local multi-partner firms. Data suggests this figure may be in the low 20s for the Big 4 and say, the next largest dozen or so firms.

So what’s going on?

Best practices for developing women as partners

*This section draws heavily on the marvelous work of Joanne Cleaver of Wilson-Taylor Associates. Cleaver’s groundbreaking MOVE research has chronicled the state of women in CPA firms for many years.*

I attended a presentation of Cleaver’s a few years ago. Two telling comments came from the nearly all-male audience:

“She didn’t tell us anything we didn’t already know.” Reasonable response: “Then why haven’t you done anything about it?”

One question from an audience member: “Joanne, are you suggesting the problem in developing women into partners is...us?”
That last comment is remarkably similar to one of my favorite quotes. It’s from the comic strip *Pogo*: “We have met the enemy and he is us.”

The above reactions go a long way towards describing the abysmal job that CPA firms have done in developing female partners.

According to Cleaver, here are best practices for firms developing more women partners:

1. **Flexibility.** Firms understand flexibility and are open to allowing women raising families to work flextime schedules. Flexibility is one solution, not THE solution. There is a lot more that needs to be done.

2. **Part-time partner track.** Some partners are troubled by this concept because they can’t imagine it working. Larger firms do it, so it should work at smaller firms. Part-time female partners educate their clients about the days that they work and make it clear that they can always be reached via cell phone, text or email on their off days. Contrary to what some male partners think, part-time partners do not expect to be paid full-time compensation while working part-time.

3. **Training in practice development.** There are some huge gender differences that must be acknowledged:

   - Women tend to be better communicators than men, but self-promoting doesn’t come as naturally to them. Many women in CPA firms erroneously believe that their work will speak for itself and that their technical skills will qualify them to be a partner.

   - Many men feel that their ego and personality will make them successful. They are comfortable at self-promotion. As a result, they may build practice development skills more quickly than technical skills.

Women tend to be more highly rated at the early stages of their careers, but at a certain point, this flips because as staff move up
the career ladder in CPA firms, technical skills give way to practice development skills.

So, training in practice development at an early stage in their careers is essential for all staff. Women need to become more comfortable with self-promotion at an early age.

Many partners feel that practice development skills cannot be taught, that they are inborn. My research disproves this notion.

I’ve had partners over the years tell me that most practice development needs to take place at night and weekends. My research refutes this. Devoting nights and weekends to PD can pay off and may even make those willing to do it more effective than those who don’t. But a meaningful amount of PD success can be obtained during the normal workday.

4. **Mentoring**. Self-deselection occurs when women join a CPA firm and decide early on that they don’t want to be partners. They see few or no female partners in their firm and conclude that they have no chance to be partners. They also see how hard the partners work and conclude that being a partner is incompatible with raising a family. This self-de-selection process continues to grow unabated because of the absence of effective mentoring programs at most firms.

It is critical for mentors to talk consistently and frequently with both female and male staff about opportunities to be a partner. Women’s life situations can change quickly, causing their career choices to rapidly change as well.

A mentor should help female staff realize that they don’t have to give up important life goals (marriage, raising a family, work-life balance) to be partners. Firms need to get their female staff to think: "If I can be a partner without the long hours and PD at night, then maybe I will want to be a partner."

"Mentoring moms" are very helpful with female staff. These are successful female role models in the firm who can more easily and less awkwardly discuss such issues as maternity leave and raising a family, both before and after staff become pregnant.
5. **Show them the money!** Share information with female staff about how much money partners earn at CPA firms. This will be very motivating to them because they are ambitious and want to be self-sufficient.

6. **Give them a client base.** Where possible, make both female and male staff with technical, client handling and interpersonal skills partners (or at least non-equity partners) and assign them books of business. Give young partners a chance to grow their books. Today’s young people, both men and women, need more skills to nurture referral sources and network as the Baby Boomers have.

7. **Provide alternative career paths.** Show female staff who really don’t want to be partners that there are plenty of alternative career paths in your firm. Making partner is not the only way to experience a successful and satisfying career at a CPA firm.

8. **Check your attitude.** If partners think that men and women should be treated the same with respect to career development, their firms will fail to develop female partners. The fact that women give birth differentiates them from their male counterparts. That’s obvious. But firms with can-do attitudes about being supportive and flexible with women during their child-raising years are able to retain and develop women into partners. These firms build this support into their mentoring and career development programs. When they do, women repay their firms’ investments in them by remaining with the firm, adding to the capability of their firms’ cadre of talent and eventually, strengthening their firms’ partner groups.
Is Your Firm Leaving Potential Leadership Successors Behind?

The following is excerpted from a blog written by consultant Renee Moulders of ConvergenceCoaching.

Firms around the country are struggling to recruit and retain experienced professionals to serve their clients. Partners are nearing retirement and many don’t have clear successors in place to ensure their firms keep running. Given the need for talent, we should leave no stone unturned in the quest to identify the next generation of leaders.

Recent research from a study of Harvard Business School (HBS) graduates is very revealing. The study shows that men’s and women’s values are aligned more than we think. Examples:

- **Do men and women value the same things in their work life?** *The answer was yes.* At graduation, HBS graduates of both genders were very focused on career-related factors such as mentioning, job titles and professional achievements.

- **Do men and women equally value the importance of their career?** *Yes.* Both genders value career importance, meaningful and satisfying work, professional accomplishments and opportunities for career growth and development.

- **Do men and women really value the same things in their personal life?** *Yes.* Both men and women cited family happiness, relationships, and work-life balance as being of importance to their definitions of success.

- **Fewer HBS female graduates are opting out to care for children.**

- The study found no links connecting temporary timeouts from the workforce to the fact that women are less likely to be in senior leadership.
Men and women both want fulfilling, forward-progressing careers. They both struggle to balance career with family obligations. But women aren’t finding their way into leadership, as we see in our public accounting firms and in the HBS survey group, too.

This brings us to the question: **What can WE do about the situation?** The good news is there are tangible steps firms can take today to bring women leaders forward.

1. **The first step is to ensure your firm is on top of its game in people development.** Are you providing opportunities for all individuals to work on challenging assignments and do meaningful work?

2. **Practice hopeful interpretations when talking about any employees’ hopes and dreams, and be sure you’re asking questions instead of making up answers!** You’ll see this in recruiting conversations about whether a woman is a risky hire because her career might end after parenthood. You’ll hear partners guessing when she’s going out with the next pregnancy and wondering whether she’s the right candidate for that high profile project. *Don’t be that kind of leader!*

3. **Be sure your firm is providing the right re-entry opportunities** for individuals on career breaks or flexible schedules. Without applying pressure, stay in regular communication with your alumni and flex-schedule participants and be sure they know the firm is ready to accommodate their career plans and re-entry to the mainstream if and when they are ready.

4. **Take a look at your firm’s flexibility program offering.** Knowing that your staff are interested in career growth even as they shoulder the burden of family responsibilities means you need to find creative ways to help women and men be successful in the amount of time they have available to contribute.
These ideas will improve life for nearly every employee in your firm, not just your female staff.

Public accounting firms face a challenging market for recruiting and retaining employees. Shouldn’t we make sure we take advantage of our internal possibilities? **Encourage your leadership team to take a hard look at your internal leadership options**—especially women you’re afraid to invest in—and challenge yourselves to build your leadership pipeline.

Men advance 2 to 1 over women without sponsors

The following is excerpted from an article by Ida O. Abbott, which appeared in *CPA Trendlines*. [www.CPATrendlines.com](http://www.CPATrendlines.com)

“*Women get advice, while men get promotions.*”

The benefits of sponsorship are indisputable. Having a highly placed sponsor is a distinct career advantage when competing for top positions.

*Protégées gain career-enhancing opportunities that others do not get. They receive more chances to excel, are accepted into influential networks, gain visibility as rising stars and enjoy heightened prestige through the intervention of a powerful backer. They are recognized by others both for their own skillful performance and for having the personal support of a highly regarded sponsor.*

*Sponsorship is more powerful than mentorship.* Mentorship is one strategy that has helped women remain in the work force and make great strides professionally. Mentorship is still important and most women today can find mentors. But without sponsorship, mentoring does not provide the same career benefits for women that it does for men. Both women and men get valuable career advice from mentors, but advice consists of words and good intentions. Sponsorship involves taking purposeful action on another’s behalf to advance her career interests, and having sufficient clout to produce results.
Sponsorship for high performers occurs regularly in both corporate and professional service environments.

However, most of the beneficiaries are men. Research studies show that men’s mentors more often serve as sponsors who take an active part in promoting the men’s careers, while women’s mentors are supportive but often do not proactively champion them. Promising women who feel their careers are stalled or thwarted frequently opt to leave the organization.

The attrition of women before they reach senior positions is a costly and needless loss of talent.

**Actions speak louder than words.** It is no longer sufficient for men simply to voice their support for women. Men in leadership must act with resolve to ensure that barriers are eliminated and that women receive the same career-expanding experiences, opportunities and support that are widely available to men. Men cannot expect women to correct the situation by themselves. With so little representation in the inner circles, women do not have enough power to drive the changes that are necessary. There is one thing that all male leaders can do toward that end: They can sponsor women.

Sponsorship is not by itself a solution to the dearth of women in leadership or the gender gap in pay, but it does start to level the playing field when women have powerful sponsors as readily as men do.

This is an excellent article that sends a powerful message. There is no reason why a good mentor can’t also be a good sponsor.
Recruiting

“In looking for people to hire, you look for three qualities: integrity, intelligence and energy. If they don’t have the first, the other two will kill you.” Warren Buffett

“We believe hiring to be the most important first step toward the organization’s success.” Anonymous

Overarching recruiting strategies

This chapter offers a plethora of ideas and techniques to recruit staff. All of them can be sorted into eight high-level strategies:

1. **ABR: Always be recruiting.** We all know that staff are very hard to find and retain. It’s been this way for a couple of decades and there is no letup in sight. In the past, firms would recruit if they had an opening. Today, firms recruit 24/7, whether they have an opening or not. Given the near 20% turnover rate at CPA firms, one never knows when a staff person will resign or need to be terminated. But one thing is for sure—turnover will occur.
Here’s another justification for continuous recruiting: when firms come across outstanding candidates and feel that adding staff will create a financial strain, they will terminate a marginal staff person to open up a spot. This may sound ruthless, but staff shortage has caused many firms to carry marginal performers because they reason they are better off with the marginal person than no one at all.

2. **Internships.** A seismic shift in firms’ use of internships has occurred in the past 10-15 years. Years ago, internships were almost exclusively a partner perk; many interns were partners’ relatives, clients and friends. Also, the work assigned was largely clerical. Rarely were internships viewed as a recruiting strategy.

Today, internships are the major way that firms recruit entry level staff. Clients tell me that 70-80% of their new college hires come from internships. This is a fabulous win-win strategy; both the firm and the staff person get a chance to try each other out. Also, the majority of the work assigned to interns is client work, not clerical.

3. **Entry level hiring.** Until the late 2000s, most firms actively recruited experienced personnel as well as entry-level people. The Shakespearean outcry heard at partner meetings was: “My kingdom for a senior.”

But this has tilted in recent years, toward entry-level and away from experienced people. In fact, most firms over $5M tell me they rarely recruit experienced staff anymore.

There are several reasons for this. First, the universe of quality experienced staff has shrunk dramatically since the turn of the 21st century due to the insatiable need by the largest CPA firms for staff to perform Sarbanes-Oxley and other work. The decades-long, traditional migration of staff from national and mega-regional firms to local firms has dried up considerably. These huge firms are burning out their young staff, making them uninterested in joining another CPA firm, even if the firm is much smaller.
Second, firms have been experiencing more success in developing successful staff by training entry-level staff in their own image than hiring experienced staff, who often are marginal performers or have developed bad habits from their previous firms. To support this shift in recruiting strategy, firms have beefed up their staff training programs considerably.

4. **Differentiation.** From a recruiting standpoint, how different are typical local firms from all other firms in their market? The reality for most firms is “not much.” Prospective hires, especially the better ones, often have a choice of firms to work for and receive multiple job offers. Your firm competes not only on compensation (which tends not to vary much from firm to firm) but on the extent to which your firm stands out from the competition.

5. **Recruiting is not just a job for the HR department.** All firm members should be involved.

   - Firms are finding that many of their new hires come from the relationships firm members have with others, a form of networking. Partners regularly tell their clients and referral sources that they are always looking to hire to sustain their firm’s growth plans. Young staff spread the word to their friends at other firms.

   - Young prospective hires are greatly influenced by meeting with staff close to them in age, so firms should make sure to involve their young staff in the recruiting process.

6. **Hire people who fit your firm’s personality.** We talked earlier about how difficult it is for local firms to differentiate themselves from the competition. That is from an external viewpoint how the firm appears to people outside the firm. But internally, every firm has its own personality and culture.

   The traditional way that firms hire is to place an ad, cull through resumes received, conduct interviews and hire those with the best resumes and most sparkling personalities.
The new school of thinking uses a three-step approach:

- First, define your firm’s culture and personality.
- During the interview process, decide if the candidate’s personality is a good fit with the firm’s personality.
- Match the two and hire accordingly.

Jeremy Wortman, an expert on talent management, including recruiting, expounded on this approach in Chapter 3.

7. **Social media.** These days, social media affects just about every walk of life. Recruiting is no exception. In fact, if you separate the “fun” part of social media from how it impacts companies running their businesses, recruiting is one of the top reasons organizations use social media.

8. **Mergers.** We all know that the CPA firm industry merger market is in a feeding frenzy. The traditional reason for a larger firm merging in a smaller firm was very simple: to increase revenues and make more money.

As merger activity has continued, many firms see merging in smaller firms as a way to acquire talent, not just revenue. Here’s an example:

I was representing a four-partner, $3M firm in merger discussions. We met with a large regional firm. One of the larger firm’s opening lines was “we’ll write you a check immediately for $3M. We want your clients, but we’re much more interested in adding the four of you plus your staff.”

The remainder of this chapter delves into these strategies.
**Advanced ideas to enhance your firm’s recruiting strategy**

Once again, I call upon my colleague Jennifer Wilson, cofounder of ConvergenceCoaching, a national consulting firm that helps CPA firms develop and implement leadership, succession, marketing, training and development plans.

Much of this section is excerpted from a wonderful presentation Jennifer gave on recruiting strategies for CPA firms.

**DIFFERENTIATION**

Differentiation places your firm in the right spot compared to your competitors.

**How to create a differentiated firm**

1. Assess your firm’s strengths, which become your “recruiting marketing messages.”

2. Assess your competitors’ strengths and how they position themselves as employers:
   - What are they saying about their culture to job candidates? This is often on their websites.
   - Do they have a career section on their websites?

3. Identify your differentiators:
   - The differentiators will be met with either “Wow, that’s important to me” or “So what?”
   - It’s probable that differentiators will vary depending on candidates’ years of experience and/or age.
4. Examples of differentiators

- Expertise in a niche or specialty service.
- State-of-the-art technology.
- Largest firm in your geographic area.
- Curriculum-based training for staff.
- Exceptional mentoring program.
- Unlimited PTO.
- No mandatory Saturdays.
- Heavy contact with partners.
- Jeans permitted every day.
- During tax season, one long weekend off a month.
- Annual firm outing for all personnel and their guests.

5. Promote and position your differentiators:

- Incorporate them into your recruiting messages.
- Post videos and pictures to social media and keep these sites updated with posts reinforcing your positioning.
- Teach all personnel the do’s and don’ts of how to effectively position the firm.

SOCIAL MEDIA

1. Use social media for recruiting. In a labor shortage, firms must continually reach out to passive candidates to fill the pipeline. If you don’t do this, when a recruiting need surfaces, the recruiting cycle will be longer than it needs to be.

2. Get all firm personnel on LinkedIn, build their profiles and make connections. Connection count matters! Run internal contests for getting the highest number of connections.

3. Identify how people are connected to others and devise ways to reach those who look the most promising.

4. For every job opening, the firm should create a short message that personnel can post on their own LinkedIn site.
Facebook and recruiting

*The Chicago Tribune’s Rex Huppke often writes on workplace HR issues. A recent article cites new research showing how Facebook can be the best predictor yet of an interviewee’s success on the job. This section includes extensive excerpts from this article.*

Interviewing people for a job is like an unsolvable riddle. We’re eternally in search of an interviewing process that guarantees hiring the ideal person. But we know from years of experience that perfection is unattainable because candidates know how to game the interview.

Huppke opines that a quick review of a Facebook profile can provide a better prediction of job success than personality and IQ tests. He bases this on research by Donald Kluemper, a management professor at Northern Illinois University.

Kluemper cites several examples:

- “People who are agreeable are trusting and get along well with others, which may be represented in the quantity of personal information posted.”

- “Openness is related to intellectual curiosity and creativity, which could be revealed by the variety of books, favorite quotations and other posts which show the user being engaged in creative endeavors.”

- “Extroverts interact frequently with others, which could be represented by the number of social network activities indicated in Facebook.”

The researchers followed up with candidates after six months. They got access to performance reviews from supervisors and used this as the indicator of success. Across the board, Facebook profiles more accurately predicted success than standardized tests.
Harry Steindler is a partner in the Chicago office of BDO. Harry plays a special role in his firm in the HR area and had this to share

“We look for people who held leadership roles in school, have outside interests such as athletics, music, etc. and are open about themselves. I always look to see if a candidate is accessible on Facebook.”

Huppke predicts that this could be a harbinger of how our online lives will continue to bleed into our professional ones.

Max Drucker, president of Social Intelligence Corp., suggests: “Interviewers should have clear criteria for what they’re looking for online.”

OTHER RECRUITING IDEAS

1. Consider hiring a dedicated recruiting director. If your firm is truly committed to hiring and retaining a high-quality staff, recruiting must be a major focus. Firms commonly make the mistake of assigning recruiting to a low-level person or someone with other duties that diminish the focus on recruiting.

2. Advertising. Yes, it still works. Try state society publications and online forums such as Glassdoor and Accountingfly.

3. Teach your people to network and build a contact web.

4. Cultivate your alumni. Many firms have staff who left and came back. Assign a “shepherd” to keep in touch with re-hirable alumni every 3-4 months. Reach out to alumni who relocated and see if a remote working relationship is feasible. Convene alumni events.

5. Campus activities.
   a. Host events for college accounting majors. Invite them to soft skill classes. Invite students to firm social events.
b. Assign someone in the firm to create and implement a recruiting strategy for each school. Get to know the President of Beta Alpha Si and other accounting clubs. Develop relationships with professors.

6. Create a program for paying bonuses to staff who refer candidates to the firm who are eventually hired. Often referred to as bounties, the cash awards range from a thousand or two to as much as $10,000 for managers.

The $10,000 hour

This gem came from a speech I heard from Bob Bunting, the now-retired, long-time managing partner of Moss Adams, a West Coast regional firm that is the 14th largest CPA firm in the country.

As Bunting tells the story, the lightbulb went on for him during a meeting of his management team. The group kept reiterating, as it had in previous meetings, that finding good people was the biggest obstacle to the firm’s growth and it was holding the firm back. He knew that the best people rarely respond to ads and recruiters because they rarely look for new jobs.

That was when Bunting decided, as the firm’s leader, to personally participate in recruiting. If this was the firm’s greatest challenge and need, as the CEO, he had to make this a personal priority.

It was determined that Moss Adams needed to hire 40 senior managers and partners. Through various sources, the firm identified 100 people from competitors who were prime candidates for the jobs Moss Adams wanted to fill.

The firm didn’t call headhunters to contact these 100. Bunting called all 100 himself. Now, you’ve got to understand that on the West Coast, Bob Bunting was a living legend, known by hundreds if not thousands of experienced CPA firm personnel.
His line on the phone:

“Hi. I’m Bob Bunting, managing partner of Moss Adams. We're looking for people to lead our firm into the future and we’ve identified you as a potential leader. Can we have breakfast and discuss our firm’s plans and the role we think you can play?”

The program was amazingly successful. Of course, if it hadn’t been, Bunting couldn’t have made his speech!

**Small firm recruitment challenges**

Recruiting in an age of staff shortage is difficult for all firms, large and small, but more so for small firms. To recruits, small firms offer:

- Less prestige.
- Less sophisticated technology and training.
- Smaller clients.
- Less diversity of staff and work assignments.
- Fewer advancement opportunities.
- Lower compensation.
- Fewer perks including offices that are not as fancy as large firms.

**One way a small firm is competing with large firms for staff**

One client of mine, a two-partner firm with each partner in his mid-50s, each earning $500,000, wrote this to me recently:

> “We have worked hard for 30 years to create a practice we are proud of. I have difficulty understanding why young professionals aren’t banging down our door for the opportunity to eventually take over our firm, be their own boss and make $500,000 a year.”
“We recently decided to take a very bold recruiting approach. When we pitch recruits, we don’t just tell them about the usual things like the job and the pay. We told them that if they work out, in a short period of time, they could take over the firm and earn $500,000 or more per year, just like we do.

Once we got over our hang up about being so secretive about our incomes, we were able to hire two very bright, talented individuals. So, while most small firms struggle to find staff, we believe that some of us can find top talent.”
Interview questions

*Questions are in no particular order. Some questions are more geared to entry-level recruits than those with experience, but most can be used for both.*

1. Why do you want to work at a CPA firm after graduation instead of other areas such as industry, government or grad school?

2. How long do you think you will stay at our firm if we hire you?

3. What do you think will be the most important key to success at our firm. Explain your choice:
   a. Doing great work; technical excellence.
   b. How many hours you work.
   c. Your relationships with clients and co-workers.

4. As a brand-new hire, it’s clear you will be expected to master the technical aspects of your job. What are some other critically important traits that you will need to master to be successful at your job?

5. What are your goals for the next 5-10 years? SPOILER ALERT: This is a trick question. Most entry-level candidates has no clue what their goals are in 5-10 years.

6. From your review of our website, what have you learned about our firm?

7. Tell me something about yourself that’s *not* on your resume.

8. The #1 reason why staff leave firms is their relationships with their bosses.
   a. What things could your boss do to make you feel great about working at the firm?
   b. What things could your boss do that would make you unhappy or unenthusiastic about the firm?
9. Describe a situation in which you were able to persuade someone to see things your way.

10. Describe a stressful situation you experienced in the last few years and how you handled it.

11. Tell me about a past job. What did you like best and least about it?

12. Please describe yourself using five adjectives.

13. Discuss an important document you were required to complete.

14. When you are overloaded with too many commitments and too short a time to do them all, what do you do?

15. I’m going to assume that you believe you are an organized person. Convince me of this.

16. Do you have any idea what area you may wish to focus on? Audit? Tax? Neither? Explain why.

17. What do you feel are your greatest strengths?

18. What are areas in which you need to improve?

19. What do you want to ask me about?
Soft Skills to Interview For

1. Systematic; not just living in the present but always thinking ahead; organized.

2. Able to hold emotions in check.

3. Effective, articulate, self-confident and persuasive in all forms of communication.

4. Honest in all forms of communications; has integrity.

5. Pleasant, engaging demeanor.

6. A good listener.

7. Curious; asks questions.

8. Not easily intimidated.

9. Team orientation vs. individualist.

10. Client focus; understands that the client is #1.

11. Self-directed yet knows when to ask questions.

12. Reliability; good follow-through.

13. Ability to multitask.


15. Energy and drive.
Other Retention Practices

“I have yet to find a company that has earned high levels of customer loyalty without first earning high levels of employee loyalty.”

Frederick Reichheld

Scheduling of staff

Organized and effective centralized scheduling enables firms to staff client projects so the client work is completed.

Other benefits of central scheduling:

1. Matches staff with the type of assignments each needs to grow and develop technically. Example: A staff member may have mostly worked on non-profits and the individual need more experience in the for-profit sector.

2. Ensures that the best staff don’t receive all the plums and that the other staff don’t always get the dregs.

3. Avoids overworking the stars and underworking the others.

4. Provides diversity of supervisors.
Pooled vs captive staff.

Firms use two methods to manage and schedule their staff:

1. Staff are pooled and work for an array of partners and other supervisors. It could be a firm-wide pool, a departmental pool (A&A vs. tax) or a niche/specialty pool. The firm hires the staff. This is the industry norm.

2. Partners hire their own captive staff, who work only for the partner hiring them. This is seen more at smaller firms that intentionally operate as silos. This is not very common.

These approaches are not mutually exclusive. It’s common for staff to work on a pooled basis, but as time goes on, they work a lot more for one or two partners than others.

Here is a comparison of both concepts:

<table>
<thead>
<tr>
<th><strong>Pooled Concept</strong></th>
<th><strong>Captive Staff Concept</strong></th>
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<tbody>
<tr>
<td>1. Partners don’t get hurt as much when their key staff person leaves the firm.</td>
<td>1. The partner and the staff person really get to know each other.</td>
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<tr>
<td>2. Staff don’t have to work with someone they don’t like.</td>
<td>2. Training of staff perceived to be easier—partners train staff how to do the work one way—their way.</td>
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<tr>
<td>3. Staff get exposed to a more diverse range of client work and supervisor personalities.</td>
<td>3. The firm avoids the tug of war when the same person is assigned work by two partners and they fight over whose work gets done first.</td>
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<tr>
<td>4. Better training because it’s more formal and on a firm-wide basis.</td>
<td>4. It’s harder to avoid workload peaks and valleys.</td>
</tr>
<tr>
<td>5. Work practices are more consistent and efficient.</td>
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Staff accountability

I know. I know. Some of you must be thinking: First, you ask us to treat the staff like human beings with feelings and as professionals. Then you ask us to give staff most of the rights and privileges previously reserved for partners. Now you want to talk about holding them accountable? Isn’t that contradictory?

The answer of course is...absolutely! Staff are worth keeping only if they meet expectations. Accountability means different things to different people, but it’s simply a management process to communicate what those expectations are, measure the achievement of those expectations and coach staff how to stay on track when they struggle.

So staff should want accountability because it’s really the only sure way to be successful and advance.

The problem with accountability arises when staff don’t know what they’re being held accountable for or are held to standards that have never been communicated to them.

Here are some staff accountability techniques:

1. Clarify their role in the firm and what is expected of them in terms of billable hours, mastery of certain skills, overcoming a weakness, supervising other staff and other attributes.

2. Monitor performance and follow the principles of The One Minute Manager: Take 60 seconds to catch them doing something right and take 60 seconds to communicate when they fail to meet expectations. Both should be done right away.

3. Mentoring.

4. Specify a time budget and a deadline for every job. Preferably, these should be in writing (as part of the engagement documents), but oral guidelines can work as well. Staff should be taught to ask for budget and deadlines before beginning every job.
5. Goal setting, in writing. Clear rewards for success. Goals should be in both technical and soft skill areas.

6. Incentive bonus, linked to performance targets.

7. Salary increases (or lack thereof).

8. Performance feedback via reviews after each job.

9. Keep hiring new people at all levels. This creates a little healthy competition to avoid staff from getting content, fat and lazy.

10. Client satisfaction surveys.

Communication

To paraphrase Supreme Court Justice Potter Stewart, communication is one of those things that are hard to define but you know it when you see it.

It’s always been my opinion that CPA firms operate much too secretly. Partners err on the side of NOT telling staff what’s going on, even in such innocuous areas as new clients, changes in health insurance, office changes, adoption of new software, and the like.

Worse yet, they are vague about important things like what it takes to advance and how staff’s performance will be evaluated.

When communications are weak or break down, people start fearing the worst. Rumor mills are spawned, which leads to wasted time, morale problems and mistaken perceptions of what’s really happening. Staff wonder why important things are hidden from them.

Staff work more harmoniously with their co-workers and supervisors when people are open and honest with each other.

Communication is the elixir for silence and secrecy.
Best practices for staff communications:

1. Regular staff meetings.
2. Regular partner meetings so the partners know what’s going on and convey a consistent message to the staff.
3. Strategic planning: communicate what the firm’s goals are; involve staff in the process.
4. Intranets, blogs, internal newsletters.
5. Share highlights of the firm’s financial statements without revealing confidential information.
6. Seek the staff’s input on firm decisions.
7. Make sure all offices hear messages at the same time; avoid making satellite offices feel like stepchildren.
8. Unscheduled partner lunches with staff.
9. Annual staff retreat.
10. Update staff on important developments with clients they are working on.
11. Client planning meetings before the job begins.
12. Partners are accessible.
13. Engagements reviewed promptly.
14. Supervisors refrain from correcting staff’s work without telling them.

Transparency

One of the buzzwords of our time. transparency is a modern-day term for open and honest communications—disclosing information with people rather than keeping it secret and operating in such a way that it is easy to see what’s going on.

Here are some ways CPA firms are transparent with their staff:

- Share key financial data about the firm such as revenues and efficiency metrics like realization and turnover.
- Communicate criteria for advancing to each new position, including to partner.
- Be clear how staff performance will be evaluated.
- Involve staff and solicit their input in areas such as new software adoption and changes in HR policies.
• Inform the staff that the firm will be trying to merge in smaller firms.
• Sharing the firm’s vision.
• When partners have key conversations with clients on projects, update the staff.

For those partners worried about transparency, here are examples of what **transparency is NOT:**

• Disclosing private personnel information, performance and compensation data on individuals.
• Updating staff on the progress of merger discussions, especially upward mergers.
• A prohibition on partners having closed-door meetings.

**Staff meetings**

Convening regular staff meetings is a great way to communicate with the staff. Meetings foster transparency and give staff an opportunity to provide feedback on various firm initiatives.

Here are examples of agenda items for staff meetings:

1. Important developments with new and existing clients.
2. Marketing plans and updates.
3. Changes in policies and procedures.
4. Updates on the firm’s strategic plan.
5. Changes in benefits.
6. Changes in technology.
7. Public recognition of a job well done.
8. Personnel changes.
9. Results of “partner events” like retreats.
10. Short presentation by the staff on a technical topic.
11. Update from staff on outside training they have attended.

**Ground rules for the staff meetings:**
• Attendance should be mandatory.
• Move quickly through agenda items.
• Allow plenty of time for Q&A.
Technology and Millennials

- They expect technology to work: make sure it does.
- Want current technology.
- Want cool stuff.
- Love social media.
- Break out in hives at the idea of touching paper.
- Prefer email over face-to-face communication.
- Expect people to be accessible 24/7.

Fun ideas for the staff

1. **Void check contest.** Everyone brings in a blank check with the name and address cut off. People have to match the check style to the person.

2. **Crazy dress days.** Everyone dresses in one color for a day. Crazy socks. Funny hat day. Luau day.

3. **Concierge day(s).** One day a week or a month. Best suited for the tax season, when people don’t have time to run important errands.

4. **Dart boards.**

5. **Golf putters.**

6. **Internet spending spree.** Tell the staff that they have a fixed number of hours to spend a specific amount of the firm’s money on the Internet. Rules: (1) They have to spend the money on themselves, (2) They have to spend it on the Internet, and (3) They have to show a picture of what they bought.

7. **Ultimate bean counter contest.** A jar is filled with some type of candy or beans and people guess the number of pieces. Prize to winner. The winner gets to keep the jar’s contents.
8. **Question of the day.** Put a white board in the break room and every morning come up with a simple question. Alternatively, people write provocative (but tactful) things or witty quotes on the white board and co-workers add to the discussion.

9. **Massages.**

10. **St. Patrick’s Day.** Potluck lunch—everyone brings something green to eat.

11. **Wine tasting.**

12. **Baby picture contest.** Everyone brings in a baby picture and people guess who is who. Winner gets two movie passes.

13. **Gift certificates.**

14. **Lighten-up parties.** Every now and then, quit at 4:00 pm on Friday and have a social with a theme. Examples are a scavenger hunt, game day or soup/chili cook-off.

15. **Shopping mall spending spree.** Everyone gets $100 in cash, with instructions to spend it all in 45 minutes. The one who comes the closest to spending exactly $100 gets another $100. Ground rules: you have to get something for yourself, something for the office and something for someone else.

16. **Friday night club.** A different venue is selected each week for a 4:00 pm Friday get-out-of-the-office-and-relax bash. One popular idea is to go to a local bar that carries a trivia game on the big screen. The winning team gets a prize.

17. **Monthly events.** Cake for Superbowl (January), pizza & breadsticks for Valentine’s Day (February), soup & sandwiches for St. Patrick’s Day (March), Employee Appreciation Day for April 15.

18. **Games.** Periodically, send out word searches or mazes just to give everyone’s brain a break.
19. **Afternoons off.** One afternoon, take the afternoon off and play putt-putt golf or bowling.

20. **Ice cream social.** Either do a party or have ice cream delivered to each person’s desk.

21. **Car wash.** Auction off partners and have them wash the staff’s cars while they eat hot dogs and ice cream.

22. **Toy bowling** set up in a long hallway of the office.

**Ideas from MPs from across the country**

I often poll a group of 100+ MPs on various practice management issues. Recently, I polled them on leading edge staff practices.

**What are three leading edge practices your firm has implemented in recent years to hire, develop and retain a great staff?**

**RECRUITING**

- Incentive bonuses for bringing in referral candidates.
- Very active connection with select universities, including speaking at accounting and business classes.
- Paid internships.
- Online hiring portal with up to date job postings.
- Recruitment blog that features a current employee each month as a guest author.
- Presentations at local high schools.
- “Topgrading” interview process, designed to weed out people who overstate or manipulate the interview process.

**MORE LIBERAL POLICIES**

- Parental leave policy.
- Permission for staff to work from home once a week.
- Very generous personnel policies and unlimited PTO program.
COMPENSATION, BENEFITS & PERKS

- Pay over market to get the best.
- Paid CPA review courses; bonuses for passing the exam.
- All-expenses-paid trip to managers & partners to attend annual leadership event in Las Vegas.
- Ping pong table.
- Stand-up workstations.
- Every professional gets one weekend off per month during the tax season; great recruiting tool.

TRAINING, MENTORING AND LEADERSHIP DEVELOPMENT

- Training staff to be effective at cross-selling services to clients.
- Career path program.
- Monthly meetings of staff where a rotating person is charged with researching the firm’s larger clients and making suggestions how the firm can better serve them. We’ve created a competition among staff for running the most efficient meetings.
- Lunch and learn programs that include technical, soft skill and IT subjects.
- More formal orientation and training programs.
- Mentoring program with goal setting by both the mentor and mentee.
- University-style training program developed by the staff, focusing on career development, specialization, mentoring and rapid feedback.
- Staff participation at niche conferences attended by niche companies, not accountants.
- New hires work for a day at our clients, not in the office, but doing the hands-on work of the clients’ businesses.
- Mindfulness Meditation course to assist personnel in stress management and interpersonal communication.

MORE INVOLVEMENT OF STAFF IN FIRM INITIATIVES

- Devised an in-house newsletter that highlights staff events and new client opportunities.
- Communication of the firm’s goals and initiatives.
- Staff sit in on various committees to bring improvement ideas to the partner group.
- Staff input on training, scheduling and firm policies.
OTHER
• Hire an HR manager.
• Merge in smaller firms to provide opportunities for our staff.
• Major women’s initiative includes flexible work plans, adoption assistance, emergency backup childcare and eldercare services.
• Give staff work sooner than they may be ready for.

What new staff practices is your firm CONSIDERING for the near future?

• More remote working options.
• Better mentoring program.
• More flexibility like no mandatory Saturdays, Fridays off, etc.
• Women’s initiative.
• Wellness program.
• Involving staff in developing and achieving firm goals.
• More use of employee surveys.
• Holding managers accountable for the development and retention of staff.
• Events at really cool venues.
• Summer hours program for all employees.
• Jeans on days other than Fridays.
• Unlimited PTO.
• More immediate and ongoing feedback to staff.
• Invite college students before their junior years to tour our offices and apply for future internships.
• Curriculum-based training at all levels.
• Open-book policy on our financials, excluding comp data.
• Allowing some accountants to get Enrolled Agent certification.
• Training staff on emotional intelligence.
Staff have been extremely difficult to hire and retain for many years now. Most firms feel this is a permanent problem. What strategies has your firm created, or strongly considered, to deal with this challenge?

- Bonus for referring new hires and new clients.
- Increase intern pool.
- Competitive compensation.
- Hire new staff every year whether we need them or not.
- Pursue interns earlier than their senior year.
- Days of service for charity.
- Wellness programs.
- Jeans Fridays.
- Social committees for firm events.
- Sports teams.
- Clubs such as book and chess.
- Upgrade recruiting and employment branding
- Leadership development.
- M&A growth.
- Bonus for passing CPA exam and other certifications.
- Unlimited PTO.
- Stronger effort to recruit at smaller colleges.
- Develop formal mentoring program.
- Working remotely.
- Well-promoted flexible work policy.
- Team-building events.
- Minority ownership (in the firm) opportunity for managers.
- No titles except partner.
- Reasonable hours.
- Dogs allowed in the office.
- One weekend off every month in the tax season.
Surveying Your Staff

“The partners may think they know how the staff feel about the firm, but it’s only important what the staff think.”

Marc Rosenberg

If you truly and honestly want to make your firm a great place to work, the first thing you need to do is ask the staff.

Two primary types of surveys:

1. **Staff attitude surveys**, where the staff respond to firm-wide questions about their jobs, supervisors, the partners, the management and advancement.

2. **Upward evaluations** of partners and managers by the staff. With these surveys, staff evaluate each partner and manager they worked for, with some firms opting to limit this survey to partner evaluations.

Ground rules for administering surveys:

- **Guarantee anonymity**: Asking staff to take these surveys makes them feel very anxious. It’s unavoidable. Firms need their staff to be totally open, honest and candid with their responses. The only way to get this is for the firm to guarantee confidentiality and anonymity.
The best way to assure the staff of confidentiality is for the firm to hire an outside survey administrator. If the survey responses go to the firm administrator or HR director the staff will think the MP or other partners will see their responses, which will compromise the openness that is so critical.

There should be no clandestine way that anyone in the firm—including the MP and HR director—can find out who said what.

- **Act on the results.** It’s better for the firm NOT to do surveys than to administer a survey and do nothing about it. The latter only frustrates the staff.

- **Make completion mandatory.** Everyone should be required to take the survey. When surveys were done on paper, it’s easy to monitor compliance. But today, virtually all staff surveys are administered electronically (e.g., SurveyMonkey). To track participation, the firm should designate an admin person who enjoys credibility with the staff. When staff complete their online survey, they are instructed to tell the admin person, who checks them off the list and follows up with those who have yet to complete the survey.

- **Look for consensus.** If 30 staff take the survey and only one person says “the office is messy,” then that’s the same as if no one said it. Avoid making judgments based on isolated remarks.

- **Share the results.** Obviously, the results must be homogenized to avoid sharing confidential things about individual partners and managers.

- **Share the firm’s plan** for addressing survey results. Many firms involve their staff in creating the game plan.

- **Decide who participates.** Most survey questions are appropriate for client service personnel only. Firms should decide if they want to totally exclude admin personnel or design a different survey for them.
Staff attitude survey: sample questions

Some firms prefer essay-type questions; others use multiple-choice items.

The essay questions provide a deeper understanding of the issue. For example: “Does the firm have a clear set of policies and procedures?” A simple yes or no question doesn’t tell us why a person responded “no.” The downside of essay questions is that (a) they’re harder to tabulate; surveys of firms with more than 30 or so people take a long time to tabulate and (b) it takes longer for the staff to complete the forms.

Multiple-choice questions are a lot easier to tabulate and the survey can be completed much more quickly. As noted, the downside is that firms get little insight as to why staff answered a question in a certain way.

Sample questions:

1. What are the primary strengths of the firm?
2. What are the three biggest problems in the firm?
3. Is the firm managed effectively? How can it be improved?
4. Does the firm have a clear set of policies and procedures? If not, where are the problem areas?
5. Do the partners communicate clearly to the deadline and the time budget on your client jobs? If not, describe the problems?
6. Are you satisfied with your present level of responsibilities? What changes would you like?
7. Are you reasonably satisfied with your present level of compensation?
8. Are you reasonably satisfied with the firm’s benefits? What changes must be made to be competitive with other firms?
9. How would you describe firm morale? What holds it back?

10. How would you describe the stress level at the firm?

11. Is the firm sensitive to how your work hours affect your personal life?

12. Do you have as much flexibility in deciding when and where you work as you would like?

13. Do you receive performance feedback on every job? Is it effective?

14. Are your annual performance appraisal sessions effective? How can they be improved?

15. Does the firm do a good job of communicating to the staff what's going on in the firm? How can it be improved?

16. Does the firm recognize your accomplishments?

17. Is the firm’s training effective? How can it be improved?

18. Is the firm’s mentoring program effective? Do you receive the proper amount of coaching and career guidance? How can it be improved?

19. Does the firm have a reasonably good system of position titles? How can it be improved?

20. (For women only) Do you feel that women have the same career opportunities as men at this firm? If not, what makes you feel this way?

21. Is it clear how one advances in the firm? Are promotions fair?

22. Comment on the adequacy of your workload.

23. Are the staff scheduled efficiently and fairly? How can it be improved?
24. How would you describe staff turnover over the past two years?

25. Based upon what you know about why people left the firm, are there any recurring themes or issues that are causing the turnover?

26. Besides paying you more money, what is the one thing that the firm could do to cause you to stay with the firm and not leave for another job?

27. Do you want to be a partner in the firm someday?
   - Yes ___  No ___  Unsure ___
   - If yes, is it clear to you what it takes to become a partner?
   - If no, why don’t you want to be a partner?
   - What specifically is unclear to you about what it takes to become a partner in your firm?

28. Additional comments.

Industry norms for staff attitude survey results

Areas rated by staff as the strongest
1. Workload reasonable; work-life balance decent.
2. Reasonable amount of stress; no worse than at other jobs.
3. Staff given proper level of responsibilities.
4. Satisfaction with the firm's system of position titles.
5. Clear set of policies and procedures.

Middle of the pack
1. Opinion of firm management.
2. Compensation and benefits.
3. Annual performance appraisal.
4. Scheduling of staff.
5. Flexibility.

Areas rated the weakest
1. Absence of standardized processes.
2. CPA firms not good at developing female partners.
3. Many firms have a partner who is consistently abusive to staff.
4. Staff not knowing where they stand with the firm.
5. Clarification of what it takes to become a partner.
7. Training.
8. Communication about what's going on in the firm.

Revelations that have come out of surveys
1. Staff often receive work last-minute, with little or no instruction.
2. Staff don't know how great a job it is to be a partner.
3. When asked about training, a common response is, "What training?"
4. Most staff underreport billable hours on timesheets due to the perceived consequences of exceeding the budget.
5. Most staff feel time budgets are unrealistic.

Upward evaluation surveys

Why firms do upward evaluations. Many firms believe staff are just as important as clients. The #1 reason why staff stay with their firm is their relationship with the boss. In the case of a CPA firm, "the boss" is the firm’s supervisory personnel, mostly partners and managers. If your firm is committed to your staff, then periodically surveying your staff to determine the effectiveness of your bosses as supervisors is critical. Evaluation of your supervisors by the staff is one of several important tools to use to make your firm a great place to work and to retain staff and help them grow.

GUIDELINES UNIQUE TO UPWARD EVALUATIONS:

1. The MP should see the individual results of each partner and manager, then convene one-on-one sessions with each person to discuss the results and form goals to address the findings.

2. Most firms do not share individual results with all partners. This could cause embarrassment to those who received poor grades and may negatively impact the partners’ willingness to address the findings.

3. Ideally, each partner and manager will receive 6-12 evaluations, making it impossible for them to figure out who said what.
But we've seen situations where a person receives fewer than four evaluations. This is the cutoff we use. We will not give individual results to someone who received fewer than four evaluations because that makes it too easy for the person to figure out who said what.

4. Firms must ensure that staff are only allowed to evaluate partners and managers for whom they worked. You should not allow staff to evaluate someone based on hearsay.

To do this, the firm should prepare a grid like chart the one below. Someone, or a group, should decide which staff person will be asked to evaluate which partner or manager. When the survey is administered, staff should only be allowed to evaluate those people that the firm specifies.

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SAMPLE UPWARD EVALUATION QUESTIONS

_The term “supervisor” signifies the person being evaluated. This person could be a partner or a manager._

1. Does the supervisor set a good example in work habits?

2. When the supervisor assigns you new duties and responsibilities, does he or she take the time necessary to give good instructions and explanations?

3. When you are assigned a project, does the supervisor make it clear what is expected of you in terms of time budget, deadline for completion, appearance of workpapers, etc.?

4. When the supervisor reviews your work, are you given the opportunity to make the changes?

5. When the supervisor makes changes to your work, how often are you told of the reasons for the changes?

6. What degree of on-the-job training do you receive from the supervisor?

7. How well does the supervisor keep you informed about plans and progress on your engagements?

8. When working with this supervisor, do you find him or her receptive to your ideas and suggestions for new or better ways of doing things?

9. Does the supervisor invite you to participate in planning your engagements?

10. Does the supervisor provide you with adequate feedback on your performance on engagements?

11. When the feedback is provided, is it straightforward and honest? Is it given in a constructive manner?
12. Does the supervisor provide you with prompt feedback on your engagements?

13. Does the supervisor treat you respectfully and is he or she respectful of your time?

14. When the supervisor approaches you to work on a project for him/her, is he/she respectful of commitments you already have with other clients under the supervision of other firm members?

15. When assigned work by this supervisor, is he/she sensitive to conflicts between work and your personal life?

16. Is the supervisor accessible to you for questions and guidance?

17. Does the supervisor recognize your accomplishments on the job?

18. Does this supervisor help you learn and grow? Does he/she delegate challenging work to you?

19. On an overall basis, how do you evaluate this supervisor?

Industry norms for upward evaluation survey results

Remember, this is how staff see their supervisors.

Areas rated the strongest
1. Treated with respect.
2. When supervisors review the staff’s work, the staff are allowed to make the changes themselves.
3. Partner is accessible and approachable.
4. Feedback is straightforward and honest.
5. Partner is sensitive to your personal life.
Middle of the pack
1. Respectful of staff’s other commitments.
2. Demonstrates good example with work habits.
3. Gives good instructions and examples.
4. Helps you learn and grow.
5. Invites you to help plan the engagement.

Areas rated the weakest
1. On-the-job training.
5. Keeps us informed of a job’s progress.
Generational Differences

“Each generation imagines itself to be more intelligent than the one that went before it, and wiser than the one that comes after it.”

George Orwell

Definitions

The following is excerpted from an article by Scott Steadman of The LBA Group, a Jacksonville, FL CPA firm.

Baby Boomers
(Born 1946-1964)

Early on, a strong economy and stable lifestyle made Baby Boomers generally optimistic about their future and the future of the United States. Once known as idealistic dreamers, Boomers were forced to focus on their economic future and real-world concerns over money and stability. When Gordon Gekko stated “Greed is good” in 1987, he was speaking to (and for) Baby Boomers.

Boomer characteristics:

- Strong sense of “right and wrong”.
- Strong work ethic.
- They believe if you set goals and work hard, you can achieve whatever you set out to do.
- Very loyal. When the boss said “Jump,” Boomers said “how high?”
• Boomers accept change, but they don’t always like it.
• Ambitious.
• Good communication skills.
• Political correctness.
• Competitive.
• Have a “no pain, no gain” attitude.

**Generation X**  
*(Born 1965-1980)*

This is the first generation of latchkey kids, who came home from school to an empty house. As children, Gen Xers became the first generation to experience widespread divorce. Exposure to higher divorce rates caused Gen Xers to be more pragmatic and wait longer to start a family. Gen Xers saw their parents get laid off and lose their jobs, causing them to be less loyal than the Baby Boomers.

While Baby Boomers “live to work” Gen Xers are more prone to “work to live.”

Gen X characteristics:

• They believe they should be promoted based on ability. They value leadership by competence.
• More self-reliant and independent; more entrepreneurial.
• Less team-oriented.
• Fiercely protective of family time.
• Skeptical and pragmatic.
• They have little respect for service, title or rank because their parents had all three and lost their jobs anyway.
• Ignore leadership, unimpressed with authority.
• Pampered by their parents.
• Strong sense of entitlement.
Millennials
(Born 1981–1994)

Millennials are more racially and ethnically diverse than any group in our history. They take full advantage of the Information Age. This generation is aggressive in their purchases and decision making. They are less brand loyal (with the exception of iPhones, perhaps) due to the increased availability of goods and services.

Millennials have an “I want it now” attitude. They ask “why seek an expert when we can just Google it?”

Millennial characteristics:

- Very entrepreneurial; innovative—think outside the box.
- Tech-savvy; they've always had 24/7 connectivity.
- Favor electronic communication over face-to-face.
- Value flexibility in when and where they work.
- Strong interest in teamwork.
- Created a whole new definition of the term “multitask.”
- They crave feedback and guidance.
- Open to new ideas.
- Respect competency, not titles.
- Self-absorbed.
- Strong sense of entitlement.
- More likely to leave a job if they stop learning.

Stereotyping generations

How should CPA firm partners use this generational information?

CPAs aren’t psychologists or sociologists. The biggest mistake people can make with the descriptions of the various generations is to believe that all members of a group act the same.
In managing staff, make sure you get to know them as individuals. Don’t put them in buckets. Don’t look at charts of the traits of different generations and assume that everyone within a particular generation acts the same. They don’t. Use common sense.

However, generalities do exist and are unmistakable. Even though the news is filled with negative stories about profiling, it is not always a bad thing. Advertisers have been using profiling for years. A better understanding of generational differences (“profiles”) can help organizations create a more effective workplace for their employees. Business owners looking to transition ownership can benefit from understanding the motivations and desires of potential successors.

My attempt at suggesting how CPA firm partners can apply the profiling of Millennials to manage them more effectively is on the next page.
## MILLENNIALS MATRIX

<table>
<thead>
<tr>
<th>Importance of money</th>
<th>Comp not important to Millennials.</th>
<th>Compensation consistently rated #1 or #2.</th>
</tr>
</thead>
</table>
| Work ethic          | Weak. Not willing to put in the hours required to be successful. | 1. They’ll work the hours; they just want flexibility when and where.  
2. Boomers seem to work long hours as a badge of honor. Millennials are not like that. |
| Ambition            | Today’s young staff don’t want to be partners. | They DO want to be a partner, but:  
1. They need to understand what it means and what it takes to be partners.  
2. The partners need to do a better job of selling the idea. |
| Communication style | Shy away from face to face contact; prefer hiding behind an electronic device. | No question they are not as comfortable with face-to-face as Boomers, but many Millennials agree that face-to-face is important. It’s just scary to them. |
| Flexibility re when & where work is done | They want to be treated like professionals. | Many firms still have little flexibility regarding when and where work is done. Can be deal-breakers for Millennials. |
| **Patience** | Not willing to pay their dues and wait endlessly for their chance. | If they do NOT see a future, challenge and opportunity in their current job, they will bolt. Firms must work extra hard to make their jobs cool. |
| **Focus and multi-tasking** | Earbuds are a source of irritation because they don’t see how staff can focus. | It’s the way they grew up. Boomers, get over it! |
Job Descriptions

The last person I ever want working for me is someone who says, ‘That’s not in my job description.’

Neil deGrasse Tyson
Cosmologist & astrophysicist

“Well-written and effectively developed job descriptions are communication tools that allow both employees and supervisors to clearly understand the expectations of the role, its essential duties, the competences and responsibilities, along with the required educational credentials and experience.”

Mary Anne Kennedy
HR Daily Advisor

This chapter addresses the four most common positions at a CPA firm: staff, senior, manager and partner.

There is no such thing as a standard job description for these four positions. Each firm must define them in ways that make sense for its specific situation. If ever there were job descriptions that should have flexibility built into them, most certainly they would be CPA firm positions because the expectations vary as much by the type of assignments they are given as by their title.
STAFF ACCOUNTANT
JOB DESCRIPTION

General
Performs routine, detailed accounting and tax services, usually under the direction of a senior or manager and occasionally a partner for smaller engagements. Staff accountants range from new college graduates to those with 1-3 years of experience.

Duties
1. Develops basic technical knowledge. Heavy emphasis on learning on the job as the person works on one job after another.

2. Constantly asks questions and avoids spinning their wheels; consults with senior engagement personnel when problems or confusion arise.

3. Learns how to interact with clients properly.

4. Begins to participate in the firm’s marketing efforts by taking part in networking activities.

5. Typical engagement responsibilities: Perform basic audit steps from a program, routine work in areas such as cash, receivables, payables, confirmations, testing of controls, simple 1040 returns, payroll tax returns. As staff gain experience, they will get into more complex areas such as corporate returns, inventories, consolidations and planning the engagement.

Promotion Criteria to Senior
• Satisfactory performance for 2-3 years as a staff assistant.
• Applies GAAP and other technical standards in routine situations.
• Clearly and logically documents workpapers.
• Work effectively within budgets.
• Establishes credibility with clients and all firm personnel.
• Has organization and communication skills necessary to function as a senior.
SENIOR ACCOUNTANT
JOB DESCRIPTION

General
A senior has the primary responsibility for completing client engagements within budget, supervising one or more staff accountants as necessary, and presenting the work for final review.

Duties
1. Develops sufficient technical knowledge so that a minimum amount of supervision is needed. The senior should present work for review that require minimal changes.

2. Coaching and developing others. Supervises one or more staff on engagements. This requires effective delegating, progress monitoring, teaching, and giving performance feedback.

3. Manages engagements, making sure that quality work is performed, within budget and on time, while minimizing stress.

4. Has meaningful contact with clients. Though the senior’s relationship with the client is usually secondary to that of the manager or partner, it is important for the senior to communicate effectively and gain the respect of the client.

5. Participates in the firm’s business development activities by identifying leads for managers and partners to close and opportunities for expanded services.

6. Begins to develop a specialty in a certain area or market.

Promotion Criteria to Manager
• Satisfactory performance for 2-4 years as a senior.
• Strong technical ability across a broad range of areas.
• Plans, monitors and controls engagements effectively.
• Establish credibility with clients and firm personnel.
• Positive attitude and effort in practice development.
• Positive attitude and effort in staff development.
• Demonstrates partner potential.
MANAGER
JOB DESCRIPTION

General
A manager is viewed as a partner-in-training and is involved in most of the areas for which partners are responsible.

Duties
1. Develops strong technical knowledge. Requires a minimum amount of supervision. Consistently turns in work that needs little or no revision. Seen by partners as able to handle the most complex assignments in the firm.

2. Builds strong relationships with clients, evidenced by (a) clients call the manager instead of the partner, (b) receives unsolicited compliments from clients and (c) effectively cross-sells.

3. Effectively supervises multiple engagements at the same time.

4. Enjoys a high level of credibility with the firm’s partners and staff. Functions effectively in a team environment.

5. Responsible for all engagement management on clients, including fee quoting, engagement planning, staffing, preparing engagement letters, billing and collection.

6. Active in practice development.

7. Become the go-to person in the firm for something.

8. Contributes to firm administration as needed and requested.

Promotion Criteria to Partner
- Productive; should be working 1,400-1,800 annual billable hours.
-Contributes to the firm’s revenue growth.
- Effective supervisor; helps staff learn and grow.
- Demonstrates technical ability across a broad range of issues.
- Effectively manage a small client base.
PARTNER
JOB DESCRIPTION

General description

1. A partner is first and foremost a leader in the firm. Partners always set an example for others to follow because the firm is evaluated by its partners’ conduct.

2. Primary duties: Bring in business, completely satisfy clients' needs and retain staff by helping them learn and grow.

3. Partners are impact players who make clear and measurable contributions to the firm's growth and profitability.

4. Technical skills are a given; ante to get into the game.

5. Partners understand that the firm is the #1 client.

6. Partners live and breathe the firm’s core values, every day.

Duties

1. Bring in business. Understand that, when it comes to practice development, "you can't not try."

2. Train and mentor staff. Staff advance under a partner’s tutelage.

3. Constantly alert to opportunities for hiring talented people.

4. Manage client relationships and engagements effectively; be attentive to their needs; establish strong client loyalty.

5. Move clients upscale. Identify opportunities to provide additional services to clients.

6. Primary business advisor to clients.
7. Establish other firm members as key “touch points” with larger clients so that if the partner should suddenly leave the firm, the clients will stay.

8. Develop and lead a strong team.

9. Become the firm’s go-to person for something.

10. Is a good corporate citizen. Adhere to the firm’s policies and procedures. Treat people respectfully. Responds to voice mails, emails, on timely basis.

11. Push down work to the staff wherever possible; only do partner-level work. Understand that a partner should be working ON the business, not IN it.

12. Keep the staff busy. Never lose sight of this critical partner duty; never assume other partners are “taking care” of this.

13. Bill and collect promptly and aggressively.

14. Take on minimal (preferably no) administrative duties. Don’t do what you can delegate.

15. Adhere to the professional ethics of both the firm and the profession.

16. Is fiscally responsible, 24/7; is never off duty.
Why it’s Great to Work At a CPA Firm

Partners have it great. They:

- Function as entrepreneurs.
- Love the freedom and flexibility of being a business owner.
- Have clients that love them and vice versa.
- Do work that is challenging and interesting.
- Have staff to delegate work to.
- Mentor young people.
- Have tenure, just like professors.
- They make great money, way more than they ever thought.
- They have almost no accountability (pardon the sarcasm!).

The stress of partners’ jobs sometimes causes them to forget they have such a great gig. But when partners stand back and think of what they have going for them, they see how nice the big picture is.

But partners don’t spend enough time telling their staff how great it is to be a partner. This is one of partners’ most critical duties—to mentor staff and help them learn and grow, thus getting them excited about becoming partners.
THE MORAL OF THE STORY

Of all the techniques we’ve discussed to manage and engage your staff, this one ought to be the easiest.

*Partners: start selling your staff on what great jobs you have—early and often!*

Talk to your young staff about why being a CPA firm partner is an awesome career. But don’t stop there. Describe the benefits of being a staff person at your firm: the interesting, challenging work they’ll be assigned, the excellent compensation potential and advancement opportunities; their own personal baptism in the world of business. Then watch what happens.

*A star is born.*

Give your stars access to cutting-edge technology. Provide constant training and feedback and flexible work options—especially women who want to combine careers with raising a family. Build not only team spirit, but bring a team orientation to the servicing of clients. Make your staff understand how their work contributes to the overall success of the firm, and more than that, why they should *care.*

*Why should you do all this stuff for these young people that nobody ever did for you?*

Because your staff truly *is* your #1 asset.

And because the steps we take to attract, engage and retain staff will not only reward them, but strengthen the firm. The best practices presented throughout this book will position your firm for the future and insure the relevancy of our profession—for a great many years to come.