

Public Practice E-News
April 2018

This electronic newsletter is prepared especially for public practitioners and is sent bi-monthly to members of the Puerto Rico Society of CPAs. This e-newsletter features regular commentary from TSCPA Member Bill Reeb, a CPA firm consultant based in Austin. For questions or comments concerning the articles featured in this issue, or to suggest future topics, please e-mail Reeb at bill@tscpa.net.

From the BILLiverse

In this first article of a new series, Bill Reeb covers the hot topic of change management. Change isn't something that occurs once in a while anymore – it is happening constantly. A convergence of factors has been heading toward the accounting profession for some time. These factors need to be addressed and making the necessary adjustments might be difficult. Reeb discusses the changes required to leverage the opportunities and avoid the hazards expected in the future.

Read Reeb's commentary
[Link to article](#)

What Partners Do

Although many young CPAs working in public accounting have a strong desire to become a partner someday, they often don't know what is required to reach that level. There are several actions that current partners can take to document a career path process and address what is expected of their new hires.

[Learn more](#)
[Link to article](#)

Tomorrow's Leader

An underprepared or inadequate leader can quickly send a firm in the wrong strategic direction. With the input of managing partners from around the world, this article offers a list of the leadership skills that will be necessary to succeed in the years to come.

[See the list](#)
[Link to article](#)

Do You Want an Open Culture? Let Your Employees Share Their Thoughts

To create a culture where ideas are readily shared, leaders need to proactively and aggressively create an environment that is free of bias and confrontation. When their ideas are acted on and positive results achieved, the result will be more openness from employees and their inclination to express views and recommendations will increase.

[Get the details](#)
[Link to article](#)

Decide Who Will Decide

Are there too many partners involved in all the decision making at your firm? When groups within firms cannot reach consensus, important decisions are delayed year after year.

[Learn more](#)

Link to article

Think Twice Before Suing for Unpaid Fees

Initiating a fee suit or using a collection agency can leave a CPA firm at risk of a counterclaim for negligence or a regulatory complaint. Before initiating a collection action, CPAs should ask themselves a few questions, including whether the time and expense incurred to defend a counterclaim outweigh the benefit of any potential recovery.

Consider the questions

https://www.journalofaccountancy.com/issues/2018/mar/cpa-firm-collection-actions.html?utm_source=mnl:cpald&utm_medium=email&utm_campaign=22Mar2018

The Evolution of the One Firm Client Practice

The accounting profession continues to evolve and there are internal cultural changes occurring, particularly in how client relationships are handled. Instead of using the traditional book of business approach, some firms are adopting the “one firm client” principle, where clients are serviced by multiple partners.

Learn more

<https://www.accountingweb.com/practice/clients/the-evolution-of-the-one-firm-client-practice>

What's on Tap in Finance and Accounting Automation for 2018

Today's technology innovations are moving ahead at a blistering pace. There are four technological movements underway in finance and accounting that appear to have powerful forward momentum this year.

Get the details

<https://www.forbes.com/sites/forbesfinancecouncil/2018/03/27/whats-on-tap-in-finance-and-accounting-automation-for-2018/#3978b9f97106>

Add Value With Planning Advisory Services

Clients often ask their CPAs personal financial questions that go beyond tax matters. Your helpful answers to those questions will allow clients to see the value in your service all year long.

Learn more

<https://www.journalofaccountancy.com/newsletters/2018/apr/planning-advisory-services.html>

Change management is a hot topic today. That is probably partially true because “change” isn’t something you’re expected to do once in a while anymore, but rather “change” is something we are asked to do constantly. Even while a change is in process, we are often asked to start another one.

The topic of change isn’t just a business conversation ... it is everywhere in everything we do. As a student of martial arts for almost 30 years, this topic is a daily one in our classes. Change is addressed in questions such as:

- How are you going to get better today?

- What do you need to do differently to be different?
- What are you going to do to stop being you?
- What do you need to let go of in order to allow yourself to jump to a new, higher level?

These are the kinds of questions that all of our students are asked to meditate about before they start each class. For those of you ready to bail out of this article right now, let me remind you that this self-improvement thinking isn't some kind of new age philosophy, but one that has been time-tested (and I will get to how all of this relates to you individually, as well as to our profession before this article is over).

Just think about the unsourced quote that defines the word insanity: "Doing the same thing over and over again and expecting different results." If you consider that this definition has any merit, to get better, it says we need to do something differently. And if you want to be better tomorrow, you need to start doing something today for that change to take place. My corollary to that definition is "Sanity: doing something different today so that you will get different results tomorrow."

The questions we are asking ourselves each day are real and they might not even be hard to answer once you give them some thought, but changing yourself can be really hard to implement. Just consider our profession. In my opinion, we are fortunate that our professionals have earned and enjoyed significantly above-average success in our careers. So, asking members of this group "What do you need to do to stop being you?" or "What do you need to do differently to be different?" can quickly garner the response ... "Why would I want to change anything?" Many quickly add "If it ain't broke, don't break it," which is a common position people quickly embrace when it comes to the idea of changing themselves.

It is about this time during those conversations when I look at whatever group I am working with and ask the question, "How many of you feel like you, or your firm, will be as successful tomorrow if you are continuing to do tomorrow what you are doing today?" Overwhelmingly, the answer is "of course not!"

The key phrase about change resistance in the above is "changing themselves." Generally speaking, in any group setting I am in, almost everyone embraces the idea that change is necessary, required and imminent with regard to those around them. Statements such as, "You need to change" or "We need to change," or "My clients/customers need to change" are ubiquitous. And even when someone recognizes that they themselves need to change, that awareness is typically accompanied by an expression such as "As soon as I see person X changing, then I will change too!" The problem is ... the only person you have any control over is you. The only person you can change is you. And yet, we are the last person we are comfortable asking to change.

What makes matters worse is that even in those times when we decide we want to personally change something about us or in our lives, leaving behind the comfort of the "known" is very unsettling. I remember when I decided that I needed to let go of some of the competitiveness that engulfs my spirit. To put this into perspective, becoming less competitive has been no easy journey for me. My positioning on the scale was probably best described by my martial arts Master years ago when he looked at me and said, "You've never met a situation that you did not want to compete with!" It was hard to hear, but he was right. As an example, when I bought my first hybrid car, I couldn't drive that automobile without trying to beat my last miles-per-gallon record EVERY TIME I drove it. I would create unreasonable and senseless stress trying to win when there was nothing to win.

As I started this transformation of slowing down my need to constantly compete, I quickly ran into a conflict between what I said I wanted to do and what I believed. To me, deep down, I believed my competitiveness was foundational to my success. So, while part of me wanted to change, another part of me, sometimes the bigger part of me, felt like letting go of my endless desire to compete would make me less aggressive, which would in turn would make me less competent, which in turn would make me less effective. But as I make these journeys of change in my life, the one constant I find seems to be that I am wrong a lot!!

I have actually found this type of superstitious thinking (if I change, I will fail) with a number of very successful people I coach. We put way too much emphasis on, and often give way too much credit to, a characteristic about ourselves or even a routine we follow for the success we are achieving. One of my prosperous clients gets up every morning and mentally whips himself into getting ready for work, reminding himself that if he doesn't push himself to the maximum, he will quickly slide into failure and lose everything he has worked so hard to obtain. My comment to him, just like my coaching to myself about my competitiveness, is that this approach might have been a tool or technique that was helpful to him when he was a teenager, but that it has no bearing on his success today; his actions create negativity and stress that is of no value, and continuing with his approach will likely have a harmful impact on his ability to be happy and continue to transform during the rest of his career.

With this introduction, let's move on to the topic of today's article, which is change management. Change is hard because: 1) why would you stop doing what has worked for you in the past; 2) we often see solutions to problems as requiring other people to change first; 3) we commonly allow superstitious beliefs to create fear around the results of a change we are contemplating making; and 4) we regularly conclude that, while the world is changing all around us and we see that change is coming right at us, and we recognize we will need to change in the future, we really don't think we need to do anything right now. And for this reason, the easiest timeframe for most people to adopt a change philosophy is around that window of time that is far enough away that we can openly agree to the need for change without having the requirement to do anything now to effectuate that change.

This is why change management is so difficult. You have to get someone or group to:

- recognize that change is needed,
- conclude that for the change to be effective, it has to start with them,
- believe that the risk of change is less than the risk of remaining the same,
- understand that now is the right time for the transformation to begin.

As I mentioned above, now let's dive into why change is so critical within our profession and for us and our professionals. When you think about our profession, we have experienced growth and exceptional success over the past few decades. We have grown from a profession predominantly delivering a few services – auditing, financial statement preparation and tax – to one where CPAs are in almost every role that touches a business, from the head of marketing to the CEO, from tax to financial planning, from financial statement preparation to actual or virtual CFO, from advisory work to strategic planning, from business valuator to merger specialist, from educator to visionary, etc. The odds are that for any important business role you can imagine, we likely have numerous CPAs in our profession leading those areas. What an amazing success story for our profession, which is not slowing down, but rather, speeding up.

Why is the pace of change continuing to speed up? It is due to a convergence of various factors that have been heading our way for a long time. Regardless of where you go, you will hear about the changes taking place in the fields of artificial intelligence (AI), virtual reality (VR), augmented reality (AR) and so much more. Technologies that we have been seeing deployed in science fiction movies for decades are starting to show up in the mainstream marketplace.

Many of you probably recently read the article on AR for the oil and gas industry citing Baker Hughes as deploying the Smart Helmet™ to allow a less-skilled technician to replace parts of a turbine at their petrochemical plant in Malaysia, saving around \$50,000 in travel expenses. Because they were able to bring the plant back online in about half the normal down time, they avoided billions of likely lost profits by connecting experts around the world real time seeing and solving the problem.

This is just the tip of the iceberg. Imagine four or five years from now asking your two-year experienced staff person who is connected to a CPA-equivalent smart helmet to handle complex tax returns that historically would have taken someone with decades of experience to handle. Or better yet, six to eight years from now, rather than that smart AR device being connected to some specialist somewhere in the world, that AR device is integrated with AI, allowing that same inexperienced staff person now to not only do this complex work, but to be trained while doing it.

Next, think about globalization. CPAs throughout the United States, whether they are in public practice or industry, are utilizing human capital from around the world to help them operate their organizations more efficiently, effectively and profitably. For example, today for a CPA firm, you can find staff in parts of the world ready to work, with as good or better skills than their counterparts doing the work in the United States, for roughly 20 cents on the dollar. And there are organizations starting to pop up everywhere that are making this connection to those resources easier and easier so that even small firms and businesses can leverage these resources.

It was comforting in the past for firms to lose a project and say, "Well, we proposed that project at such tight margins that the firm that won the bid will likely go out of business taking on work at those prices!" The problem is that you are probably still using that excuse right now, thinking your competition is pricing themselves out of business when they are actually making more money than you would have made had you gotten the job, because they are integrating a global labor force into their operations to manage the workload, cost and turnaround. (A global labor force has the added advantage of allowing firms to operate a 24-hour-a-day shop.)

Another force that is dramatically impacting the stage our profession is occupying is technology. I know, this sounds like a repeat of the first factor I covered. But it is not. In the first factor, I was discussing how technology will interact with humans to make more talented humans. However, now I am referring to technology as a replacement of the human effort. Here you have blockchain, smart contracts and so many other technologies that will simply do the work we are currently doing. Financial statements will be, as the trend has been, more and more prepared by automated transactions.

Tax returns, certainly the easier ones, will likely be generated by the IRS at some point, although there are many software companies effectively doing the same thing by giving away their software to do those simple returns now. Our bread and butter complex tax returns for the sophisticated taxpayers might still be around eight years from now, but the odds are that much

of that work will be done by technology, making what we can charge for that effort diminish over time.

Audit work is certainly not exempt from all of this, as more of the work verifying transactions will go away due to technologies like blockchain. As well, many complex transactions will be handled and reported through tools such as smart contracts.

Moving to yet another transformational factor that is impinging on our firms, taking a front-and-center position now that has been around for decades too, is the idea of living up to the role of being the Most Trusted Business Advisor (MTBA™). Our profession's Vision project, conducted around the turn of the century (yes, that does sound like a long, long time ago, partially because it was) and then reaffirmed in 2011 with the 2025 Horizon Project, clearly suggested the requirement for firms to shift to performing more of the advisory function in their work. This additional service will not only complement the technical work firms are already doing, but by coupling this commodity work with advisory services, they will make their overall services less price sensitive and add significant value at the same time.

Click on this link to watch a short video that describes why this change is so critical to make.

[Vision Project Summary](#)

As was just covered in the video, the knowledge and decision space is where our profession, both in public and in industry, needs to gravitate to and we need to start doing it now!! Why? Because we have the convergence of: 1) technology that can dramatically improve the human's capabilities, 2) the technology that is replacing the work the humans are now doing and 3) access to humans at a fraction of the price when we do utilize them, leaving us with the need to move up the value chain and finally grab the brass ring we have been talking about forever. That brass ring consists of actually living up to our profession's mantra of being our client's and employer's Most Trusted Business Advisor.

We have predicted our future! We have talked about our future! And we have procrastinated about the changes that need to be made to leverage the opportunities and avoid the hazards expected in our future! The great news is that while windows are closing all around us, doors are opening wide at the same time. Our profession has never had a brighter future. It is just a different one. Change management is the answer to help you position yourself and your firm for long-term success and sustainability.

We will pick up here in my next article as I talk about how firms will need to alter their thinking as to what best practices might look like near term to better position themselves for the future that is almost here NOW. As well, before this article series is complete, we will discuss simple change management strategies and approaches for you to put in place to propel the successful changes and transformations you and your organization desire to make.

Tomorrow's Leader

By August Aquila

Everything the firm does from this moment on flows from this decision, including the firm's strategy, reputation, ability to attract critical talent and how well it will execute its plans. Selecting the strongest rainmaker or the longest tenured partner, no matter how well liked, can quickly send the firm in the wrong direction if the candidate is underprepared or an inadequate leader.

After speaking with several managing partners from firms around the world, I have developed a list of leadership skills that will be required in the near future.

- 1. Taking Technology from the Back Room to the Front Room.** Firms have been successful in automating their back room operations. That, however, won't be enough to be successful in the future. Leaders will have to understand how to respond to clients in real time, maximize the firm's social media presence and use all the evolving online channels.
- 2. Valuing and Utilizing Diversity.** Future leaders will solve problems by utilizing the perspective that others bring because of their gender, nationality, race, etc. Leaders will have to embrace the richness of diversity that is sorely lacking today.
- 3. Becoming More Global.** Along with utilizing diversity, leaders will need to develop a greater cultural sensitivity, especially as globalization continues to shrink the world. This may require leaders to have enhanced language skills to enable cross-cultural relationship building, as well as a greater understanding of local laws and business arrangements.
- 4. Execution Skills.** While many firms today have a strategic plan, few are able to execute it with any degree of excellence. Future managing partners will need to craft a meaningful path forward and drive the plan's execution.
- 5. Growing Revenue.** Boosting revenue will certainly be a number one priority for every size firm. While firms may continue to merge, the real challenge will be to create new revenue streams from product sales and new service lines.
- 6. Redefining Risk Management.** While traditional risks will continue for audits and tax work, firms will have to be worried about cybersecurity, reputational risk and even perhaps vendor risks.
- 7. Leadership Skills.** New leadership models show that tomorrow's leaders will need to do four things very well – set the firm's direction, gain the partners' commitment, execute the plan and be the role model for the firm's values.
- 8. Build a Winning Team Around You.** Leaders will need to select the best people qualified to carry out the task. This may be a young partner or even someone who is not yet a partner. The days of having an executive committee comprised of "buddies" is over.
- 9. Practice ego management.** Be aware of your own biases, both conscious and unconscious. Leaders will also need to manage the egos of team members by rewarding collaboration.

About the Author: August Aquila is CEO of AQUILA Global Advisors, LLC, and consults with professional service firms in the U.S., Canada, England and India in the areas of strategic planning, partnership issues,

compensation design plans, and mergers and acquisitions. Reach him at aaquila@aquilaadvisors.com or 952-930-1295. For more information, see www.AquilaAdvisors.com.

Do You Want an Open Culture? Let Your Employees Share Their Thoughts

By Steven E. Sacks, CPA, CGMA, ABC

You are in a boardroom or a staff meeting room. The partner or someone else in charge has offered the opportunity for employees to make a suggestion or share an idea. Did you ever hear someone express what you thought was a ridiculous idea, which was followed by the sound of crickets? Furtive glances were all around. Breaths were held. There were no physical movements to suggest any type of reaction. Heads remained down and note taking was in actuality mindless doodling.

The idea, like an aroma or the sound of a chime, just hung in the air. No words served as an intervention. Like the proverbial elephant in the room, which parked itself comfortably in the corner ready to unleash a wail of despair, no one spoke up.

Then, of course, there was the opposite effect. Someone in a brainstorming session suggested an idea or course of action, and it was immediately shot down by one or more voices. It was not only summarily dismissed, but supplemented by an editorial rant. You can bet that the person who offered his/her idea will shut down and remain quiet for the rest of the meeting. In fact, there's a good chance that the person may never again contribute any thought in future meetings for fear of rejection, or worse, ridicule.

To remain silent in the course of important conversations is counterproductive at best and harmful at worst. But somehow this is the easy path taken in many organizations, because the issue(s) may concern growth, profitability, competition, branding or any other situation. Keeping mum eliminates negativity.

In today's competitive world, people are emotional; they are ready to strike at any moment if a position is taken that opposes their own. Deadlock can lead to complacency that further leads to paralysis.

What can organizations do to avoid this malady? The first thing is for their leaders to proactively and aggressively create environments that are safe: freedom from bias and confrontation. If confrontation is permitted (and maybe even encouraged), what was envisioned to be a think tank is now a battleground.

Employee silence should stop being confused with affirmation. Conversation, dialogue, and give and take are necessary. How these elements are handled will reliably predict how effective or not the organization will be going forward.

The Quiet is Deafening and Dangerous

Does disaster loom because employees go about their daily routines without interacting with others? Are silos and barriers the new normal? Is this a recipe for disaster? Of course, it is. Information sharing and bouncing ideas back and forth create an environment of creativity and greater work satisfaction, translating into success. Conversely, silence is a demotivator and a cultivator of disengagement. The leader must be aware of this and communicate the need for

“all hands on deck.” No idea is dismissed; no suggestion is given short shrift. Employees should feel safe to express their ideas, even if they are radical or counter to the prevailing thinking.

To be sure, when employees engage those in authority, there is an element of reticence. How will I be viewed? What will the boss think of me and will he/she be honest? Whether someone from the outside is needed to groom the organization for change (think chief innovation officer) or whether senior leadership takes it upon itself to encourage input, the ultimate goal is to strengthen departmental and individual relationships.

Some of the best ideas are served up when there is no feeling of potential retribution. Once an idea is acted on and the positive results achieved (not necessarily 100 percent perfect), the result will be more openness and the desire to automatically express views and recommendations.

Soliciting Feedback is Not Rocket Science

A dictatorial or authoritarian management style does not change overnight. It takes introspection followed by conversations. There are fundamental ways to have purposeful conversations. These are relevant for anyone at any organizational level.

1. Think About Your Own Style Before Judging the Style of Others. Have you examined how you come across in your interactions or do you first seek to blame others?

- As a boss, what value, if any, do you give to your relationship with your direct reports? Is your desire for them to succeed as strong as it is for yourself?
- Are you willing (and ready) to share credit with others for an idea that works?
- When someone comes to you with a new idea, are you thinking only about how it will help you or are you thinking about how it can be a joint win?
- Do you come across to others as open by your body language or do you evidence dismissiveness by a look or an expression – or evasiveness to a question?

2. Invite Someone in for a Conversation. Knock, knock. Come in. Encourage open conversations and reward employees for making suggestions, even if their ideas are not completely embraced. Seek their opinions and ask follow-on questions. Show a keen and sincere interest in what they have to say.

3. Build a Safe Environment. As I noted before, there needs to be openness in the work climate where ideas are shared freely without prejudgments. Be receptive to ideas and ensure that there would not be any fallout for suggestions. Give your people more credit to sense honesty and thoughtfulness to recommendations. The last thing you want to do is blow them off with an offhand comment that you will think about they said and get back to them. Don't make it sound like the "check's in the mail."

Give real thought to what was offered. Take the tact that your people are intelligent and committed to the organization's goals. Understand their motivation and as you continue to evaluate a suggestion, your preconceptions may diminish, superseded by more open-

mindedness. This may be a culture shock at first, but the more frequently this occurs, the more it becomes ingrained into the way you and the rest of the organization operates.

4. Remove the Cone of Silence. Make an honest and thorough effort to find out why your people are not communicative. Make this the first agenda item for the next organization-wide meeting. Open the floor for honest and compelling conversations. Ask about the type of situations that caused people to shut down in the past and what went through their minds during those times. Find out if any damage in the form of operational snafus, lost customers or increased absence resulted. Talk about new approaches for inviting feedback and what the expectations are. By openly talking about these issues, you are giving permission and encouragement to address topics that were previously viewed as private.

If you want a positive change in your organizational culture, then actively and regularly communicate your willingness to have open, two-way conversations with your employees. You are sure to see an increase in engagement, empowerment and motivation from them.

About the Author: Steven Sacks is the CEO of Solutions to Results, LLC, a consultancy that specializes in helping individuals, firms and organizations meet the challenges of communicating with clarity and purpose. Visit [hi](http://www.stevensacks.com)