

June 2012

*This electronic newsletter is prepared especially for public practitioners and is sent bimonthly to members of the **Puerto Rico Society of CPAs**. This e-newsletter features regular commentary from Bill Reeb, a CPA firm consultant based in Austin, Texas.*

From the BILLiverse

Bill Reeb, CPA continues the discussion about accountability. In this article, Bill takes a closer look at how the managing partner should approach the goal setting process with their partners/shareholders. Take a look.

[Read Reeb's Commentary](#)

How Do You Spot Future "Rock Stars" in Your Office

How do you spot hidden rock stars in your staff, and what do up-and-coming accounting professionals need to know to get ahead in this profession? Our newest contributor, Rick Telberg, president and CEO of *CPATrendlines.com*, discusses his findings from a recent panel discussion and *CPATrendlines.com* online survey. The following article shares insight and advice to hiring managers and job-seekers alike.

[Read the Article](#)

TSCPA Marketing Tip: Referral Source Marketing to Amp Up Business Development

"CPAs are increasingly spending more time on marketing and business development efforts. One of the best -and simplest - ways to keep your pipeline full is to conduct meetings with your referral sources on a regular basis," say Jennifer Wilson and Krista Remer. Take a look at the following *ConvergenceCoaching LLC* article about the benefits of referral relationships for your firm and how these relationships can build your business.

[Read the Article](#)

Protecting Your Laptop – and the Information in It

Laptops have improved accessibility and mobility from the workplace; however, with increased accessibility, comes an increase in responsibility to protect the device and the information in it. In the following article, Roman Kepczyk discusses four approaches that firms can take to prevent laptop theft and its impact.

[Learn More](#)

<http://xcentric.com/blog/protecting-your-laptop%e2%80%94-and-the-information-in-it>

Take the 2012 PCPS/TSCPA National MAP Survey

The 2012 National Management of an Accounting Practice (MAP) Survey, sponsored by the American Institute of CPAs Private Companies Practice Section (PCPS) and TSCPA, is now up and running. The biennial survey covers key practice management issues that allow your firm to compare its management policies and financial results to other firms. The survey is open now through mid-July. If you have any questions, contact Dianne Rollin at 800-428-0272, Ext. 219 or drollin@tscpa.net.

[Take the Survey](#)

<http://www8.intellisurvey.com/run/map2012screen>

[Learn More](#)

<https://www.tscpa.org/eweb/DynamicPage.aspx?webcode=NWSmapSurvey>

Five Ways to Make Your Company More Innovative

In a hypercompetitive global economy, creativity has never been more important for success. But how do you create a company that unleashes and capitalizes on innovation? For answers,

writers at the *HBS Alumni Bulletin* turned to five HBS faculty experts in culture, customers, creativity, marketing, and the DNA of innovators. What they have to say might surprise you.

[Read the Article](#)

<http://hbswk.hbs.edu/item/6982.html>

The Future is Now: XBRL Emerges as Career Niche

Students and employers say that knowledge of the data-tagging language provides an edge in the job market. This *Journal of Accountancy* article discusses the challenges and opportunities of XBRL (extensible business reporting language) and why you should have a staff member in the firm with this tagging language.

[Read the Article](#)

<http://journalofaccountancy.com/Issues/2012/Jun/20124962.htm>

Survey Highlights Most Common Mistakes Managers Make with Employees

According to an Accountemps survey, 41 percent of CFOs say that the mistake companies make most in managing their employees is a lack of communication between staff and management. Lack of recognition and praise follows; 28 percent of more than 1,400 CFOs from U.S. companies, with 20 or more employees said this was the second most common mistake.

[Read the Article](#)

<http://www.cgma.org/magazine/news/pages/20125615.aspx>

ACCOUNTABILITY FOR PERFORMANCE MANAGEMENT (COLUMN 4)

BY BILL REEB, CPA, CITP, CGMA

Now that we are in our fourth column regarding performance, given all that we have covered in the first three, it is time to pick up on how the managing partner should approach the goal setting process with his/her partners/shareholders.

As I mentioned at the end of my last column, with some negative comments about compensation committees, I now want to turn around those comments and positively focus them where they belong. It is the job of the managing partner to:

- Assess a partner's individual performance against customized goals which can be both quantitative and qualitative in nature;
- Meet with each partner at least quarterly (many do this bi-monthly or monthly) and assess each partner's progress against their goals; and
- Regularly coach partners in behavior and developmental transitions.

Therefore, it is logical, and we believe critical, that a reasonable amount (which means an amount perceived as a motivational amount) of performance pay be reserved for discretionary allocation solely by the managing partner based on partner goal accomplishment.

However, most firms are against doing this. There are two predominant reasons. The first and foremost is that someone in the past, usually a previous managing partner, had too much control

over owner compensation. And that power was perceived to be abused. For this reason, partner groups fight the idea of going back to a system that includes any discretionary components.

Please be aware that we are not advocating that the managing partner have control over all of the compensation. This would be an example of excess power for that position. We do believe, since the job of the managing partner is to manage the partners, that he/she should have some kind of compensation measurement to hold each partner accountable to their individualized goals.

The second reason most firms don't like this type of system is that partners simply don't want ANYONE telling them what to do. You might say it is the "So who died and crowned you King?" perspective. Most partners believe that since they have proven themselves over 10-20 years of performance before being named a partner, they have earned the right to do things their way and people need to trust the choices they are making are the best use of the resources of the firm.

The problem is ... this perspective is riddled with flaws. For example, while we would agree that partners generally prove themselves over long periods of time through their performance, during all of that time, someone or some group was managing them. So why, just because an individual is named a partner, should they move from a managed environment to one with total autonomy? That doesn't make sense. If we have 20 years of good performance being managed, why would we stop doing something that has been working so well? Another flaw is the idea that partners will make the best use of the resources of the firm. Our compensation systems prove that idea wrong all of the time. For example, assume that a partner compensation system focuses on the two most common variables for CPA firms; 1) book of business and 2) personal charge hours. Now consider that a partner has an opportunity to bring in new clients, although the work is at a marginal rate. This work, from the firm's perspective, will tie up scarce resources and provide minimal profitability, if any. From the perspective of the partner bringing in the work, he/she will have increased the size of his/her book of business, which is one of the two main performance metrics. Clearly, in this example, the partner would be motivated to accept work that is not in the best interest of the firm.

Another common scenario pertains to charge hours. If a partner is compensated for charge hours, he or she is being motivated to do a certain amount of chargeable work. Now consider that a partner has work queued up that he or she is about to do. In this case, let's also assume that one of the managers with plenty of excess capacity, who also has the skills to do that work, is sitting idle. When partners, in cases such as these, have not overachieved their charge hour goals, they will be motivated to do the work themselves in order to meet their performance requirements. So, instead of doing the right thing, in our view, of always passing down the work to the lowest possible levels to create leverage, and free up partner time, they will choose to misuse firm resources. The compensation system in this scenario is motivating the partners to make the wrong decision – to ignore idle resources and do the work themselves rather than passing the work down and freeing up time to do those tasks or functions that only partners can do.

The problem with using examples is that life isn't just black or white. So, it actually might be a good idea, in very specific circumstances, for a partner to bring in a deeply discounted project. And for many firms, survival rests on the partner group generating a certain amount of money. With every example, the odds are extremely high that we can give you a positive and negative consequence for any action. Therefore, the real message we are trying to convey is that often our own systems and processes provide counterproductive motivation and unintended consequences to the firm's overarching strategies and values. Which means ... we can't just rely on each partner making decisions in a vacuum as to what is the right thing for the firm. As past success and personal development continuously demonstrate, organizations operate more effectively when people are managed. Since partners are people, rather than Gods or Superheroes, it makes sense that we put something in place to manage them.

With this general background in mind, let's dive a little deeper into how a managing partner goal setting process might work.

First, the firm needs to identify a strategy. That strategy, based on the market conditions and the specific situation within the firm, might be strategic (long-term focused) or tactical (12-18 months focused). Regardless, the partner group needs to decide on where the firm needs to go to drill down to the next level. Notice we clearly said the partner group needs to determine strategy ... not the managing partner. While the managing partner can come to the strategic planning meeting with research, ideas, and even a draft of a plan, it is up to the partner group to determine direction. A managing partner setting direction is another example of someone wielding too much power. Now, if the managing partner is also the majority shareholder or owner in the firm, then as managing partner, while he/she shouldn't be permitted to determine the firm's strategy, as controlling shareholder, he/she can. So, situations like these muck up best practice discussions because in these cases, one person is filling two roles (what should be accomplished through the attainment of a majority vote of the partners versus reasonable managing partner powers and duties). The result is often excessive powers extended to the managing partner role which we have seen continue long after the managing partner has lost voting control.

The next step is to break down the firm's strategies into specific objectives for departments, committees/task forces, partners, etc. This is the managing partner's job; to operationalize the firm's strategy. I think it is important based on this last broad statement to digress a little bit. The managing partner does not dictate where to go, but needs to identify the logical steps to get there, as well as, identify how to utilize the various resources of the firm to make it happen. The controls the partner group has over the managing partner are the firm's budget, processes, policies and strategy. The partner group decides where to go, the powers and constraints for the managing partner to operate within, and the goals the managing partner will be held accountable to achieve. Then, the managing partner determines how to get there, operating within the boundaries established by the partner group. As you can see, there should be a nice separation of duties with some checks and balances. If the managing partner is deemed to be exercising greater autonomy than expected, then the partner group should create policy or process changes to generate additional boundaries (not step in and make decisions, but rather, put a framework in place for the managing partner to operate within). To be clear, anytime the partner group steps in to manage the day to day operations, they are in effect taking over the managing partner function, which no longer allows them to hold the managing partner accountable.

The hierarchy is simple. The managing partner is accountable to the entire partner group (or board). Each individual partner is accountable to the managing partner. Now, let's continue our dive into the managing partner operationalizing the strategy within the policies, process and budget set forth by the partner group. To keep this simple, let's say the firm has three strategies the partner group has mandated:

1. For every partner to spend quality time with their top clients on a routine basis.
2. To close the competency gaps between partners and managers by better developing the firm's managers.
3. To generate greater leverage for each partner so that they can manage more work and increase the bottom line.

These are examples of common goals set by firms today. So, where does the managing partner go from here?

To keep our example simple, the managing partner would create goals for each partner in each of these areas. Because all partners are different, not only in their aptitudes and attitudes, but also due to their specific job duties, current book of clients they manage, current skills of the people they work with, etc., the actual goals for each partner will differ. To be clear, while the goals of the firm are the same for everyone, how they are operationalized can dramatically differ from partner to partner.

As we coach our managing partners in this area, we suggest their first step should be to create a document that paints these three strategies with a broad brush perspective and then suggest some customized ideas they believe can help each partner play their part in achieving the firm's strategic plan. We call this first round "guidance." We want the managing partner to point each partner in the best direction for them to focus. For example, regarding the goal of "improving partner leverage," for a partner who has poor delegation skills, the managing partner might provide guidance like, "I would like you in the next 7 months to push down the responsibility of managing \$200,000 of your current workload to our managers John and Becky. Please put together a plan for how this can be accomplished, clients you plan on transitioning, timeframes for the transition, and how you suggest that I monitor this to make sure it happens."

This instruction might be followed with, "As this change is being made, estimate how much of your time will be freed up, as well as how you would like to use that excess time to either fulfill this goal or help you better accomplish one of your other two goals." The point we are trying to make is ... during the guidance phase, we are directing the partner where the managing partner would like to see change, but still giving the partner the ability to put together a plan that is comfortable. This also allows the partner to build expectations around efforts already being made but possibly being overlooked.

Consider this same goal now for a different partner who is already highly leveraged but with a number of marginal clients. The managing partner's direction might be totally different, like "Identify \$120,000 of the least profitable and least desirable work you manage and put together a plan the firm can do to change the overall profitability of this work. This could include raising fees, turning over client management of some clients to others, firing clients, developing missing skills needed to do the work economically, etc." This instruction might be followed with, "Please put together your plan to approach this, when I can expect the process to be complete

and how you suggest I monitor this to make sure it is done.” So, clearly, we have the same firm strategy, but when applied to each individual, the direction is customized to the particular strengths or weaknesses of each partner.

Following the “guidance” phase is the partner’s suggested approach or the “suggestion” phase. During this phase, the partner responds to the broad direction of the managing partner and puts together their recommended detailed approach for accomplishing that directive, while simultaneously suggesting metrics to be held accountable to, as well as monitoring steps to ensure that the managing partner is kept current of the partner’s actual performance.

The next round is the “discussion” phase. During this stage, the partner will sit with the managing partner and defend why his/her suggestions are reasonable, comprehensive, fair and in line with firm strategy. Often during this phase, because of the open dialogue, the managing partner gains new insight into the problems or issues as well as a better understanding of the effort being requested.

The final phase is the “directive” phase. This is when the managing partner, at his/her sole discretion, locks in a partner’s goals, their relative priority to each other (among the several goals identified for each partner), and the allocation of performance incentives towards each of those goals.

We will stop here and pick up our next column by walking through an example of the phases and conversations you might have to give for a better feel for the evolution of this process. Until then, start thinking about how you can implement this type of approach in your firm. If you have a specific goal you are trying to implement in conjunction with a partner situation, feel free to e-mail us at bill@successioninstitute.com and we just might put together our example using your situation. Thanks for the time you continue to give us!

How Do You Spot the Future ‘Rock Stars’ in Your Office?

Hint: It’s not about how smart they are or hard they work.

By Rick Telberg

How do you spot the hidden rock stars on your staff?

And what do up-and-coming tax, accounting and finance professionals need to know to get ahead in today’s profession?

These aren’t idle questions. Many firms and individuals are struggling with these issues right now. But don’t take it from me. Just listen to the decision-makers from a dozen firms I met with in a Milwaukee hotel recently. The mission: Learn how to deal with a looming new staff shortage. Some took away solid action plans. “Our firm,” said one, “is

trying to develop our rock stars and this showed me we need to be doing more.” Another said, “Excellent! It gave us the details and the ‘how-to.’”

Interestingly, the Milwaukee group’s conclusions and recommendations closely parallel our related research findings. So we can be fairly certain that we’ve obtained some of the profession’s favorite strategies.

You could probably adapt one of our methods for your firm. In Milwaukee, we divided the group into two teams, the Green Team and the Blue Team. After some preliminary coaching, each team hammered out a list of the top five talent indicators – the clues in an employee’s behaviors and attitudes that demonstrate the highest likelihood of the best ROI for a firm’s time, energy, and money in training, coaching and mentoring. Then the group filled several flip chart pages with their lists and hashed them out with each other. After identifying the key indicators, we moved on to identifying the best strategies for recruiting, grooming and retaining top talent.

By far, the top predictive indicator across all firms is the trait, “They are always trying to improve.” It comes in a few flavors or variations. For instance, the Green Team at the Milwaukee strategy meeting favored a passion for “continuous learning.” The Blue Team preferred, “They do ‘extra credit’ – things that the partners wouldn’t normally expect from someone at their level.” But they add up to the same thing.

In a CPA Trendlines online survey, Darrell Hillis at Hillis & Clark CPAs in Nashville might be thinking along the same lines when he tells us that, in his opinion, the single best predictive indicator is “Someone who enjoys their work and always looking for ways to learn.” Likewise, Anthony Aleta at WD Tax Services in Thousand Oaks, Calif., tells us he would look for “someone who regularly improves themselves, others around them and the firm as a whole.” Survey participants are eligible to receive free top-line findings. [Click here to join the survey; get the results.](#)

Based on the CPA Trendlines survey, it now seems clear that the five top talent predictive indicators are:

- 1. “They are always trying to improve.”**
- 2. “They understand the importance of bringing in new business.”**
- 3. “People listen to them.”**
- 4. “Clients say good things about them.”**
- 5. “They increasingly handle the relationship with the client.”**

These are good clues for hiring managers and job-seekers alike.

Among our panel of experts, Sandra Wiley, of Boomer Consulting and one of the profession’s leading performance management advisors tells us to look for employees who are “are constantly asking the question, ‘how can I get better, and can I try... (fill in the blank)?’” In addition, she says, they take “personal responsibility for their own career advancement.” Peyton Burch, an Arthur Andersen alum now at Intacct software, looks for one critical item: “Passion.”

Surprisingly, good grades and long hours may be essential to getting started in this business. But grades and hours fall to the bottom of the list for winning new opportunities and winning advancement.

“A high level of technical competency and a strong work ethic are givens and not differentiators,” says Joe Eckelkamp at The E&A CFO Group in St. Louis, and another one of our go-to people for expert advice. “You cannot succeed without them,” he says, adding, “But the ability to understand the importance of business relationships and to see opportunities where others see obstacles is what sets a person apart.”

Rick Telberg is president and CEO of CPA Trendlines, where additional findings and recommendations, customized by firm size, type and other key metrics, are available to Pro premium members. [Click here for a free trial membership \(cpaclick.com/free1205\)](https://cpaclick.com/free1205). CPA Trendlines survey participants are eligible to receive free top-line findings. [Join the survey; get the results \(cpaclick.com/ztalent\)](https://cpaclick.com/ztalent).

Referral Source Marketing to Amp Up Business Development

CPAs are increasingly spending more time on marketing and business development efforts. One of the best – and simplest - ways to keep your pipeline full is to conduct meetings with your referral sources on a regular basis.

Establishing mutually beneficial relationships with referral sources can be a win-win-win for you, the referral source, and the clients you jointly serve.

If you don't have the right referral relationships now, begin by identifying a local law firm that serves clients similar to your own. Go out on LinkedIn (www.linkedin.com) and identify the specialties of the partners within that firm. Once you've identified a partner who seems like a good potential match, invite them to schedule a phone call to learn more about each other's practices to see if there might be an opportunity to “collaborate.”

When you meet, share your ultimate goal to make recommendations to your clients who may require their services as well as serve as a reliable and trusted resource for the attorney's clients when appropriate. Other potential sources for referral relationships are investment bankers, business bankers, insurance agents, and other service professionals. Many times, these individuals are looking for a trusted CPA to recommend to their clients, and if you have reached out to them recently, you should be top of mind.

Although asking for these meetings can feel somewhat awkward at first, it will start to feel more natural the more practice you get. Local networking groups and online communities are also great places to find potential referral partners.

When you qualify your referral source prospects, consider learning:

- About the products and/or services they offer
- Their target client industries or niches
- The geographical area their organization covers
- How many clients they serve and an average client profile, including size
- How they would describe their organization's culture
- Their philosophy toward client management
- Who they are currently aligned with in terms of referral relationships
- How they prefer to approach managing shared client relationships with an alliance partner, including revenue sharing, communications, etc.

Keep in mind that you may need to meet with several potential referral sources before you find a resource you can trust and feel comfortable referring. If it doesn't feel right or you wouldn't feel confident referring your clients to the prospective source, simply thank them for their time and move on to other sources until you do find the right fit.

Referral sources are long-term relationships where mutual respect and trust are present. These deeper relationships, which usually become business friendships, take time to develop, so you should plan to meet with referral source potentials regularly and over time before expecting them to refer clients to you. You only need a few real referral sources to really generate opportunities, so be particular about who you choose to partner with.

If you already have some strong referral sources you haven't met for awhile, it is important to schedule regular meetings, perhaps as often as quarterly, to make the most of the relationships.

Meeting with one referral source per week for lunch will give you an opportunity to strengthen your relationships with your referral partners, uncover potential new business, and break up the week by getting away for some proactive relationship building. Track your referral source meetings and outcomes to help you identify where you should be investing more (in the productive relationships) and where you may need to develop new referral sources (when others are not progressing). Feel free to download our Referral Source Tracking Grid [here](#).

Don't forget that referral source meetings are also an opportunity to teach your people and "succession plan" by developing rapport between your younger people and the next generation within your referral sources' organizations. Invite one of your team members to lunch and ask your referral source to do the same to make an introduction, teach them what happens in those meetings, and begin building new relationships so the alliance between your two organizations continues into the future.

When you proactively seek the most beneficial referral relationships for your firm and then nurture them with regular follow-up, you will build your business and be able to better serve your clients!

Jennifer Wilson is a partner and co-founder and Krista Remer is a consultant of ConvergenceCoaching, LLC, a leadership and marketing consulting and coaching firm that specializes in helping leaders achieve success. Learn more about the company and its services at www.convergencecoaching.com.