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*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**

In this series, Bill Reeb, CPA, explores the job of the managing partner. In the third column, Reeb discusses the electing and dismissing processes of the managing partner. He also offers insight into determining the length of the term and advises how much notice should be required when a managing partner decides to step down.
Read Reeb's Commentary

**Take the 2014 PCPS/TSCPA National MAP Survey**

The 2014 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 will allow your firm to compare its management policies and financial results to other firms. The survey is open now through July 31. If you have any questions, contact Dianne Rollin at 800-428-0272, Ext. 219 or drollin@tscpa.net.
Take the Survey
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**CPA Talent Management: Who Gets Promoted and Why?**

Tax, accounting and finance professionals don't agree on everything. But they do seem to agree on the key traits needed to succeed in the profession, according to a new *CPA Trendlines* multi-year study. Rick Telberg explores the survey's findings in the following article.
Learn More

**Marketing Tip: Defining your Ideal Target Client**

Now that busy season is behind us, many firms focus on business development initiatives during this time of year. Convergence Coaching LLC has identified seven rainmaking realms and Brianna Marth advises firms to focus business development efforts on those seven areas. Marth encourages firms to first identify your ideal target client and work from there. This article explores the necessary steps for identifying the ideal target.
Take a look

**Reduce your Nonproductive Time**

A three-year study on productivity among knowledge workers uncovered that these workers spend a great deal of their time - an average of 41 percent - on discretionary activities that offer little personal satisfaction and could be handled competently by others. Many of us can agree that we are not as productive as we could be, and author Rita Keller advises, "To be more productive, we need to rid ourselves of unimportant tasks and replace them with valuable ones." In this article, Keller discusses ways to identify which tasks should be classified as productive and nonproductive. She also shares a recommended course of action to determine how to deal with the nonproductive tasks. Take a look. Her advice might increase your firm's productivity!

Read the article

**Raising Rainmakers**

This *Journal of Accountancy* article discusses the challenges of new business development and provides a list of strategies for CPAs to consider when developing their rainmaking skills. Take a look at some of the strategies and skills firms should be looking for in young CPAs.

Read the Article

http://journalofaccountancy.com/Issues/2014/May/20138670.htm

**Considerations when Working with an Aging Client Base**

CPAs might notice a change in behavior with their older clients. The client may forget a name or misplace a bank statement. The CPA may notice changes in client behavior or personality. Diminished mental capacity, whether caused by Alzheimer's disease, another form of dementia, or something else, is a complex issue. CPAs should be cognizant of the professional liability risks that may exist when working with aging clients.

Read the Article

http://www.journalofaccountancy.com/Issues/2014/Jun/20149801

**How to Start a Cloud Accounting Practice**

With today's cloud accounting platforms, you are able to offer services in new and innovative ways. Many of the typical accounting data entry tasks are now automated, allowing you to be more creative in the accounting services you offer. Don't be intimidated by the jargon. Check out this article, which offers key pointers for setting up a practice in the cloud.

Learn More

http://www.accountingweb.com/article/how-start-cloud-accounting-practice/223345

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## THE JOB OF THE MANAGING PARTNER – PART 3

**BY BILL REEB, CPA, CITP, CGMA**

As you may remember from my first and second columns on the job of the managing partner – we covered:

- Managing partner definition, considerations and roles and responsibilities
- Roles and responsibilities of the board of partners versus that of the managing partner
- Generic partner group roles and responsibilities (or partner board)
- Why the managing partner is the one charged with implementation and accountability
- The role the compensation committee might play in accountability

In this column, we will pick up this discussion by covering the managing partner election and firing processes.

### ELECTING, THE TERM AND DISMISSING THE MANAGING PARTNER

**Electing**

Often, firms elect a managing partner with a majority vote, but to dismiss a managing partner within their elected term requires a higher vote, commonly two-thirds of the equity vote. In some larger firms, the people running for managing partner might not be eligible to vote in this process, but in many others, everyone can vote. The reason why everyone should be allowed to vote is simply that the smaller the firm, the more likely that removing the candidates being considered for the position puts too much control in the minority ownership of the firm. For example, consider the following six-partner firm scenario:

- Partner 1: 30% ownership
- Partner 2: 30% ownership
- Partner 3: 10% ownership
- Partner 4: 10% ownership
- Partner 5: 10% ownership
- Partner 6: 10% ownership

In this situation, if partners 1 and 2 were being considered for the managing partner position and neither could vote, even if all of the partners voted for the same person, a 40 percent minority vote would control who was elected as the managing partner. For that reason, when voting is taking place, we suggest creating a two-tier hurdle process for a vote to be valid. The first hurdle is that those allowed to vote have to meet the minimum threshold. So if the threshold to elect a managing partner is a majority vote, since the four partners voting in our scenario above are the only partners eligible to vote (because there is a policy that does not allow those being considered for the position as eligible to vote), then with all four partners electing the same person, they certainly meet the majority vote threshold as they voted 100 percent for the same person. Therefore, they met the first hurdle for voting. The second hurdle that we suggest would invalidate this vote because we believe that for any decision to be made, the actual votes cast have to minimally tally to at least a majority of the total equity interest votes of the firm. In this case, all four 10 percent owners only represent 40 percent of the total votes of the firm, so they do not meet this threshold. Therefore, it would be an invalid vote, and why many smaller firms allow everyone to vote or they might not ever be able to meet the second threshold. There are many scenarios where our two-tiered voting hurdle becomes a great sanity check, as a firm might achieve a vote of 66 2/3 on one level, and still be valid because that group also represents over a majority of the overall firm equity. But even more important, it creates a check-and-balance that partners can't manipulate the voting process by putting up multiple large equity owners for positions just so a minority interest can control the final results. We have seen a lot of situations where you, the reader, would say, "Oh, come on … that doesn't happen!" Just for the sake of transparency here, we would like to rebut that "Oh, yes it does!"

**The Term**

Next, let's talk about the term of the managing partner. We recommend a five-year term with no limit on how many terms a managing partner can hold. There are a number of reasons for this, and following are those that we feel are the most critical to consider:

- There is a belief in many firms that any partner can step into the role of managing partner and be just as good as the next partner. That is a myth. While we believe anyone can be a good managing partner, they need to be willing to take on the job and learn to do it well.

For some, it will come more naturally, but managing people, partners and implementation of change are all skills that are required and can be learned. The problem with the belief that anyone can be an equally good managing partner is that most partners, when considering their current skill set, are not:

- suited to lead and motivate people;
- willing to handle conflict as necessary;
- comfortable holding people accountable;
- talented at managing and developing people;
- good at implementation; or
- skilled at gaining consensus and support for change, just to name a few.

- The myth above (about any partner being able to be a good managing partner) would support the ridiculous idea that a firm should rotate the managing partner job every year or two. Just so you know, if this is a serious recommendation within your organization, it is only because the managing partner role is deemed to be one of administration only and it is being rotated to equally punish all partners since it is perceived as a necessary burden rather than a function critical to the firm's improvement and future success.

- Many change initiatives take at least three years to implement, whether they involve an internal change in the way all of the partners manage the tax workflow process, or implementing a new compensation system, etc. Reelecting the managing partner any less than every three years destines the firm to be ineffective in making significant changes.

- Most people who take on the role of managing partner don't get into a rhythm of doing it well for at least two years. It also takes time to shift client load to free up that partner to do the job, and then it takes time for the managing partner to become effective and efficient at doing many of the new tasks assigned to that role.

Therefore, with all of this in mind, we believe that a five-year term is the right place to start. If someone does a good job, they should certainly be re-electable. And when the current managing partner stops doing a good job, then elect someone else. Five years is a good number because it allows the managing partner to be in the job long enough to learn how to do it well and implement significant changes, but not so long that if that person starts to lose interest in doing the job or stops putting the firm first, you have a naturally reoccurring election cycle to easily resolve that problem.

### Firing the Managing Partner

The above discussion leads us to the question, "Even if we re-elect the managing partner every five years, how do we handle the situation when the managing partner is either not doing the job he/she has been elected to do, or doing the job too poorly to keep it?" The answer is to fire the current managing partner and hire a new one. However, this process is a little more complicated than it first appears. The reason is that if you don't address this issue properly, you will likely never get anyone to be effective in filling the managing partner role in the first place, because you did not address how you were going to make them whole again if they wanted to step down or you decided to remove them. Without this information, human nature will normally drive anyone filling that role to protect themselves first (e.g., not being willing to shift their book, or not fully committing to the job). Without a firm's full commitment to the managing partner when taking the job, then the person filling the managing partner role will likely only partially commit to doing it – holding on to much of their old line-partner role – just in case they need to quickly step back into it since they never fully left that old job in the first place.

Because of the substantial administrative role and duties of the managing partner and the natural shifting of client service responsibilities to other partners that is required during his/her term, should the managing partner step down, voluntarily or involuntarily, the firm needs to commit upfront to transition him/her back to a line partner position with a work-load, client-load and compensation package comparable to that of other line partners of similar seniority or ownership. There are a number of ways to accomplish this, so any variation to achieve this task is good enough. The simplest way is to transition them back is to put the stepped-down managing partner in a similar compensation position (proportionally adjusted given changes in the business) as he/she was before the acceptance of the managing partner position. Or leave the ex-managing partner at a similar pay level until the line-partner workload can be fully adjusted and implemented to make that person whole.

The simple strategy here is to put the ex-managing partner in a position comparable to where he/she would have been had the managing partner position never been accepted and that person had continued to be a line partner during that interim. The fact is that when that line partner accepted the managing partner position, he/she took a risk to transition from doing work he/she was already performing well to take on something the firm felt he/she could do that would be more important. So, while the managing partner should not be entitled to a windfall for stepping down, he/she certainly should be made whole when it is time to step down. Once the adjustment is complete, the ex-managing partner should be evaluated and compensated based on his/her contribution, either up or down, just as any other line partner would be.

**Notice required when the Retiring Partner is also the Managing Partner**

When the retiring partner is also the managing partner, three years' notice should be required instead of the traditional two years' notice because of the additional time required to transition this important role. Once three years' notice is given by the retiring managing partner, upon that notice (three years out from retirement), a new managing partner should be elected by the firm. Because the managing partner is retiring rather than being removed, the first year of this three-year period is the managing partner role transition period. During this year, the retiring managing partner will still fill the role of managing partner and the newly elected managing partner will use this period to become acclimated to the duties of the job. At the end of the first year, the newly elected managing partner will become the managing partner of the firm, and the retiring managing partner will step aside and begin transitioning all of his/her other duties and client responsibilities.

During the final two-year transition period of the retiring managing partner, the newly elected managing partner will be responsible for determining the necessary transition activities required by the retiring managing partner, as well as updating him or her as to progress regarding plan achievement, and for the final determination right before retirement to be presented to the board as a summary of successes and failures of that transition plan.

In our final column on this topic, we will pick up with compensating the managing partner as well as addressing a few other issues relative to this topic.

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**Defining Your Ideal Target Client**

Most accounting firms are entering the period of proactivity when we can focus on business development initiatives and activities that will benefit our firm. We recently held a web seminar on ***Seven Rainmaking Realms to Drive Growth This Summer*** where we defined seven realms where practitioners can focus their business development efforts – from "easiest" to most advanced. Participants were encouraged to choose business development activities they'd commit to undertake to help them achieve their business development goals.


The seven rainmaking realms start with identifying and defining your firm's ideal target and end with the outermost realm of owning a presence in your community as a thought leader. So often we jump into personal marketing activities without taking the first step – defining the strategy of the ideal target client we're interested in sourcing and serving. When we miss this important step, the business development process becomes **scattered instead of strategic**, and we risk generating non-ideal business for ourselves and the firm.

**When you start by defining your ideal target client, you focus your efforts and your scarce resources on opportunities that will most benefit your firm**. You will close better client projects and be able to say no to the less-than-ideal clients that drain your people or your profits. It also helps internally. When you have a firm-wide understanding and agreement upon targeted client types, your people have clarity in the firm's vision and goals for future business. As you sell strategically in your "sweet spot" you'll end up with clients whom your people truly enjoy serving, reinforcing motivation and energy.

Each industry group and service line should define their ideal target client. This ideal target client will be very specific to its niche or service line and you will possibly need to define several ideal target client types to meet your firm's various service lines and industry specialties. The ideal target client defining process should focus on segments where you project the most success and be defined by **client or engagement size, type of entity, industry or sub-industry, needs, location, and psychographic factors**. Psychographic factors like culture and ownership structure matter because your firm's working style and culture should be compatible with your clients.

Find out your firm's already defined ideal targets. When it comes down to it, you may realize that the definition is vague, it's changed since it was first determined, or a definition never existed at all. Once you determine where you stand, you can begin to formulate a defined target client type and description. To do this, consider your current successful clients within each service line and industry you're focusing on and identify their traits related to the various segments mentioned previously. This allows you to determine if there are common success factors to consider for future clients. **The definition of your ideal target client should be as specific as possible**.

Document your ideal target client definition on paper. Be sure to share your definition with your firm as well as with referral sources and existing clients so that your network understands your ideal targets and can refer "A" opportunities to you when the opportunity arises. By identifying your ideal target client and selling strategically to those target accounts, you can proceed toward the other six rainmaking realms with a vision in mind to help **your firm attract higher quality client projects, lessen the time spent on not-so-ideal clients, and improve the enjoyment for your people**.

*Brianna Marth is the sales and marketing coordinator and Jennifer Wilson is co-founder and partner 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.*

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**Reduce Your Non-Productive Time**
*By Rita Keller*

You have probably heard this line from many of us consulting-types: *"Inside CPA firms, partners are doing manager work, managers are doing senior work and seniors are looking for work."*

In addition to clinging to work that is below their skill level, I believe that in accounting firms with 20 people or more, a professional firm administrator can save the managing partner (and the other partners sharing administrative duties) a significant number of hours each week. If you want to learn more about how much money a firm administrator can save your firm, read my blog post of May 13, 2014.

Most of us have a long list of answers as to why we are not as productive as we could be. There is a simple answer. To be more productive we need to rid ourselves of unimportant tasks and replace them with valuable ones.

As noted in an article in HBR, Julian Birkinshaw, professor of strategy and entrepreneurship at London Business School and Jordan Cohen, a productivity expert at PA Consulting Group spent three years studying how knowledge workers can become more productive. They found that the answer is simple: Eliminate or delegate unimportant tasks and replace them with value-added ones. Their research indicates that knowledge workers spend a great deal of their time – an average of 41% - on discretionary activities that offer little personal satisfaction and could be handled competently by others.

If you examine the activities inside your CPA firm I bet you can identify a significant percentage of tasks that can be handled by someone with a much lower billing rate.

In addition to the under-delegation challenge, inside CPA firms, leaders often attend too many meetings that are unproductive, tedious and result in no documented actions, little accountability and few decisions.

What can you do? First of all, take the time to identify low-value tasks by looking at your daily activities and decide which ones are: a) not that important to either you or the firm and b) relatively easy to drop, delegate or outsource. You should find up to 10 hours of time per week.

I always urge my clients, at the minimum, to take time to simply contemplate what goes on inside their firm that could be categorized as non-productive time. According to the latest Rosenberg Survey, utilization in a $2-$10M firm is 53.5%. Yes, you have a lot of non-billable duties to perform. But, most firms have a non-billable service code titled, "Other Administrative" or something similar that seems to accumulate a great deal of hours that no one can explain or describe.

Consider what the two researchers recommend. Sort the low-value tasks into three categories:

1. *Quick kills (things you can stop doing now with no negative effects),*
2. *Off-load opportunities (tasks that can be delegated with minimal effort)*
3. *Long-term redesign (work that needs to be restructured or overhauled).*

The participants in the study found that this step forced them to reflect carefully on their real contributions to their organizations.

My recommended Action Steps:

- Be sure to follow the link included above and read the entire article.
- If you are a partner with ANY administrative duties, identify what you can give to the firm administrator.
- If you are a partner doing manager work – step out of your comfort zone and delegate.
- Same thing for managers – delegate.
- If you are a senior or below - - - ASK for more work and responsibility.
- All CPAs - - ask yourself each time you begin a task you have performed many times, "Can someone with less experience do this?"
- Firm administrators, are you doing things that no one really cares about or even looks at? If so, stop. Then wait and see if anyone ever inquires about the task.
- Have a roundtable Lunch & Learn and have your team make lists of time-wasters inside the firm – they are the ones who really know the answer.

*"Your time is limited, so don't waste it living someone else's life. Don't be trapped by dogma – which is living with the results of other people's thinking. Don't let the noise of others' opinions drown out your own inner voice. And most important, have the courage to follow your heart and intuition. - - Steve Jobs.*

**About the author:** Rita Keller is the Founder and President of Keller Advisors, LLC, Co-Founder of SurveyCPA, and a widely respected voice to CPA firm management. Through her presentations and workshops, she interacts with thousands of accountants annually. Named as one of the Top 100 Most Influential People in Accounting, she acts as an advisor and management resource to CPA firm leaders across the country. She can be reached at *rkeller@ritakeller.com*.

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# CPA Talent Management: Who Gets Promoted and Why

*By Rick Telberg*

CPA Trendlines

Tax, accounting and finance professionals don't agree on everything. But they do seem to agree on the key traits needed to succeed in the profession, according to a new CPA Trendlines multi-year study.

The survey of more than 1,600 practicing professionals spanning 2012 and 2014 shows some 90% agreeing that a personal lifelong dedication to technical and professional education and to personal and inter-personal improvement may be the best indicators of future success. In fact, about 47% of respondents say the habit of "always trying to improve" is "always" a reliable indicator, more than any other of the more than two dozen possible choices.

The top five talent indicators, according to the CPA Trendlines respondents, are:

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

In the survey, *"Talent Strategies: How the Accounting Profession to Identifies and Develops Professionals for Management and Leadership Responsibilities,"* we asked how to best identify and develop leadership potential.

Our first concern was, "What's the *most important* thing to look for in spotting staff with partner or top executive potential?" As usual, accountants had a lot to say.

"I have been seriously thinking of this lately," said Patty Scott of PS Tax Specialist, LLC in Arlington, Texas. "I have asked several professionals, and I summarize it up to: people have to want to learn, want to do the work correctly, care about the clients, invest of their own time on their own and not be lazy. The main thing I keep coming up with is that they have to want to do it; the rest all falls in place if they want it and they're good at it."

William Murphy of Murphy Financial Group PC in Carmel, Ind., said an employee who understands value is, well, valuable: "A good ethical compass on how to succeed and bring value to the table in every assignment. They are not looking at 'why' but 'how' to get the assignment done. Client satisfaction is always at the top of the list."

Also important, he added, is "a healthy curiosity in taking the problem apart and then building it back better. If they get frustrated in solving a Rubik's cube assignment … give them a pass."

A willingness to learn came up often, in different forms.

"I think the desire to constantly improve oneself. In our industry you cannot rest on your laurels and think you will continue to be successful," said Garrett Surles, senior accountant with Memphis-based Fouts & Morgan CPAs, P.C.

"An ability to learn, adapt, interact successfully with peers and clients" was cited by Christopher Morrow of Forbes Todd Group, and Balu Narayan of Pipalia Singhal & Associates suggested "ability to look beyond the usual; ability to spot trends; look for long-term indicators rather than short-term facts."

Beth Symons of Symons Accountancy in Galt, Calif., cautioned that guidance must be part of the process. "Potential candidates do not know what is needed and need instruction about what to do and sometimes how to do."

Accountability also was cited.

"They take ownership in all areas – their career path, their work product and their relationship with the firm and clients," said David R. Brady, partner in Oklahoma City's Luton & Co. PLLC.

"They treat things that happen in my firm like they are already partners," added Jo Barsa, owner and CEO of Barsa & Company, CPAs in San Diego. "They have the ability to effectively handle stress, deadlines and difficult clients.  They show initiative and realize that they are responsible for their own success, and do not blame their failures on others.  They have an 'I can do anything I set my mind to' attitude."

“People listen to them,” said John Greenling of Katz Ferraro McMurtry, PC in Pittsburgh. “Other people follow their lead. The technical skills are obtained over time, but the soft skills, such as leadership, are tough to develop. The ability for a staff to come in and have their peers follow their lead is a clear sign of someone who has partner potential.”

But once accounting firms and finance departments have identified what seem to be the most reliable indicators of future success, how do they nurture and develop those traits into a professional with superior management and leadership skills? That was our second question.

It may sound harsh to the uninitiated, but the most common way for firms to turn talented staffers into future managers and leaders is to make their lives a little more difficult, according to the CPA Trendlines study.

The survey shows that the most often-used method for developing staff into managers – and potentially partners – starts with “giving them challenging assignments.” In fact, 66% of the accountants in the survey say that their firms “mostly” or “always” turn to the challenge method.

That’s followed by 54% who “encourage” staffers “to explore new technologies and new ways of doing things.”

In third place, 49% say their firms use the “let them make mistakes” strategy.

Top five talent management strategies in use today, according to the CPA Trendlines survey, are:

1. “Give them challenging assignments.”
2. “Encourage them to explore new technologies and new ways of doing things.”
3. “Let them make mistakes.”
4. “Get them involved with client consulting.”
5. “We encourage staff to pursue specialties.”

But CPA Trendlines followers didn’t stop there. In open-ended comments, they suggested a wide range of approaches to bringing out the best in budding accountant talent.

“Provide an environment that encourages, allows and demands that they discover the best abilities within themselves,” said Eric Young in Norcross, Ga.

“Give them the ability to connect with client and at a meaningful level,” added David R. Brady, partner in Luton & Co. PLLC in Oklahoma City.

And then? “Once they have proved their competence, allow them autonomy,” suggested Fred Chapman in Atlantic Beach, N.C.

“Give them the opportunities to become one!” said Joshua, who said only that he worked for a firm of more than 500 people. “And mold them into the person that you would have liked to be. Don’t stifle them to finish out your career on a high note – transition the business so its growth can fund your retirement lifestyle.”

Several readers pointed to the type of work given as a key motivator.

“Find out what excites them and have them focus on developing those areas,” said Jo Barsa, owner and CEO of Barsa & Company, CPAs in San Diego. “Give them opportunities to observe existing partner behavior in a variety of situations. Encourage them to ask questions.”

Garrett Surles, senior accountant with Fouts & Morgan CPAs, P.C.in Memphis, echoed her thoughts. “Continue to challenge them on difficult work, but in fields that interest them to keep them focused. Be very open with communication on how to move up in the firm and what that might mean to them professionally and with regards to potential compensation, etc.”

Scott Burk of Burk & Company LLC, a solo practitioner who said he used to work for Andersen, offered what could be cautionary advice. “Identify the best technically astute clients,” he said. “Reward hard work, billable hours, etc., and not flaky specialties, such as SALT, sales tax, wealth management, etc. Reward the aggressive go getters.”

“Involvement from the top down,” said John Greenling of Katz Ferraro McMurtry, PC in Pittsburgh, and not just on billable projects. “Some of the most rewarding moments in my career were non-billable projects that were assigned to me from a partner. When partners pull various staff into non-billable developmental projects it shows that they are important aspect of the firm.”

> *Rick Telberg is president and CEO of CPA Trendlines, at cpatrendlines.com, a research and advisory service that helps accountants grow their practices and advance their careers. The questionnaire for “Talent Strategies: How the Accounting Profession to Identifies and Develops Professionals for Management and Leadership Responsibilities” remains open.* Join the survey; get additional results.