

# Succession—Building the Team of the Future

By  
Robert J. Gallagher

Robert Gallagher discusses how improving training and productivity will effectively help firms develop and retain outstanding professional talent.

Every firm has a life! When patients visit their doctors for their annual physicals, they receive their report card and listen to their doctors prescribe medication or provide other salient advice to improve their health. Likewise, CPA firms have to consistently monitor the health and well being of their firms. The longevity and health of a firm depends on many factors; however, the most important is the continued development of outstanding professionals to build a team for their future. An equation for firm health and success is illustrated in Chart 1.

Chart 1

MP + MP + MP = MP
Managing People
+ Managing Productivity
+ Managing Performance
= Managing Profitability
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Each CPA firm must decide on its "Purpose." For example, one may wish to be a sole practitioner, make a good living and have no interest in "building a large firm." Another group of partners may decide that they would like to become a "regional firm" and control their own destiny. And yet another group of partners may de-

cide that they would like to grow their firm to a certain volume and then merge with another firm. However, regardless of a firm's purpose and vision, the key to extending its life is to recruit, develop and retain an outstanding team of professionals.

When a firm addresses the succession topic, there are two primary issues: replacing the firm founder and/or the managing partner and reassigning the client base to other partners. Whether the firm is identifying the future leader or the new partner assigned to serve the client, succession is all about developing the future team. The ingredients to building a successful team include the area shown in Chart 2.

Your firm's culture must stress the development of outstanding professionals, and actions must support every aspect of the developmental process. While it is true that larger firms have the resources to accomplish these objectives, smaller firms should also budget investment dollars

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**Chart 2**  
**The Ingredients to Building a Successful Team**

- An Effective Human Resource Management Program
- An Effective Orientation Program
- A Coaching and Mentoring Program
- A Staff Training Curriculum
- A Management Development and Leadership Curriculum
- Create a Leadership and Marketing Library
- A Program for Partners and Managers to Enhance Their Emotional Intelligence and Become More Effective Leaders
- Embracing the Attributes to Climb the Steps to Partnership

for enhancing the development of their teams.

The opportunities for CPA firms are tremendous, but the shortage of skilled professionals is still acute and likely to continue to be so for the next several years. Positions in finance and industry will also tug at the available supply of CPAs. It is essential, therefore, that CPA firms retain skilled staff members.

We all know the feeling when outstanding professionals with years of experience walk into our office and close the door behind them. We are fairly certain we know what they are going to say. They have been offered another position, either with another CPA firm or in industry, at a substantial

increase in salary. It is an all-too-familiar story.

The concept of loyalty is also not what it used to be, either. Young people have seen their parents made redundant by companies at which they have spent their entire careers. Many, consequently, decide that being loyal to a firm is not worth it if opportunities seem better elsewhere. Some of the reasons staff members give for leaving public accounting to go into industry are poor supervision and training they have received, long hours because of inadequate staffing, unfulfilling assignments, a desire to receive recognition for a job well done and a need generally to work in a more positive environment.

However, those professionals with two to five years experience who are happy with their progress in their current position will generally not be in the market for a new position.

Work has always been pushed down to lower levels as more senior people leave a firm, but the demands made on staff with less than three years experience are greater now than ever before. Now, we expect three-year professionals who are still struggling to become technically competent to realize 1,700 chargeable hours, manage engagements and other staff and market services. Therefore, each firm needs to allocate additional

training time for the less-experienced professionals to learn how to manage people and engagements.

By their third year, staff accountants generally are ready for new challenges. Through regular mentoring sessions, you can find out if people are happy, if they are learning and working with outstanding professionals, as well as if they want to continue to stay with the firm.

Effective efforts at staff retention would include programs to improve professional training and productivity, and give greater advancement opportunities to staff members. One way to keep professionals in public accounting, and in your firm, is to implement a self-development program, one aspect of which should involve staff enrollment in Dale Carnegie courses and joining Toastmaster Clubs to help build individual self-esteem and improve public speaking skills. Also, time management programs and technology training can help engagement efficiency and let staff know that the firm is keeping up with the latest technological hardware and software.

You might also consider staffing alternatives such as internship programs and hiring paraprofessionals and part-time employees to absorb some of the duties presently being handled by full-time professionals.

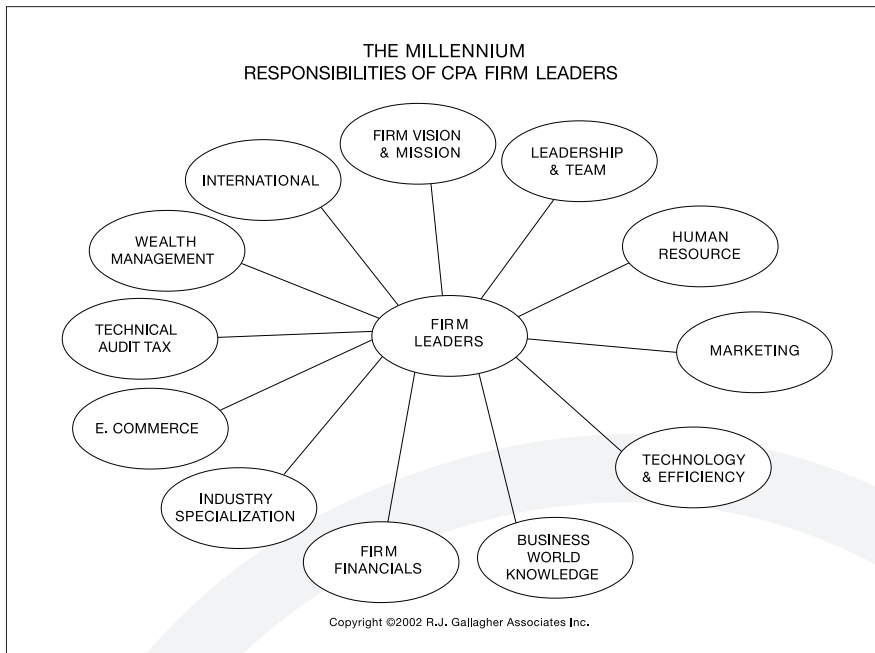
Some other practices that can help in retaining staff are implementing career-path programs, setting up training and educational game plans and reviewing the job environment and quality of work life in the firm. Open communication is a must, and each firm should have periodic retreat days so that salient issues can be discussed.

Each firm will need to increase their training budget to provide for

**Chart 3**

Generally Why People Stay	Generally Why People Leave
Job Satisfaction Challenging Work Effectively Building Relationships with Clients Freedom and Autonomy  Continued Professional Development Open and Flexible Climate Satisfactory Relationship with Boss Recognition for Success	Job Frustration Non-Challenging Work Micro-Managed with Clients Less Freedom; Supervised, Little Autonomy Lack of Professional Development Lack of Flexibility in Work Climate Poor Relationship with Boss Lack of Recognition
Source: Dr. Rex Gatto, MENTORING FOR CPAs	

Exhibit 1



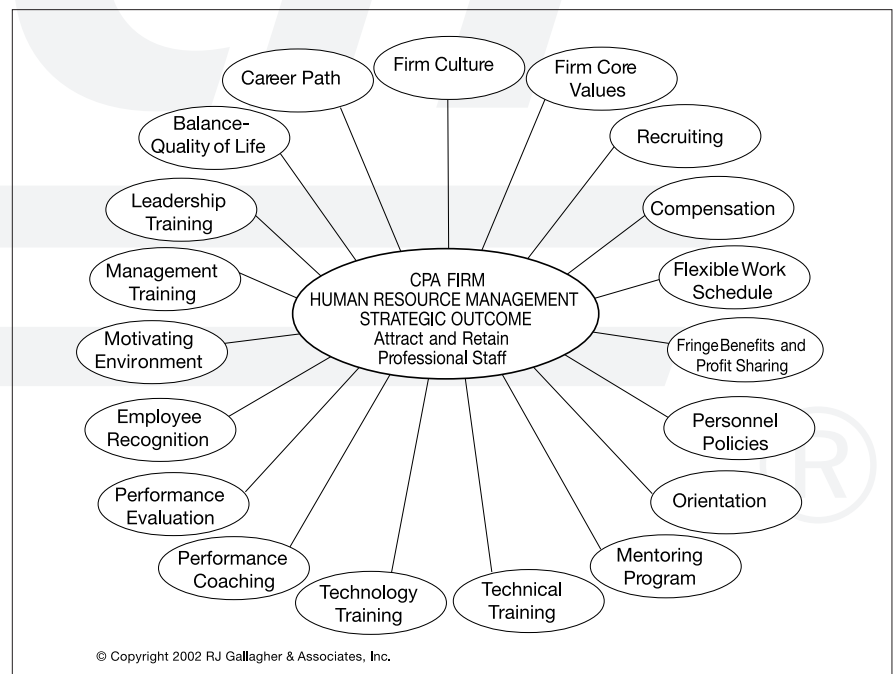
management and leadership development training for their supervisors and partners.

If your firm is to achieve desired results, you must receive the cooperation of staff. You should be willing to change the environment in which people work and bring staff into the decision-making process as much as possible. One way to motivate young staff members is to discuss the many positive aspects of the profession.

CPAs must become better managers of people. This will necessitate developing leadership and communication skills. It will also require compassion, the ability to listen and conveyance of appreciation. Today, individuals want to enhance their emotional intelligence skills. There are five components of emotional intelligence. The first two components are self-awareness and self-regulation, which are applicable to the individual. The last three components are empathy, motivation and social skills, which are applicable to working with other professionals. Dr. Daniel Goleman

authored a book titled EMOTIONAL INTELLIGENCE and is an authority on the subject. I would highly recommend that all partners and managers start to read about emotional intelligence and how they can improve their leadership skills. In many respects, obtaining upward evaluations and feedback from peers, staff and the

Exhibit 2



managing partner through a 360-degree-feedback profile would be extremely helpful at the start of the process to improve one's emotional intelligence.

When I asked the participants in a Leadership Development Program who was the leader of their firm, they frequently mention their managing partner. The correct answer is that they are all leaders of their firm. Today, many firms have niche leaders, department head leaders, partner-in-charge of offices, etc.; therefore, partners and managers need to continue to improve their leadership skills as they continue to assume more responsibility.

## The Millennium—Responsibilities of a CPA Firm Leader

Twenty years ago, a partner in a CPA firm was providing audit, tax or consulting advice and was required to bill and collect. Today, a partner has 12 responsibilities, which are outlined in Exhibit 1.

### Exhibit 3

#### **R.J. Gallagher & Associates, Inc.** **2002 Recommended Reading List for CPA Firm Management Team**

- 1001 Ways to Reward Employees *by Bob Nelson*
- All I Ever Needed To Know I Learned in Kindergarten *by Robert Fulgrum*
- A Whack on the Side of the Head, How You Can Be More Creative *by Roger Von Oech*
- Built to Last *by James C. Collins and Jerry I. Porras*
- Carpe Manana *by Price Pritchett*
- Clients for Life *by Andrew Sobel*
- Competing for the Future *by Gary Hamel and C. K. Prahalad*
- Competitive Advantage *by Michael Porter*
- Culture Shift *by Price Pritchett*
- Dig Your Well Before You're Thirsty *by Harvey McKay*
- Don't Sweat The Small Stuff At Work *by Carlson*
- Emotional Intelligence *by Daniel Goleman*
- First, Break All The Rules *by Marcus Buckingham and Curt Coffman*
- Fish! *by Stephen C. Lundin, et al.*
- Getting to Yes *by Roger Fischer and William Ury*
- Good to Great: Why Some Companies Make the Leap ... and Others Don't *by Jim Collins*
- Jack: Straight From the Gut *by Jack Welch and John Byrne*
- Jump Start Your Brain *by Doug Hall and David Wecker*
- Leading Change *by John Kotter*
- Management Challenges for the 21st Century *by Drucker*
- Management of the Absurd *by Richard Farson*
- Managing by Values *by Dr. Ken Blanchard and Michael O'Connor*
- Managing People Is Like Herding Cats: Warren Bennis on Leadership
- Managing the Professional Service Firm *by David Maister*
- One Minute Manager *by Dr. Ken Blanchard*
- Only the Paranoid Survive *by Andrew S. Grove*
- Power Up Your Profits: 31 Days to Better Selling *by Troy Waugh*
- Practice What You Preach *by David Maister*
- Presentations Plus *by David Peoples*
- Selling to the Top *by David Peoples*
- Smart Managers Frequently Asked Questions Survival Guide *by Dr. Rex Gatto*
- Strategy Safari *by Henry Mintzberg, et al.*
- The E-Myth Revisited *by Michael E. Gerber*
- The 21 Indispensable Qualities of a Leader *by John Maxwell*
- The 7 Habits of Highly Effective People *by Stephen R. Covey*
- The Discipline of Market Leaders *by Michael Treacy and Fred Wiersema*
- The Power of Two *by John Conlon and Melissa Giovagnoli*
- The Professional's Guide to Value Pricing *by Ronald J. Baker*
- The Strategy-Focused Organization *by Robert S. Kaplan and David Norton*
- The Trusted Advisor *by David Maister*
- The Visionary's Handbook *by Jim Taylor and Watts Wacker*
- True Professionalism *by David Maister*
- Unlock Behavior, Unleash Profits *by Leslie Wilk Braksick*
- Who Moved My Cheese? *by Spencer Johnson*

The key to performing these responsibilities is to be able to delegate; thus, the need of developing the future leaders.

## Enhance the Firm's Orientation Program

Many CPA firms can improve their orientation programs. For example, before new staff members join your firm, send them a copy of David Maister's fabulous book, *TRUE PROFESSIONALISM*, and have them read six or seven designated chapters. During the orientation programs, there should be a one-hour discussion about the content of the chapters. The CPA is still one of the three greatest professions of our time and new recruits need to understand that they are entering a profession and must read outside the office about various technical and business matters. Every six months, they should be assigned to read another book such as *THE 7 HABITS OF HIGHLY EFFECTIVE PEOPLE*, by Stephen Covey, and have a discussion with their advisor/mentor about the key points of the book. Exhibit 3 contains a reading list that can be used as a resource in providing reading assignments to the professional staff.

## Creating a Mentor Program

Another area that needs to be reviewed is a firm's mentor programs. I have visited firms that have had excellent results with their mentor programs as well as those with mixed results. The key is to have a commitment from all mentors that they will perform their responsibilities.

Someone recently said that their firm doesn't need a formal mentor program as they are mentoring their professionals on a daily basis. My comment was, "You are coaching people on a daily basis just like the coach of any sports team." However, you are truly mentoring when you are having discussions regarding their career path and long-term objectives. A monthly luncheon meeting should be held outside the office to discuss the professional's career path and other issues salient to the continuing success of the individual.

Business is a Broadway play and we are on stage every minute of every day. Although we don't receive a standing ovation, you must motivate, coach and mentor the professional staff on a daily basis. Clients stay with the firm because of several factors, but the overriding one is that through your service, you demonstrate that you care. This hallmark word is also the key to retaining outstanding staff.

In his book, *MENTORING PROCESS FOR CPAs*, Dr. Rex Gatto outlined the benefits to a mentor program outlined in Chart 4.

## Training Curriculum

A firm should have a training curriculum for each level; for example, a training grid for years one to five, which will include sessions on the following subjects:

- Technical—Audit
- Technical—Tax
- Technology—Software
- Marketing—Building Your Network
- Business Development
- Reading Program
- Process Efficiency

Chart 4

Mentor Benefits	Firm Benefits
<ul style="list-style-type: none"> <li>■ Enhance communication skills</li> <li>■ Develop sensitivity toward work and interpersonal skills</li> <li>■ Rethink, feel and re-experience the workplace as you did earlier in your careers</li> <li>■ Develop employee; not just evaluate</li> <li>■ Support the work in a developmental manner</li> <li>■ Develop rapport with a less experienced employee to address family and work issues</li> </ul>	<ul style="list-style-type: none"> <li>■ Improve profitability</li> <li>■ Reap earlier contributions by employees to the firm</li> <li>■ Reduce turnover of effective employees</li> <li>■ Set up win/win situations</li> <li>■ Satisfy clients</li>   <li>■ Strengthen culture</li>   <li>■ Pass core values from generation to generation</li> <li>■ Achieve cohesiveness</li> <li>■ Develop future leaders</li> <li>■ Achieve consistency</li> <li>■ Strengthen the firm as mentors develop and enhance their skills</li> </ul>

Source: Dr. Rex Gatto, *MENTORING FOR CPAs*

## Management Development and Leadership Curriculum

A Management Development and Leadership Curriculum should be developed for professionals with six to 10 years of experience and would include the following subjects:

- Technical—Tax—Audit
- Increasing Emotional Intelligence
- Practice Management—Key Performance Indicators
- Business Development—Sales
- Enhancing Management Skills
- Effective Coaching and Mentoring Skills
- Reading Program
- Enhancing Presentation and Public Speaking Skills

## Enhancing Presentations and Public Speaking Skills

In his autobiography, Lee Iacocca stated that one of the main rea-

sons that he was successful in the business world was because he attended the Dale Carnegie program and enhanced his public speaking skills. I have always felt that one of the best ways to build individuals' self-esteem is to have them enhance their public speaking and presentation skills. We are onstage presenting reports and information to clients and presentations to prospective clients. With video conferencing, everyone will be onstage on a daily basis; thus, it should be part of the manager and leadership curriculum to include sessions on enhancing presentations and public speaking skills.

## Leadership Marketing Library

Each firm should create a marketing and leadership library and a list of recommended books, such as the one in Exhibit 3. Additionally, audiotapes of selected books should also be maintained in the library. The designated librarian would have specific responsibilities to disseminate

information about new periodicals and books that have been added to the library. I also recommend that the firm subscribe to the HARVARD BUSINESS REVIEW series and also visit their Web site, Harvard Business Online, for updated information.

**Exhibit 4**  
**Attributes for Future Partners**

- Integrity
  - Investment in the future
  - Shared values
  - Trust
  - Competence
  - Marketing contribution
  - Community involvement
  - Staff development, coaching and mentoring
  - Identifying experienced talent
  - Strategic contributions
  - Communication skills
  - Contributions to management
  - We operate as one, not as a group of sole practitioners
  - Administration portions of practice
  - Achieving pieces of strategic goals
  - Risk taker
  - Cross-serving clients
  - Develop niche and brand
  - Respect within the firm, staff and community
  - Innovative
  - Contributions to firm culture
  - Leadership position in the community
  - Business maturity
  - Confidentiality regarding firm issues
  - Economic contribution
  - Self-development improvement
  - Willingness to learn—not satisfied with status quo
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**Climbing the Steps to Partnership**

In Exhibit 4, the chart outlines the attributes that need to be acquired as one moves up the ladder. Many times an individual who is a supervisor or manager is unaware of the criteria, attributes and other elements of the firm’s Partner Admission Policy. It is important that such professionals be informed as to the steps that need to be climbed to achieve their dreams of being a partner in the firm.

What are the attributes that you are looking for in a future partner and what are the financial arrangements? Each firm should consider developing a partner admission policy establishing the criteria and reviewing the document with managers and senior managers.

**Exhibit 5**  
**Climbing The Steps To Partnership**

<b>Leadership Development and Reading Programs—Continuing Leadership Training</b> The Key to Success
<b>Ownership/Partnership</b> Refocus Your Vision and Goals
<b>Converting Referrals to Clients</b> The Best Tribute for Client Service
<b>Marketing Self</b> Will Materialize When You Market the Firm
<b>Marketing the Firm</b> Being Visible in Community and Proactive with Clients
<b>Dig Your Well Before You’re Thirsty by Harvey McKay</b> Building Your Valuable Network
<b>Business Is Business</b> Managing Engagements and Fulfilling Practice Management Responsibilities
<b>“Business Is a Broadway Play”—You Are On Stage Every Minute &amp; Must Serve as an Excellent Mentor</b> Helping to Create an Excellent Work Environment
<b>Enhancing Communication Skills</b> Public Speaking Should be Fun to Do
<b>Managing &amp; Motivating People</b> <b>Acquiring “Emotional Intelligence”—Key to Becoming an Effective Leader</b> Self-Awareness, Self-Regulation, Motivation, Empathy & Social Skills
<b>Technical Proficiency • Work Ethic • Adhere to Firm Culture</b> Without These Attributes, the Climb Is Difficult

**Conclusion**

During the past 25 years, I have had the privilege of presenting various Management Marketing, and Leadership Development Workshops to over 1,500 managers and new partners. It has been a refreshing experience to spend time with outstanding professionals. The participants always have a tremendous thirst for knowledge and have a strong desire to succeed. It is incumbent on CPA firms to continue to invest in their professionals so that the succession process will be extremely painless and allow for the firm to age gracefully.

As I mention at the end of each workshop, the participants’ mission is to develop outstanding people and to provide outstanding client service. These two attributes will always be the hallmark for continued success and firm longevity.

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