

# The CPA Firm Foundation Series

- Managing Partner to Managing Partner -

## Applying Strategy and Execution to Achieve Success

By Timothy I. Michel, CPA



Can you imagine a general sending troops into battle without a game plan? What would be the odds of achieving the desired outcome? Would there be chaos?

In sports, we often see the team with the better strategy and execution come out on top, even if it has less talent and is considered the underdog.

Generals and Coaches spend significant time studying their opponents, determining their strengths and weaknesses, and preparing a strategy for success. They recognize the special and individualized talents of each of their “troops” and put them in a position to be successful. And as the battle unfolds, they adapt to changing conditions.

Is it any different for CPA firms?

No doubt, the business world is competitive. Firms enter into battle every day. Their battles include winning new client opportunities, hiring and retaining talented staff, raising up future leaders, and so forth. The outcome of each battle is determined by the strategies employed and the degree of execution.

### **Setting strategy in a CPA practice**

Setting a strategy to move the firm forward can take many forms. And every firm has a strategy; some are passive while others are active.

A passive strategy – In some firms, partners and staff come to work every day and “do their thing.” Leadership is passive, never having established an overall plan or vision. There is very little coordinated effort and generally a lack of accountability. Partners focus their efforts on managing their books of business, which are the focal point of their concern. When the economy was good, many of these firms still did well. Good times hide a lot. But there is

always something missing and it becomes apparent when a recession occurs and growth falls off, or the partner group ages and no one is there to take their place or a competitor with strong niches and a solid marketing strategy moves in.

An active strategy – Firms with an active strategy focus on what is best for the firm. Leadership has a desire to move the firm forward. It understands its role and responsibility to keep the firm strong and successful. It recognizes the importance of identifying the firm's strengths and weaknesses and strives to take advantage of opportunities while mitigating threats.

Strategic planning should take place at various levels within the firm:

- The **CEO/Managing Partner** should make time to think about the firm and create a vision for the future. The firm should be his or her #1 client. When I was in this role at my former firm, I often found time to think about the possibilities. I found that ideas came to me while I was away from the office driving from location to location, working around the house, and occasionally in the middle of the night.
- The firm's **executive committee** should also set aside time to think about the various aspects of the practice. What are we doing well? What should we discontinue? Where should we deploy our time and dollars? The members of the executive committee are usually elected by the partners for this purpose. Partners expect this group to lead them forward.
- The **service line leaders and industry niche leaders** should prepare an annual business plan that lays out all of the important aspects of their segment of the practice. These leaders need to take ownership of their segment by setting the vision, determining the marketing strategy, products and services, staffing requirements, etc.
- **Department heads**, including the COO/Firm Administrator, HR Director, IT Director and Marketing Director can have a major impact on the firm's progress by tying their strategic goals with that of the firms. They need to constantly be thinking about how they can make the firm stronger.
- Along with the balance of the **partner group**, each of these firm leaders should join together in developing an overall 3 to 5 year strategic plan.

### Areas of opportunity requiring strategic thinking

Some areas to focus strategic thinking include:

- **Operations** – including Governance (leadership and management) and the systems, processes, tools and technology to be effective and efficient.

- **Culture** – How a firm thinks, how it acts and what it strives for. Being the firm of choice for its people, clients and community.
- **People** – Recruiting, retaining and developing the firm’s future leaders. Having the right people in all positions.
- **Client service** – Quality, timeliness and the ability to deliver value through service lines and industry niches. Unique services that deliver value and solve client issues.
- **Business development** – Setting a marketing strategy that communicates a firm’s unique value proposition. Creating attributes that differentiate the firm from its competition. How to be recognized as thought leaders. How to use technology such as social media, web sites, and portals.
- **Results** – Defining growth goals, profitability and other measures of success. Bringing accountability, recognition and reward into daily management.

### **Benefits of creating a strategic game plan**

Strategic planning results in the following benefits for the firm:

- **United firm members** sharing a **common vision**
- Identification and **resolution of firm issues**
- Creating a **roadmap** to achieve desired success
- **Increased focus** and **execution** of leadership talent
- More effective **employment of firm resources**
- Team members **understand their roles and responsibilities**
- Increased **accountability**
- **Meaningful progress**

### **Execution**

If there is one area where strategic planning falls apart, it is in the execution. Often I hear, “We have done strategic planning before. We came up with a lot of great ideas. Unfortunately, nothing ever happened.”

This can be a source of frustration for leadership and firm members alike. To be successful, the managing partner, with the support of the executive committee, has to drive for results and act with a sense of urgency. Leadership needs to set the tone that progress is expected, excuses are not accepted. How much difference does a focused leadership make?

Historians tell us that in the American Civil War, the South had the superior generals. They were better at developing strategy and providing leadership. Because of this, the South was able to extend the war several years beyond what the North originally expected; even though the North had greater numbers and was able to better arm and supply its army.

In the early years of the war, George B. McClellan served as General-in-Chief of the North's Army of the Potomac. He was known for meticulous planning and preparation, but continually failed to act and deal with a more aggressive opponent. It wasn't until McClellan was removed from his leadership position and replaced by Ulysses S. Grant, a good strategist and a man of action, did the North finally reach the desired result.

Every partner in a CPA firm has a role to play in the success of the strategic plan. Too often they fail to act or get distracted by other responsibilities and leadership allows it to happen. It is leadership's responsibility to see that the strategies are employed timely and goals are achieved. The following are some steps that may help:

- Determine partner strengths and passions. Understand that each partner is unique.
- Assign specific firm goals to those partners with the required strengths.
- Be sure every partner's goals are aligned with firm goals.
- Remove obstacles that will prevent success. This could be other duties, lack of resources or lack of drive and/or direction.
- Provide needed tools and support.
- Hold periodic coaching sessions to monitor progress and offer support.
- Hold people accountable for their responsibilities.
- Link compensation to the process. Reward success.

From a practical standpoint, the managing partner and executive committee should frequently review the strategic plan implementation schedule to ensure that progress is being made according to plan. It should be their roadmap; a working document. The strategic plan should be somewhat fluid, changing for current circumstances and market conditions.

Successful firms emphasize strategy and execution and recognize that effective leadership and management is part of the foundation for success.

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