

The CPA Firm Foundation Series

- Managing Partner to Managing Partner -

Firm Culture, Partner Behavior and the One-Firm Concept

By Timothy I. Michel, CPA



CPA firms strive to be the firm of choice in their marketplace; to the business community as well as their employees and future recruits. They spend a lot of time and money in marketing and in developing staff.

But as I continue to work with CPA firms in the development of their strategic plans, governance structure, partner accountability and compensation plans, and partner development programs, I find that the firm's culture and method of operating on a day-to-day basis are critical factors to the firm's success.

The One-Firm concept is a term we often use in today's CPA world. What is it and how does it differ from traditional firm practice models?

How most firms developed

Most firms began with one or several entrepreneurial CPAs who joined together to practice tax or assurance services. One of the advantages of joining forces was the sharing of staff and office space. Even though most firms are much more than just a sharing-arrangement, they generally have grown as a result of each partner doing his or her thing. That "thing" often centers on building a book-of-business that the partner then manages.

The book-of-business has become very important within most firms. In many cases, it is the power behind a partner's influence in firm governance. It is also a security blanket to the partner as it generally is the single most important statistic in determining his or her current and future compensation.

The book-of-business model has its limitations

Here are a few of them:

- In business development – Partners often play “Lone Ranger” in obtaining new business as they want to be sure to get the credit for bringing the new account to the firm, and certainly want it to end up in their book-of-business. Many firms have new-business incentives in place that unintentionally further motivate the partners to act on their own. However, this approach often reduces the likelihood of winning the new business against other competent competitors who present firm resources to the potential client.
- In bringing valued services to clients – Partners tend to be protective and possessive of their clients, even if they could be better served by other firm members. There is reluctance in letting another partner too close to the client relationship. In some cases where firm resources are utilized to serve the client’s needs, they are funneled through the relationship partner who “owns” the account, rather than there being direct contact between the client and the resource.
- In having partners continually operate at a high level – As a partner’s book-of-business grows, he or she becomes consumed by the clients’ needs. There is less and less time for high level partner activities, such as leadership and management, business development, building client relationships, training and coaching staff, and developing specialty services and industry niches. In other words, less time is spent on what made the partner successful in the first place.
- In operating with common policies and procedures – Where the book-of-business model is strong, it is not uncommon to find varying procedures and systems in place. Partners are somewhat free to inflict their will in everything from how the work is completed, to the layout of the work papers, and to the look of the product and the way it is delivered. Besides being very inefficient for the firm, it is a source of great frustration to staff as they continually adapt to the whims of the various partners. At the same time, there is a lack of consistent messaging presented to the business community.
- In effective communications – In firms that have a strong book-of-business orientation, communications within the firm often suffer as mixed messages are delivered by people considered to be in a position of authority (the partners). As partners focus on their client responsibilities, they tend to think less about the firm as a whole, which limits their big picture view.

- In sharing a common vision – A partner group whose main focus is meeting the needs of their clients may lack a commitment to a common vision for the firm. As a result, staff, and often partners', motivation and morale suffer as team members do not have a common goal they are striving to achieve. They may be unsure of what the firm stands for and what is its purpose and direction.

A changing environment

It has become apparent that firms need to move beyond the book-of-business model in order to effectively move forward and deal with current market conditions. Consider the following:

- As has been revealed in many national firm surveys and professional conferences, a growing percentage of firm partners are closing in on retirement. If they are not already doing so, firms will be facing serious succession issues in the near term. The client relationships that exist will need to be transitioned to the next generation. Firms will be scrambling to replace lost talent and knowledge. Therefore, the need to develop future firm leadership has never been greater.
- Competition for good clients has intensified. Progressive firms have become much more sophisticated in how they are structure internally to govern themselves and to manage and market firm services. It is no longer unusual for a firm to bring various resources into a proposal situation and exhibit specialized knowledge and understanding specifically related to the prospect's needs.
- Just as good clients are more demanding and seek value in their CPA relationship, so are staff members and recruits. Today's employee wants to be a part of something of significance. They want to know what the firm is all about and what it is striving to become. They want challenging work, the opportunity to grow professionally, to feel they are making a difference and a choice in career paths. They also want recognition and advancement opportunities, competitive compensation and benefits, and a reasonable work/life balance.

The One-Firm Concept

As a result of this evolution, progressive firms are working hard to make the change from the book-of-business model to the One-Firm model. Characteristics of the One-Firm model include:

- Centralized governance where the firm is led and managed by an elected CEO and executive committee rather than having all partners involved in decision-making.

- Firm members share a common vision and understand the goals of the firm’s strategic plan. They also understand the firm’s mission and live by its core values. Firm members play to their strengths and focus on their roles and responsibilities within the firm, which are determined by and aligned with the goals and strategies of the strategic plan. Along with this comes a high degree of accountability.
- Communication is abundant, from the top down and the bottom up.
- The firm has established policies and procedures related to:
 - Expected behavior of firm members, including what behaviors are not acceptable.
 - How it markets, sells and obtains new clients.
 - How it produces the work and delivers the product.
 - How employees are brought into the firm, oriented, trained and developed.

Policies and procedures are clearly communicated and all employees, especially the partners, are expected to support them in word and deed.

- The firm is organized to bring firm resources directly to its clients. Although a partner may play a relationship role, his or her clients are “firm clients” with direct access to all the firm has to offer. The firm is client centered with a focus on delivering value through innovative products and services that address clients’ needs.
- The firm may have well-defined segments, consisting of service lines and industry niches. These segments are at the center of marketing, new business acquisition, client service, product innovation, and staff development. Essentially, each segment operates as a business within the firm. Collectively, they are joined by a common vision and culture, working with one another to bring valued services to the clientele.
- Because firm personnel work within service lines and industry niches, they develop significant expertise and knowledge. Not only does this retain talented staff, but it provides a means of natural succession, thereby raising up future leaders and retaining knowledge and relationships when partner retire.

As with most initiatives, the partner group makes or breaks the One-Firm model. To make it work, partners need to live the firm’s values and enthusiastically support leadership. They need to continually work to delegate responsibilities, develop future leaders, and work at a high level, thereby bringing value to the firm every day. The result will be a more effective and

growing organization that offers a rewarding career to its people, while providing valued services to its clients.

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