

## Management and Leadership in a CPA Firm – Part 1

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Let's start out with a straightforward question. What is the difference between management and leadership? From one point of view, leadership is far different than management. For example, leadership might be all about developing a vision for the organization, being innovative, motivating others, empowering those around you, focusing on developing the people around you instead of just developing yourself, looking for positive ways to change, doing the right thing, and keeping the forest in view and not just seeing the trees.

If this is leadership, then from that same viewpoint, management might be developing the plans to accomplish that vision, creating the organization that can implement those plans, monitoring actions and activities, putting controls and processes in place to assure quality and reasonable delivery, holding people accountable for performance, building the infrastructure the firm needs to support the volume of work, constantly seeking stability and consistency, doing things right and managing the bottom line.

When you read these two definitions that describe differences between leadership and management, it becomes clear that the simplified view is "leadership is about the high-level focus of setting the course for the ship, putting the crew together and motivating them to act and work together to arrive at the planned destination." Whereas, staying with this same analogy, "management is all about the details of getting the crew to take the necessary day-to-day actions which will keep the ship running and move it from one destination to the next."

Dr. Paul Hersey, best-selling author of the book Situational Leadership® and founder of the Center for Leadership Studies, has a different point of view. He sees management as the process of working with and through others to accomplish organizational tasks, and leadership as any attempt to influence others. Many break people into either leaders or followers. Simply put, that is a very limiting view as it creates an "us" and a "them." As well, it does not represent reality. A person can be a leader performing one task, and then a follower on the next. Also, in our opinion, anyone who always has to be in the leader role as the boss has limited value to the firm because he/she is less likely to develop new leaders. These people have a tendency to want to be in charge themselves and this basic constraint -- the inability to transfer control when necessary -- will hamper their personal development, their peoples' development, and their firm's future success. To be a good leader, one must at times be a good follower, and necessarily must strive to effectively influence in all directions—up, down and sideways.

To Dr. Hersey, leadership is all about influence, up, down and sideways. A core principle of Situation Leadership® is defining leadership, in part, as the ability to influence others to accomplish tasks. Sometimes you might use your "position power" (the authority that usually exists because of your position within the firm's organizational chart or job title, like partner or manager) to direct those around you to do as you wish. While at other times, you might use your "personal power" (the respect people have for you and their desire to please you as they freely want to be of value or assistance to you) to motivate those around you to achieve something specific.

For this high level discussion, all of the definitions of leadership and management above are valid. However, Dr. Hersey's concepts have allowed him to develop a model that incorporates a simple process that helps a leader quickly learn how to adapt his/her behaviors to match the needs of the follower at that particular moment pertaining to that specific action, task or function.

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We will talk about the value of the Situational Leadership® model and concepts in more detail in later columns.

Now, let's step back from this and talk about common perceptions of leadership and management in a CPA firm. First of all, we may have a "semantics" problem in the profession ... a general disconnect with the words "leader" and "manager." To many in our profession, the leaders in the firm represent those in the highest levels – the partners/owners, directors and those on the ownership development tack. This is a term thrown around to represent a level of respect and power and to denote that the person described by it has influence at the firm decision-making table. The titles of senior manager or manager are even more confusing because they don't describe these people's primary role, but rather their level of technical competence.

The fact is that "management" is often not a highly respected role in most CPA firms. While consulting with even fairly sizeable firms (it is at least more justifiable with a very small firm ... it still is not correct, but perhaps more justifiable in some cases), it would be hard to count the number of times partners have asked a question something like, "How are we supposed to pay for someone to fill the managing partner role if they are not doing as much client work as the rest of us? What value will the managing partner bring if they are not charging clients for their time? We don't need someone to run this place ... we all know what it takes to care for our clients, so this is just some administrative job that we should relegate to someone far less expensive."

Our profession tends to confuse the job of “tracking and reporting information” with the much bigger and more profit-enhancing job of “holding people accountable to strategic and tactical implementation.” The bottom line is that there are far too many partners who believe that the internal leadership and management of your people are roles that are nice to have, but not necessary to run a profitable, successful firm. Rather, they tend to value the external roles of leadership and management as they are manifested in taking care of clients. This would include managing the clients to make sure they pay their bills and stay with the firm as well as the leadership to expand the firm’s relationships and services with those clients.

Moving on to the manager position within the firm, when you refer to manager-level-training, that phase often conjures up an image of a specific level of technical or project management education. In the distant background is the thought of how to better manage your people. There is a logical reason for this. Growing up in the CPA profession, your rise within the CPA firm ranks is mostly dependent on your technical ability. As you increase your technical prowess, you become responsible for managing projects, their quality and budgets. When it comes to people, you just pick them out of an available staff pool and take advantage of whatever skills they have.

This brings us to another major disconnect when it comes to management. Whether you get access to the cream of the crop, to the dregs of your staff pool, or somewhere in-between is very important. Why? Because CPAs have two styles of management we commonly call upon. If we are given access to the best employees, we either delegate or dump. We define “delegation” as the act of handing off work to a person who has the skills and desire to accomplish the specific work that needs to be done. “Dumping,” however, occurs when that same manager hands down work to one of their people, but this time, the employee doesn’t currently have the skills or desire to do the work.

The reason we tend to either “delegate” or “dump” to our cream of the crop staff people is that we tend to operate using the halo effect. If a person is deemed to be “one-of-the-good-ones,” we give them the work and walk away because we know they are overachievers and they will do whatever it takes -- dig, fight and claw -- to get the project done. So, if that staff person happens to have the right skill and attitude, then by luck, we have made the right decision to delegate the work. However, if the opposite is true, we will still make the same decision to give them the work, or dump, and then be surprised when they disappoint us.

This brings us to the second, and actually most dominant style of management found in CPA firms. It is what we call the “drill sergeant” management style. Because we are so often disappointed with the results of our people (which frankly occurs because of our poor understanding of management in our profession), we tend to default to “telling our employees exactly what to do, and once they have done it, report back to us so that we can review their work and give them something new to do.” Does the term “micromanagement” ring a bell here?

Anytime we perceive that one of the dregs, or someone that has just disappointed us, is assigned to a project, we tend to do everything but manage. First, CPAs will give the dregs very little to do because these people are deemed almost useless. Second, in most cases, the managers will default to just doing the work themselves and they justify this decision with the phrase, “it will take me as long to tell them what I want as it will be for me to just do it myself.” And finally, when they do decide to give one of these people some work to do, they will give that direction as if they are a drill sergeant because of the expectation that this is the only way they can manage this perceived level of incompetence.

As you can read from our description above, in CPA firms, management is about the utilization of available resources to complete a project or task. But management has very little expectation or requirement to develop those around them. We expect to be surrounded by “self-starters” and “quick-learners,” and if you are not, we would just rather do the work ourselves. There is a pervasive attitude in our profession that has been expressed many times to us as follows, “No one helped me ... I was thrown to the wolves and had to learn on my own. I learned early on that my survival was based on my being able to make me better, faster and stronger. And I don’t have much patience or respect for others who don’t operate the same way I do.”

And this is where we will pick up in our next column ... why this attitude or perspective is undermining the success of firms all over the country. Management is a skill -- one that every person who supervises people needs to learn. We will provide much more meat on the bone as we continue to explore this topic over the next few articles.

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