

# Public Practice

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## **2009 Management Summit Highlights (Day 1) by Roman H. Kepczyk, CPA.CITP (January 2009)**

Jeff Pawlow of the Growth Partnership opened the 18th Annual Management Summit in Las Vegas with a powerful, uplifting message. Even in a tough economy as we are in today, there are opportunities to pursue and close to 100 CPA firm partners attended to find out. Seeing these opportunities depends on the perception of the person; positive views-positive opportunities, negative views and you get a negative result. How we see the world impacts our actions, the things we do, and eventually the results we get. The upcoming busy season provides a platform for CPAs to drive positive opportunities and perceptions into our personnel and our clients. It's up to you as a leader in your firm. You have to think of new and better ways to do things differently to give your customers an outstanding experience. You have to think how you can turn a commodity like a tax return into an exceptional service experience for your client.

Jeff's keynote was followed up by Hayden Shaw sharing his firm's experiences with the new Millennial generation and how to prosper with them in the workforce. This was followed up with Bill Carlino presiding over a fireside chat with Jim Metzler and Traci Gallagher. Mary Werner then explained our own Emotional Quotient, which was then closed with an explanation of Financial Armageddon, before the partners broke for their individual group discussions. Leading Across Generations: Hayden Shaw (Franklin Covey)

Things are different today, there are now four generations in the workplace and five generations in the client base. This expansion is because people are living longer, are living in an information age where anything can be shared quickly, and the new generation comes into our firms with a consumer perspective that they have choices for everything. These choices include work opportunities with our firms and their expectation for an immediate reward for everything they do. These differences cause friction with the other generations and impacts the way we react to each other.

Consider each of us is a "native" to only one generation (our own) and would be considered "immigrants" to the others. There is nothing we can do about being a minority generation, so we should just be nice about it and learn from the other generations. At home, most of us are better at working with the other generations, but at the office, at church and the government, we act like the older generation. We think like those in the relationships we know. To deal with the latest generation effectively you must give them immediate rewards. Some firms give iPods or smart phones for high charge hours for monthly productivity and his firm has a drawing at the end of the quarter to give to those qualified for the drawing items such as an HDTV, BlueRay Disc, etc. His firm has found that by giving these types of incentives, the younger generation will deliver. In Hayden's firm they calculated the return on those gifts was over 97 percent. When dealing with low level (junk) jobs and trying to get younger staff to do it, you must explain to them (referred to as Millennials) what the work is, why it is important in the scheme of the job, and why it must be done. Work for Millennials is about the deliverable, not the hours and face time in the office. They look at work like video games, once they accomplish one level, they want to immediately get to the next level, or the next job, so you should consider job sharing. They can work in other areas part time and do more in that area when they train their replacement in their old position. If you can get comfortable with the Millennials you will be able

to get more work out of them and your firm will be more successful!

Management Summit Fireside Chat with Bill Carlino-Accounting Today

Bill interviewed Jim Metzler (AICPA) and Tracy Gallagher (CBIZ-Tofias)

Carlino: What should firms be doing in this time of controlled panic with clients? Metzler: The role of every leader is to regulate anxiety within the firm and promote the most positive face to clients. Meet with them on a regular basis and make them specifically accountable for meeting with clients. Some firms are in denial about the economy because they are still very busy and Jim is concerned that bad WIP will sneak up on them. Jim suggested that firms proactively review their strategic plans immediately. Gallagher: First, they are getting fee pressure from smaller clients and losing some, but at the same time are getting a shot at larger clients that are putting fee pressure on the National Firms. This year CBIZ-Tofias will hold the line on most billing rates, particularly those in industry niches. They have discussed talking points with clients when the clients ask for no increase (and how to respond with reduced scope). They are working to promote retainer agreements and limited payment terms. On the staffing front, it is important that the firm communicate with staff and to exercise good business prudence in controlling expenditures. This economy provides an opportunity for firms to upgrade their staff and maybe clean up some of the bad hiring decisions.

Carlino: Any opportunities? Metzler: Yes, he is seeing from within the large firm groups that firms are using this as an opportunity but not in cutting costs or reducing the firm's marketing and training. Gallagher: Firms should increase marketing now to keep things going with clients and actually increase training which is needed to keep your people.

Carlino: What should we watch about our clients? Metzler: Risk management is very important so firms will need to be aware of what is happening within the firms. Spend more time on the risk assessment standards to help you make sure your firm isn't surprised. The annual "trip to the bank" will be very different this year in that the people you meet with could be very different. Firms will have to evaluate the impact on their reputation when having discussions with clients and members in the community. Gallagher: Last year they invited all the bankers into their office to help them understand the new risk assessment standards and what to look for. This has led to the bankers asking more questions and providing opportunities for the firm in those cases where other accountants are not delivering.

Carlino: How did the Madoff issue get so out of hand? Metzler: Money, money, money. AICPA went to peer review files of the small audit firm and found that they had not been recently reviewed. It would be difficult to say that the accounting system is broken because of this scenario and that mandating regulation on all small firms would be the best solution. To resolve this in the future, the AICPA will have to work with regulators on public interest entities.

Gallagher: He was amazed at the scenario and say if it "looks too good to be true, then it probably is," which is usually pretty clear in hindsight.

Carlino: How will Obama presidency impact accountants? Metzler: Now is the time for tax planning for capital gains and losses so firms should start gearing up to understand their talking points. On a broader level there is no question that you will see all kinds of regulation, particularly in financial markets. Jim feels this presents an opportunity for CPAs to position themselves to provide greater assurance and continue to solidify the "trusted advisor" position. Gallagher: Taxes will go up at both federal and state levels, most likely in 2010 because 2010 economy is so fragile.

Carlino: What do you think about current M&A climate? Gallagher: As you are all aware Tofias was acquired by CBIZ. In the past, firms approached them but they did not have an interest. They were in a very strong position as they had young partners with a good succession plan and were a very profitable firm. They found the culture of the other firm was similar and they basically "liked" the other people. Their overall mission was to be the dominant firm in New England which fit with CBIZ, so it worked. As they moved their target client up the scale, they could not provide all the specialized services they needed to deliver to them, so it was very beneficial to merge. One of the strongest motivators was CBIZ had a very strong training culture. He feels that there will continue to be a lot of mergers. Metzler: Within the smaller firms, succession has been one of the primary drivers for promoting mergers. For younger firms, this is an amazing time/opportunity to acquire practices where the partners are retiring in other firms. Gallagher: Overall, a change in strategy focusing on acquiring "talent" will be more successful than the consolidation strategy of a decade ago where it was all about overall **size**.