

MANAGEMENT AND LEADERSHIP IN A CPA FIRM – PART 6
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PICKING UP WHERE WE LEFT OFF

In our last column, we took a look into what might be included in a competency model for your firm. Now it's time to talk about how to implement something like this to develop staff. We will also walk through what an action plan might look like to drive that development.

So, let's start with how use it. It is common for firms to have talented partners and principals. Depending on the firm's size and organization structure, efficiencies may suffer from a competence perspective from this point on at. For example, some firms have a strong management group with a gap in talent starting at the senior or supervisor level. Others might experience a talent gap at the manager level because everyone that shows any self-starting initiative or promise is moved to a principal position early on. It doesn't matter the size of your firm, you will likely be feeling a big gap or drop in talent somewhere in your organizational chart.

This occurs predominately because we don't develop properly. Development requires a couple key ingredients. They are:

- the person doing the work knows what is expected of them (competency model),
- the person managing the worker can consistently articulate to that worker what is expected (competency model),
- there is a developmental plan in place for each worker as to what areas need improvement and a training path to get there (both education and on the job training) (a formal assessment process),
- the developmental plan is based on a set of expected competencies required for each level of worker (gaps between assessment and competency model),
- someone is specifically assigned to make sure the worker develops according to the plan and that the plan is working and effective (assigning direct reports),
- someone is specifically accountable to make sure the worker is developing according to the plan and that the plan is effective (tying the performance of the direct reports to the managers compensation plan).

Most firms don't have formal competencies models, since you are developing one for your firm; you are way ahead of the game. Because soon, both you and your workers will know what they need to be able to do to perform well in their current position, as well as what they need to be able to do if they are striving to earn a promotion to the next level.

Many firms have developmental plans for their employees, but because they are not based on competencies, they tend to be scattered all over the board in terms of expectations, and are customized by each manager to suit their individual view of what a particular employee should

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be able to accomplish. Where this most often breaks down is that an employee may report to multiple people with each having unique views and requirements for advancement. What makes matters worse is that multiple managers mean no one has a real stake in the performance or improvement of a particular worker.

So, this brings us to our suggestion that every employee, for developmental purposes, needs to directly report to somebody. To be clear, every worker will report to a number of people as they are assigned to various projects. But having a boss on a project is far different than having an overall boss. The purpose of everyone reporting to someone is simply a case of accountability and consistency. The overall boss's job is to:

- make sure the worker assigned to them knows how to do their job,
- monitor the worker's performance,
- ensure that specific educational and on-the-job experiences are provided so that the worker can develop according to their career path ,
- step in to resolve conflicts or to fight internal battles for their workers,
- be the final say for that worker when the worker has been given conflicting instructions or direction,
- be held accountable for that worker's performance, with an appropriate monetary reward or punishment that performance.

As we stated above, when workers report to several people, no one is responsible and therefore no one is accountable. So workers tend to survive in a sink-or-swim environment. This model of development works fine if you have five job openings with 100 capable applicants to fill the slots. But that has not been our economic model in the past 20 years, unless you were with a large accounting firm. While the hiring environment is pretty good right now, we still have waiting lists of talented people looking to fill jobs. This means our continued success is predicated on our ability to develop people and continuously work to close any competency gaps that start to unfold. Having each one of your people report to someone as his/her supervisor/manager is critical to this evolution occurring.

One more note on this before we move to the action plan is that not everyone is suited to develop people. If you have three managers and eight staff, most firms would spread the people between all three managers. However, one manager can be the direct boss of all eight people. This creates efficiency in the process, generates consistency in the developmental plans and allows the firm to leverage the best people among your group of managers. This same story is consistent as you move down the organizational chart. One supervisor can manage a number of seniors. One senior can manage numerous staff, and so on. General management theory says that when a person starts managing 10 or more people, their span of control is too wide. When this occurs, management effectiveness starts to fail because the manager is responsible for too many people.

Now let's move on with an example of what a plan might look like. We have created a sample action plan ([please download the spreadsheet to view as you read the rest of this narrative](#)) to walk you through one area for improvement. Some people believe that action planning and identification of measures of success are difficult activities. Hopefully we will dispel that notion with this brief explanation. You'll see that the action planning worksheet is an Excel spreadsheet. We patterned this after the competency model we discussed in the last column. By walking you through this spreadsheet, we will show you how easy it is to create action plans and identify measures of success.

At the top of the form, you'll see that we've chosen the competency area of Execution to pursue for improvement. This was a competency area that was highlighted for a particular partner in the 360 feedback received from the managing partner, partner peers and direct reports.

Next, we look at the definition and scope of this area. According to our competency model's resource guide, Execution is all about setting clear, realistic goals, possessing an unwavering resolve, demanding results, and the like.

Continuing through the form, we see a listing of the capabilities we can expect to find in leaders that perform well in this competency area. Next, we will pull from our competency assessment any statement areas that show low scores as these are ripe for improvement and change. Normally, we consider a score to be low if it is 50 percent or less, meaning that only half or less of the total responses agreed or strongly agreed that the leader exhibits that behavior. In this case, the leader only scored above 50 percent on one item. But because of the generally low level of scoring in this area, and because 55 percent is borderline, we listed this behavior even though it's higher than 50 percent.

All we've done thus far is simply gathered and organized information from the competency model's resource guide and the assessment/evaluation process. Now we need to do some thinking. If you are new to this or you have an unusual situation, you might find it valuable to get some assistance from our boss, a trusted colleague, or a consultant. What we're trying to determine here is: what's going on? What are the causes for the negative behavior? What do we need to do differently to be more effective? And what can we do to strengthen desired behaviors, and limit undesired behaviors?

If you look at Execution, it's about setting clear goals, letting people know what their assignment is in achieving the goals, and monitoring performance to be sure that the goals are being met. In the event that goals or deadlines are missed, we need to have discussions to address the causes. This is all about effective delegation and project management. However, after you have done your analysis, you may find that this person is being blamed for inheriting the problems others have caused, like a partner committing to unreasonable dates, fees, etc.

Assuming this is not the case, this leader and employee have identified some simple steps that can improve performance in this area. By the way, it is always a good idea to allow the employee to come up with ideas as to how to improve before you, the leader, finalize the action plan. These actions will be continued through the next evaluation period. The first action listed is to use existing firm resources to better track projects under his or her management. If the firm didn't have a satisfactory system, this action item would be to create a process to better track projects. If you can't track projects, how will you know if they are progressing as planned? As to measures of success, a reasonable person should be able to tell if last minute rushes are decreasing, if projects are turned around more quickly, or if deadlines are being met. But you might also include a meeting in the next few weeks to verify understanding of the project tracking report. You might also set up a meeting to review the tracking report every couple of weeks until you are confident the report is being used properly and that actions are being taken.

Next, the leader will be clear at the outset in his or her delegation, setting clear expectations of what is to be done, by when, and within what kind of time budget. How will we know if this is working? We will see better staff efficiency, fewer write-downs, fewer last minute rushes and a decrease in missed deadlines. We can also sit in on a meeting between the leader and staff on various projects to hear first-hand how clear this information is being conveyed.

But that's not all that it is required to execute effectively. Our leader will need to closely monitor delegated activities and tasks at the appropriate frequency, to hold others accountable, and assure that plans and deadlines are met. How do we know if this is working? The same success measures we identified for the previous action item should also work well here. We could also request that the leader keep a log on how often this monitoring took place, how those conversations went, outcomes or actions taken as a result of those meetings, etc. It is amazing what happens when people are asked to keep logs – they become more aware of how infrequently they are doing what they are supposed to be doing. One word of warning ... we are talking about steps you might take to improve a skill or capability. You will likely see quick improvement with this heightened awareness and focus. But don't make the common mistakes we as accountants make and take a good technique and overuse it. For example, don't make people keep logs on everything or you will find the technique losing its impact and you will end up creating a bureaucracy that will become an administrative burden and hurt your overall production.

As you read through the action items, you will see that each is very straight forward. Action plans should be as simple as possible and have some kind of review date scheduled, output expected or something that allows the person being managed to communicate their effectiveness or changes they are making. We use this next phrase often during our action planning coaching process, "Please help me come up with something that allows you to clearly communicate how well you are doing on this. I am looking for ways to give you credit for whatever improvements you make, but I need a way to monitor or verify your performance so that I can give you that credit." And we mean just that ... we want our direct reports to be

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successful, but we can't manage their evolution unless we come up with ways to monitor it that don't create an excessive administrative burden for either of us.

Note that measures of success refer to outcomes. Action items are the inputs, and measures of success identify the outputs—what should happen if you carry out your actions. These plans indicate that the leader is looking for increases or reductions in certain things. You could take the measurement process a step further and indicate how much of a reduction in write-down you are looking for, say a 10 percent reduction in write-downs. Further, you could start “exception” monitoring and say that you want “2 or less” missed project deadlines in a given period for example. So clearly, we did not try to take our example to that level, but we easily could have.

Part of being accountable and holding others accountable involves identifying how we will define success. Some definitions are measurable. Don't make this part harder than it needs to be. Look for what you want to change as a result of your action steps. That's what you want to measure to be sure that what you're doing is working. It's that simple.

Finally, we just want to point out that, from a simplistic point of view, you could create the action plans with only one basic outcome required -- that the leader raises his or her evaluation scores in the specific identified areas to meet minimum criteria. As always, keep in mind that you need to customize your action plans and measures of success to meet your needs and fit your circumstances.

We hope this series of columns has provided some food for thought on competencies models, managing your people, developing them, creating action plans to accelerate improvement and working towards constantly closing your existing and emerging competency gaps. The kind of changes we have described will not only over time build a stronger firm and put more money in the owner's pockets, but will lessen the current performance pressure on the partner group which for many has meant more work each year. Good luck in pursuing this exciting developmental adventure.