
Do You Really Need More Experienced People? Change your Firm Structure and Processes to Improve Client Service With Less-Experienced Personnel

**By
Steve Erickson**

Steve Erickson suggests that changing a CPA firm's structure will improve client service by using personnel more appropriately and efficiently.

For the past six or seven years I have been taking an informal poll of the attendees at each of my speaking engagements. I ask them, "What percentage of your work could be done by someone with less experience?" The answers vary quite a bit with some attendees saying that up to 80 or 90 percent of their work could be done by a less experienced person. But on average, the consensus seems to be that someone with less professional experience could complete 50 percent of his or her work. I then ask, "Why, then, do you need more experienced personnel in your firm?" The answers to this question are usually, "I don't have anyone to give the work to," "I need my chargeable hours" or "I get paid based upon my book of business." These responses indicate a significant conflict

for many CPA firms in that partners do not leverage and do not need to be leveraged in order to profit in their current structures. Unfortunately, many CPA firm partners are doing work they should not be doing, which puts downward pressure on their fees and the value of their services in the long term.

The more I hear these types of responses to my questions, the more I ponder possible solutions for the perceived lack of experienced personnel in our profession.

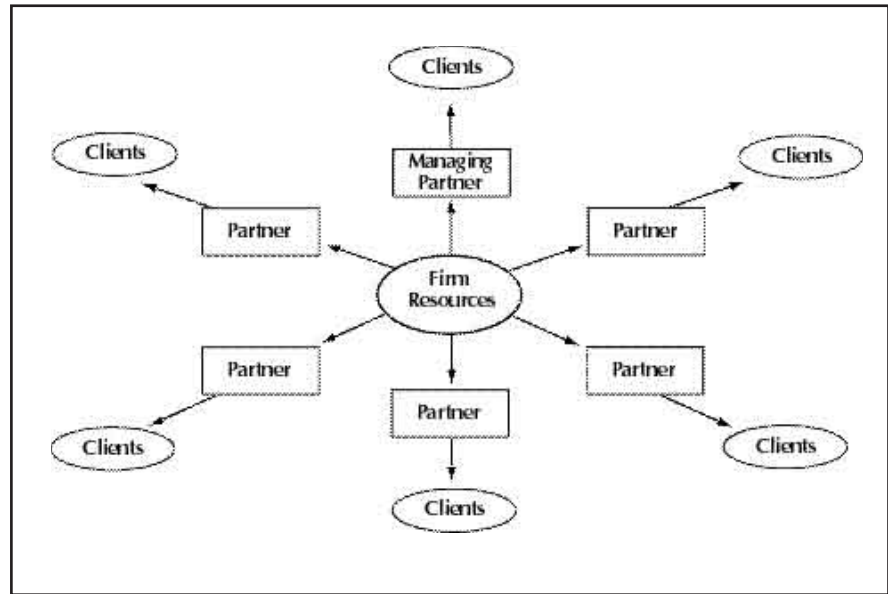
Steve Erickson, CPA, is a National Consultant to CPA firms and the former Managing Partner of a large New Mexico CPA firm. He can be reached at (505) 521-0700 or Steve@SteveEricksonCPA.com. His Web site is www.SteveEricksonCPA.com.

More People or Better Structure and Processes?

Most local and regional CPA firms are structured around a client relationship-based model. Partners have personal contact with their clients, render services to them as requested and needed and in many cases perform certain services for their clients that could be performed by someone in the profession with less experience. This inefficient use of experienced accountants is due to the service delivery model currently being used by many CPAs and the firm policies used to allocate firm resources and reward partners and other firm personnel.

Let's take a look at the structure and client service model of a typical six-partner firm (see Diagram 1). This simple structure works well when a firm is small but its very simple design can create internal competition among partners for firm resources and the assignment of experienced personnel. The partners are able to render the level of service expected by their clients until they require more sophisticated advice, services and expertise that can only be provided by multiple partners. As client responsibility increases, the individual partners typically become more focused on how they can serve their clients adequately using their current firm structure. Their focus and efforts shift to more internal (resource needs and competition) activities rather than on external (client-focused) value-added activities. Many firms that have excessive internal competition for resources end up giving very inconsistent service to their clients. Those partners that yell the loudest get the

Diagram 1



most resources, and, as a result, the clients they serve get better service. The clients of less-assertive partners have a more difficult time getting the service they expect. When clients are not happy, partners are not happy. In many instances, there is fallout in a firm if changes are not made to provide for greater partner support.

As the pressure in the practice increases, it is common to hear partners and managers stating their frustrations:

- "It's easier to do it myself!"
- "I have had that person scheduled on my job for months—you can't reschedule her now!"
- "I told my client we would be there next week. How can I get the work done without adequate staff?"
- "I promised my client financial statements last week. When will I get them?"

Roles within the firm start to get confused. Partners start to question why being in the firm is better than doing their work on their own. Isn't getting bigger supposed to solve more problems

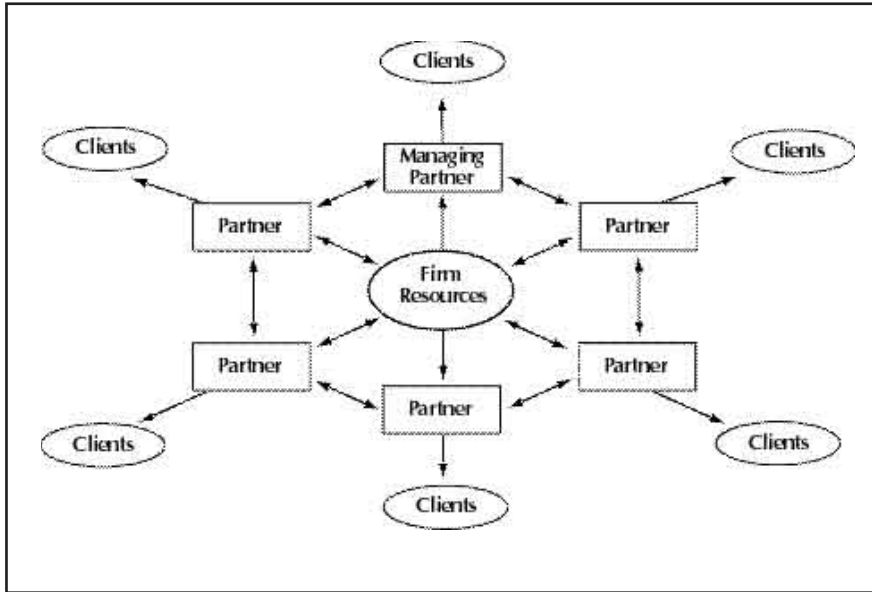
than it creates? The issue that must be addressed in every firm is how all partners can give all clients consistent levels of service.

Frustration, Frustration, Frustration

We talk about the one firm concept—all for one and one for all, but give and take get out of balance over time in all human relationships, and yes, believe it or not, CPA firm partnerships are human relationships that all too often are taken for granted and not well-nurtured. In many cases, these frustrations lead to partners leaving their firms because they do not feel they can service their clients adequately while maintaining an acceptable quality of life. In their minds, there just aren't enough experienced personnel to get the work done and at the same time earn a level of compensation that is acceptable.

Just look at, in Diagram 2, how complex the levels of communication typically become in a CPA

Diagram 2



firm. Partners become more and more focused internally than on their clients.

There Is a better way!

Our work has become so technical that it is very difficult to be competent in all areas of a specialty, much less all areas of a practice. However, many of us try to be everything to our clients because we want to control the relationship with them. This reasoning works for a time, but as our practices grow, it becomes more and more difficult to maintain the same quality of service that got us the work in the first place. Stress and burnout are fairly common for our young high-performing personnel.

It is time to consider separating the process of doing the technical work ("Back Office") from the client relationship ("Front Office") to the extent possible to improve the quality of both the work and our relationships with clients. Being "too busy" to render the highest quality service possible is no longer acceptable in our custom-

er-focused economy. Clients don't want to hear about how tough our "tax season" has been; they just want valuable service.

A partial solution to this problem is to encourage professionals in the firm to perform the services they do best to the greatest extent possible. People that give great

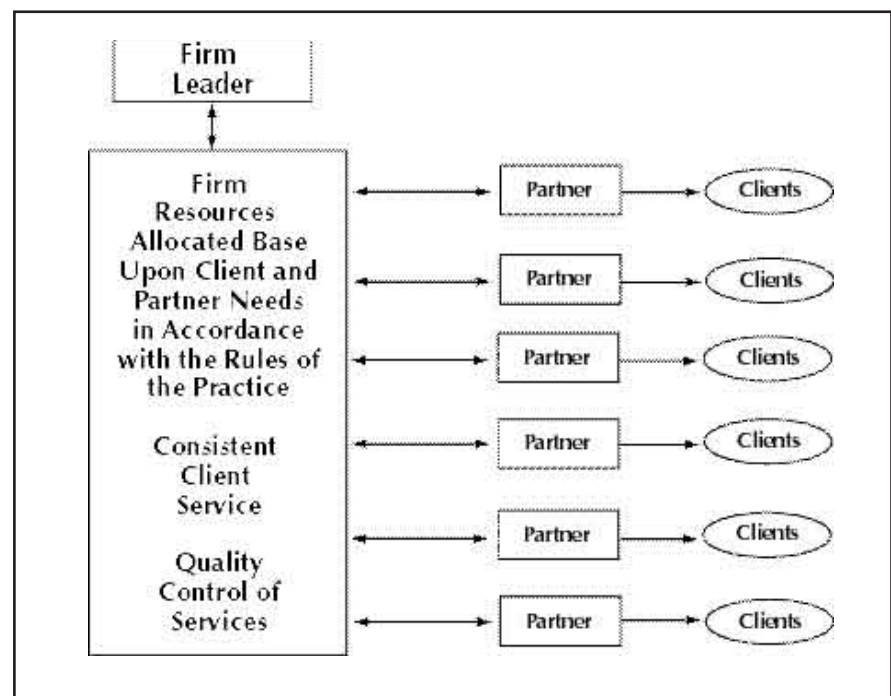
client service are usually not the best when it comes to technical work. To some degree, let the client servers serve clients, and let others do the work.

This is exactly how most successful service businesses have designed their delivery models to provide the greatest value to their clients. In order to implement this type of process successfully, firms will have to redefine their compensation systems to reward the desired performance of each individual. Systems that put everyone in the same box for measurement and rewards will not work as well in the future.

Consider the client service model illustrated in Diagram 3. The focus of the firm is on the client with internal competition for resources kept to a minimum. The key aspect of this model is the management and efficient allocation of firm resources.

There has been discussion in our profession for some time about the use of a "corporate

Diagram 3



model” for the management of our firms. In fact, many firms have attempted to embrace these models but in most cases have failed because they have assigned corporate titles to the old “relationship model” that has been in use by their firms for many years. The Managing Partner becomes the CEO but does not have the authority to act as the leader of the firm. This question was raised at a recent national meeting of managing partners where I served as a facilitator. The managing partners expressed their concern that their partners would not “let the leaders lead.” Many professional firm partnerships suffer organizational stress when roles are not clearly defined and partners resent being accountable to

their partners for their actions and performance. The answer is not in having partners become “employees.” A professional partnership is not a typical corporation, and the partners are not employees and do not want to be treated as employees. The solution to this dilemma will not be gained through giving firm leaders ultimate authority over their peers, but rather through the granting of “accountable authority and responsibility” by their partners. I like to call this the “Rules of Practice”: how the partners of a firm agree to be governed and what their responsibility is to the firm. Once these rules are agreed to, the governance of the practice becomes much easier and individual partner accountability is increased.

Firms that want to grow and improve profitability while maintaining acceptable levels of client service need to rethink their structure and compensation systems. Leveraged models will become more necessary as the shortage of experienced personnel becomes greater. The demographics of our work force are a fact that every firm must address. Improve your firm structure, processes and compensation systems, and you will significantly improve the efficiency and motivation of your current staff and reduce the need for additional personnel. At your next strategic planning meeting determine how your firm can remove the barriers that are holding you back. There is a better way!