

ARTICLE 3 IN A 3-PART SERIES

BURIED IN DENIAL

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THE PUBLIC ACCOUNTING PROFESSION FACES AN INEVITABLE TRANSFORMATION OF A MAGNITUDE THAT WE HAVE NEVER WITNESSED BEFORE.

Sweeping changes in leadership, new demands from our team members on how we work, client demands for a higher level of service, and a people drought that will require all of our energy to overcome a shortage of talent. Competition from non-accounting firms will be fiercer in the battle for relevance with our clients and for that scarce talent, too.

The public accounting industry is dominated by status quo approaches. Absent are fierce, healthy debates on cultural challenges. We focus more on consolidation, getting bigger, rather than getting better. These three observations alone are convincing evidence that the public accounting profession is at least denying or underestimating the speed and intensity of this inevitable transformation. Could we be buried in denial as a profession and not realize it? Are we ignoring the glaring brutal facts of our profession's present situation?

Since we are wired to believe that we are on the right track, it may be easier than we think to be buried in denial according to Nobel Prize winning physicist Richard Feynman. He said, "The first principle is that you must not fool yourself and you are the easiest person to fool." Is it possible that we are fooling ourselves? To be agnostic or complacent simply fuels our own self-deception of this transformation.

Public accounting boasts an incredible roster of leaders and talent who possess the brilliance, experience and courage, to capitalize on the many opportunities that will result from the coming dynamic transformation taking place in our profession. Opportunities exist for us collectively and for our individual firms to grow in relevance, leadership and trust. Our challenge is to get out front and manage this renewal, this reinvention, that results in sustained and growing relevance. The challenge will only get bigger—or even become a threat—if we wait or freeze in our efforts to manage it. Let's not let ourselves continue to be buried in denial when facing the brutal facts. Quickly responding will provide abundance and relevance for our profession and our firms.

In the first article of this series, "Who Are We?" we discussed the critical need to clearly define who we are and who we are not. Then, "Cultural Quicksand" identified five hidden aspects of cultural quicksand that are hurting our ability to remain relevant in the future. Let's now look at six common characteristics that could be causes for becoming buried in denial, as we tend to disregard they are even happening. Take a moment for reflection and ask yourself as you read if any apply to your firm or partners.

1. PARTNER/MANAGER COMFORT ZONES

We like things the way they are. This leads to ignoring or discounting the coming sweeping changes — a reality which requires quick and decisive actions. Our comfort zones are danger zones. We develop a degree of complacency that says: "I made it, it's working for me and I don't need to change."

Although we may see a need for change, we do not see ourselves as the ones who need to change. We quickly develop a status quo bias where the fear of loss causes us to rationalize the status quo even though the future is just as uncertain without change. In fact, today, our natural CPA instinct says to remain risk averse, yet the status quo approach may present even more risk to a firm than making a few bold moves. It's the fear of loss that fuels our denial.



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2. ARTIFICIAL HARMONY

We tend to overestimate the extent of shared views, vision and beliefs. We accept things without question as long as they don't change our world or affect us personally. Our profession has been a very "nice" culture where conflict avoidance is fairly prevalent and most often the norm.

Confirmation bias, seeking out others who share our opinions, creeps into our behaviors. Selective recall rears its head as we remember only the facts that support our point of view. We tend to quickly accept facts or opinions that support us while we might be very wary or even hostile to contrary facts or opinions. In fact, we can even become "guilt vampires," the type that give tacit approval yet never engage in the new initiatives. There is an inherent pressure to agree with others in our team-based cultures. We are buried in denial because we do not provide enough healthy challenge to each other's views and beliefs.

3. OVERCONFIDENCE

Our brains are wired to make us confident about our decisions. This overconfidence often leads to a self-serving bias. We tend to be overconfident in our abilities. For example, did you know that 94% of men rank themselves in the top half of all men in athletic ability? This phenomenon leads to being very overconfident in our ability to make accurate estimates, a skill that is necessary for our business and vital to our clients and investors. This same self-serving bias leads to our denial of the degree of change we need to be making during this transformation. Our overconfidence causes us to underestimate the effects of the transformation itself on all our firms.

4. HERDING INSTINCT

We would rather fail as a group than be seen as an outlier who did something foolish. We assume that there is less risk of failure based on what everyone else is doing rather than making some bold decisions about an uncertain future. Our profession is too often labeled a "fast follower" versus pioneer or innovator. A good diagnosis might show we remain the "cobbler's children" in terms of how we operate internally, yet we advise the best public organizations about innovation, people preparedness and forward-thinking solutions.

Our profession has simply followed innovation too often, especially in the management of our own firms. The tendency has been to copy competitors rather than bringing new bold ideas to bear. Many clients still find little distinction among us other than size. Are we buried in denial just like the rest of the herd?

5. DESIRE AND BELIEF

Since we have the desire to change and to increase our relevance, we feel we are on target. Good intentions are simply not enough. It's not what we know that counts, it's what we do with what we know that makes a difference. Are we buried in denial thinking the knowledge and desire to change is enough? Have good intentions buried our minds to what bold decisions we need to make? To simply have faith or a belief without works leads us nowhere.

6. VESTED ANCHORING

We are anchored to our past successes. As dangerous as that is today, our firms are anchored to how we have always performed and succeeded. We expect clients to retain us based on long-term relationships, yet today they are looking for deep insight and unrivaled expertise to plot out solutions to the uncertainty ahead. Have we effectively moved from simply being historians?

Most CPAs are great at identifying risks of new strategies or new services. Just suggest a new strategy in a partner meeting and listen to how much discussion occurs around the risk of this new strategy. How does the discussion of risk for a new strategy compare to the discussion of risk with the status quo? Do we adequately gauge the lost value of not doing something?

In the interest of transparency, we are also solidly anchored to the past due to common business models, the ones that have vested our leadership and partners in buy outs and deferred compensation arrangements based on indicators of past success. The fear of loss with a new business model anchors us to the status quo. Does our vesting in present business models have our firms buried in denial?

SUMMARY

So, yes, I do believe we can be buried in denial and not realize it. These characteristics run rampant in most firms and in our profession today. Let's shake off this unconscious denial and face the brutal reality of today's transformation. Let's make big decisions that help us define who we are and who we are not. Let's make bold investments in leadership skills for all partners and managers so we can develop young professionals and fill the leadership void that exists in many of our firms. Let's confront bad logic every time we hear it and reflect on the facts to destroy the myths. We must boldly work differently ourselves so our team members will believe in a new and better way. Millennials watch closely to see if our actions match our words. Seeing is believing and we must lead with a visible demonstration of changed behavior. Let's boldly find better ways to value our services and impact while reducing our reliance on a time sheet, the historical crutch for managing people. It continues to be a drain the life out of the diminishing pool of leadership-ready talent. We all claim that our people are our most valuable assets, yet long hours do not equate to caring for our team members. They need to see and hear from us daily.

Most of all, we must be boldly transparent, showing our heart while connecting everyone to our why, our purpose. More communication of our purpose, our "why," will help young leaders see into our heart. More transparency will drive value into our efforts.

The future is uncertain, but it always has been. The status quo also presents an uncertain future and presents even more risk than boldly moving forward. Let's focus on leading, having fierce debates and providing a vision for our profession that captures the opportunities in front of us. These are the things that matter now, and if we move boldly, we will pull our partners, firms and profession out of denial, out of cultural quicksand and charge forward with relevance that leaves a strong legacy for every young professional who chooses such a noble calling.

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Research and white paper resources on these phenomena included Charles Roxburgh's article "Hidden Flaws in Strategy" and Carolyn Aiken and Scott Keller's article on "The irrational side of change management." Both articles published as members of McKinsey & Company.



About the Author: Joey Havens, CPA, is the executive partner at HORNE LLP where he leads more than 500 team members on a journey to become the Wise Firm©. He passionately lives out his life's calling to help others see and reach their full potential. Joey challenges leaders to bold transparency, calling on leaders to show their heart while working to connect everyone to the "why," or the purpose, of the organization. He is a husband, father, grandfather, avid outdoorsman, and fanatical college sports fan. Follow him on Twitter @JoeyHavensCPA or read his weekly blog at www.blog.horne-llp.com/betbetter.