

ARTICLE 1 IN A 3-PART SERIES

WHO ARE WE?

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NEVER BEFORE HAVE PUBLIC ACCOUNTING FIRMS NEEDED A CLEARER UNDERSTANDING OF “WHO WE ARE”

to maintain and increase our relevance with clients, team members and society. The inevitable disruptive transformation of our profession is intimidating when you stop and reflect on the extent and speed of this change. And, although, this transformation is already underway, we control our own destiny because we have a choice in how this transformation affects our individual firms and the overall public accounting profession. Controlling our destiny requires hard choices that affect our long-held beliefs within public accounting firms and it requires engaging in a fierce debate on “Who Are We?” to remain relevant in the future.

Don't most firms know who they are? One might ask: why do I pose such a thought?

The sense of urgency and concern comes from the observation that most firms don't know who they are. Even if they do, they struggle with the uncommon discipline to say no to the things that do not fit. Our firms have grown complacent due to the busy nature of trying to be good at too many things.

So, why be concerned? Doesn't every forecast predict tremendous growth for accounting where we already have low unemployment? Why would decades of history, tradition and success not lend itself to sustainable growth?

Firms are not prepared to proactively address changing client demands involving more complexity which is part of the transformation of our profession. Firms continue to brag on being relevant for everyone. Is it really possible today and in our future to be everything to everybody? Even when this strategy has indeed served so many firms so well with growth in the past? For our debate, to generate closer scrutiny and to challenge our beliefs, I would like to present a point of view that might be somewhat controversial.

IN GENERAL, CPA FIRMS ARE HOARDERS

Let's continue over the loud protests, the boos, the grinding of teeth and look beyond the cold stares in hope of generating a fierce debate to this possibility. We do control our future destiny and relevance if we are willing to face what might be some brutal facts of the present.

Start with the client acceptance process, which is a bar set far too low in most firms. We could even call it the “one” bar. Far too often, “one” partner can make the commitment or use resources to chase the “one” opportunity. We promote and market our experience if we have “one” person with the experience. If we have ever completed “one” engagement, we list it as relevant. If “one” partner sees it as an emerging opportunity, we list it as relevant and part of our strategy for growth. “One” engagement in an industry qualifies as industry expertise. We grow our client lists and our service offerings with too many “ones” that have no strategic value for moving the firm toward relevance in the eyes of today's demanding clients.

Surely you have heard this from the break room to the board room. “Well it's profitable, why would we not do it? It's profitable, why would we stop doing it?” Accepting or retaining a client or engagement because it is profitable is simply not a high bar. Yet, it's the first thing you hear when questioning whether we should be doing the work. Let's recognize that most of our engagements generate some margin. Better questions might be related to the amount of profitability, sustainability and profit in areas of relevance versus simply tying up resources.



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Are we really measuring the cost of this complexity to our profession and our firms? How many opportunities do we miss to deliver exceptional value, increased value and become more relevant in areas we are great at, simply because we are spread too thin doing all these so-called profitable things?

Our firm websites begin to show examples of where we are hoarding our “ones” as we have extensive lists of what we consider as relevant. It’s not uncommon even in small firms to see 10 to 15 industries, 10 or more niches and long lists of services prominently displayed on websites. How can our clients even know who we are much less our own team members? Since almost all of the 14,000 multi-partner CPA firms are under \$1 billion in revenue, how credible is this list? Even the “Big 4” show signs of struggling with this mindset on their websites. Too often, we are simply hoarders who are never willing to throw something away or say no to having another “one.”

Our clients are already demanding higher levels of *proactive* service including insights, strategic vision, discovery, forward-thinking opinions, thought provoking questions and more proactive alignment with the challenges they face. How can we quickly transform ourselves to meet this demand for enhanced, proactive service while continuing to *allow* our firms and people to be spread so thin? How can we deal with increasing complexity from this transformation?

Never before have we needed to apply the hedgehog concept of Jim Collins’ book, “Good to Great,” to our firms and profession. Now, we find ourselves desperately needing to act on the concept which promotes focusing on what you can truly be great at and recognizing that not everything you are presently doing will fit in this category.

Collins notes that the hardest decision for great companies is what they are not going to do. Real strategy requires choices backed by action. Historically, as a profession, we have not made enough hard choices and tough decisions about what we are not going to do. Traditionally, being good enough and competent, across a wide range of industries and services, provided growth and enough profitability to sustain our profession. Does anyone really believe that what got us here will actually propel us into the future?

We are simply terrible at identifying the things that we are not going to do. Too many strategic plans have a “Wish List” of industries, services and niches that we promote ourselves as being industry leaders as though we have a real competitive advantage.

We all know that “hope” is not a viable strategy. So is it time to stop wishing for success, to stop simply being good at so many things and to make sure we are great at a few things? With increased complexity, speed of knowledge, information and connectivity, and new demands from clients, firms do not have the resources to remain relevant and become great at 20, 15, 10 or maybe even five industries or niches. Firms must begin to ask themselves, “Who Are We?” so hard choices can be made on what they will be great at.

THERE IS A DIRECT CONNECTION BETWEEN FIRMS NOT ANSWERING “WHO ARE WE?” AND BEING ABLE TO ESTABLISH TRUE PARTNER ACCOUNTABILITY. IT IS DIFFICULT TO ESTABLISH TRUE ACCOUNTABILITY WHEN FIRMS HAVE NOT DETERMINED WHAT RESULTS ARE IMPACTFUL AND WHICH RESULTS ARE DISTRACTIONS FROM GREATNESS.

Let's look at one other slightly controversial observation. Our past success of being good at a lot of things has helped contribute to:

COMPLACENCY — AND, IT IS RAMPANT WITHIN OUR PROFESSION

In his article “State of Accounting: A Need to Regain Control,”¹ Chief Executive of CPA Australia Alex Malley summarizes, “Complacency has hatched and spread through the profession, putting it at risk of losing its rightful leadership position in business and greater society.” For evidence that we have become complacent, he uses the observation that public accountants do not have ownership of the entire annual report as they had in the past. We are simply a contributor and the overall relevance to the annual report has lessened. He concludes that we have been too reactive. “[W]e have been slow to move with the times.”

Slow also might be a good term for the next odd fact that also points us toward complacency. For the past five years, the AICPA survey of firms with 21+ professionals lists partner accountability either first or second as the biggest issue for CPA firms.

PARTNER ACCOUNTABILITY: BIGGEST ISSUE FOR FIVE STRAIGHT YEARS

Partner accountability is usually associated with contributing to substantial firm growth, leadership and people development, continuous learning for new skills, aligning with the firm mission and overall high performance toward significant goals. So why are firms struggling to hold partners accountable?

Circling back to where we started might shed some light on the partner accountability issue. Could the root cause of partner accountability issues and lack of high performance be that most firms don't know who they are? Even more importantly, could it be that most firms have not decided who they are not going to be?

BUSYNESS IS THRIVING OVER GREATNESS

By not answering the “Who Are We?” question, firms foster environments where it's easy for individual partners to generate a lot of activity that looks good but might not actually bring great results. Our “be everything to everybody” strategy promotes busyness. Could it be that “busyness” is leading to mediocre results and not providing fuel or energy to meet the challenges of our profession today? Could it be that we are so diverse in our service offerings — a strategy that is based on the belief that the more diverse we are, the less risk — that we have taken it too far? Have many firms created more risk by casting a wide net, and being spread too thin? Could most of the growth that we are chasing today, especially as individual partners and managers, actually not be smart growth? (Smart growth being defined as growth in real areas of greatness where we have critical mass and true distinction, is sustainable, and is highly profitable.)

There is a direct connection between firms not answering “Who Are We?” and being able to establish true partner accountability. It is difficult to establish true accountability when firms have not determined what results are impactful and which results are distractions from greatness. Busyness thrives in our profession today due to this lack of clarity and focus. Settling for good remains the biggest threat to achieving greatness. Jim Collins got it right many years ago when he told us “the enemy of great is good.”

¹<http://www.linkedin.com/today/post/article/20140325100949-322130907-state-of-accounting-a-need-to-regain-control>

SUMMARY

Public accounting has an incredible roster of leaders and talent who possess ample supply of brilliance, experience and courage, to capitalize on the many opportunities that will result from this dynamic transformation. Opportunities exist for our profession and for our individual firms to grow in prominence, leadership and trust for both businesses and society as a whole.

The transformation taking place in our profession will not wait on anyone or any firm. We have a choice about how this story turns out for our firms and our profession. Firms that fail to define who they are will struggle not only with complexity of the transformation of our profession, but also with increased complexity of new client demands. Firms that hesitate and struggle to respond at an ever increasing quickness will be overtaken by more disciplined firms or simply “die on the vine” due to quickly declining relevance. But, firms who find the discipline to define who they are and who they are not will experience an abundance of growth and enduring prosperity.

An open dialogue within our profession allows more leaders to see their opportunities, have their beliefs challenged, see others trying, and see others changing. In the end, providing our profession a better line of sight to capitalize and stay ahead of this transformation. We can and should have a bright future with a profession that the world views as a prominent leader, trustworthy, adaptable and a career path that is pursued as one of the best by the coming generations.

The first step to being relevant in the future is answering the question “Who Are We?”

THE FIRST STEP TO BEING RELEVANT IN THE FUTURE IS ANSWERING THE QUESTION “WHO ARE WE?”

This is the first in a series of three articles focused on how we can challenge our present day beliefs and become more prepared for the challenges we have in front of us. The next article, “Cultural Quicksand,” will challenge our understanding of how our present culture immobilizes us to move quickly in response to this transformation. The third article, “Buried in Denial,” provides insight to help us self diagnose the unconscious denial that is causing us to ignore the obvious or leads to justifying beliefs that will not succeed in the new order of business.



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.