




Overcoming Firm SAG™

How to execute your firm's strategic vision and unleash the talent of your people.

TIAG Conference 2009






The Future of the Profession:

All significant break-throughs, are “break-withs” old ways of thinking.

Thomas Kuhn






New Paradigms.....


Shift Happens






Assumptions

- Accounting is a long-standing profession.
- Historically, technical competence has superseded conceptual competence and people skills in order of importance;
- CAs have been trained to “find the mistakes” as opposed to “recognize an opportunity”;
- The “compliance” nature of the profession has encouraged us to look backward rather than forward as we address our clients.
- Most firms “SAG” (More on this later)




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Evolution of the Profession

- 1.0: “As-Is” – The Traditional “Profession”
- 2.0: “MAP” – “Like A Business”
- 3.0: “Paradigm Shift” – New (and unknown) Model




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1.0: “As-Is”

- The Traditional “Profession”
 - Standard / historical operating model.
 - Minimal need for operating best practices.
 - The “Gentlemen’s Profession”
 - Up or Out – A surplus of partner candidates
 - The historical status quo through the late 70’s
 - The paradigm / experience of current senior leadership
 - Akin to the agriculture economy.




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2.0: "MAP"

- Managing an Accounting Practice "Like a Business"
 - Gained credence and traction beginning in mid-80's
 - Brought about by need to compete effectively
 - Primary focus of past 25 years – various levels of success
 - Breeding ground for consolidation movement
 - Firm SAG
 - Akin to the industrial revolution




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The SAG™

- The *Skills and Availability Gap*™
 - The unique challenge facing professional service providers → especially CAs
 - A tool to estimate and visualize how far your firm SAGs from optimal performance.



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The Skills Gap™

- Critically evaluate your education and experience in your undergraduate, post-graduate and CPE work across the following areas:
 - Strategy and Planning
 - Marketing and Sales
 - Human Resources and Performance Management
 - Management
 - Finance
 - Entrepreneurship
 - Leadership





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 THE GROWTH PARTNERSHIP
Experts • Implementation • Evaluation

The Skills Gap™


- How did you do?
 - You must realize that in order to accomplish desired results, you must see yourselves as entrepreneurs that happen to run a public accounting business – not as public accountants.
 - Moving from a “profession” to an “industry” → the need for best practices, systems, processes, tools and outside advisors.
 - Great leaders know what they don't know!


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The Availability Gap™


- The “Baker” and the “CA”
- Calculate your personal *Availability Quotient™*
 - How many hours will you work in **2008**?
 - How many hours did you bill?
 - $((\text{Total Hours} - \text{Charge Hours}) / \text{Total Hours}) * 50\%$
 - In other words: 50% of Utilization
- Why successful firms are driven by formal systems and processes.
 - Is your firm “flat”
 - Are you allowed to play in the street (Or do you have to watch out for the bus)?


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The SAG™


- So.....
 -what is the “highest and best use” of your time in terms of:
 - Net Income Per Partner
 - Practice Development
 - People Development
 - Practice Management

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 **The Current Landscape**


- Economic Uncertainty
- Sarbanes-Oxley → “Big GAAP / Little GAAP”
- Aging partners with unfunded retirements:
 - Next-Gen “Technicians”
 - Minimal “Systems” Infrastructure
 - Lack of partner candidates (demographically)
- Heightened upstream merger activity
- Decrease in importance of “bricks and mortar”
- Emergence of VC money into the space (SMART)
- The Question of Synergy


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 **The Current Landscape**

| Reason for Changing | Clients | CPAs |
|--------------------------------|--|--|
| | Why would you or your organization change CPA firms? | What is the main reason you might lose a client? |
| Poor client services | 81% | 34% |
| Price/fee/costs/budgets | 57% | 51% |
| Not getting firm's best people | 38% | 9% |
| Not proactive enough | 35% | 19% |
| Bad personal chemistry | 29% | 20% |
| Need different services | 20% | 16% |
| Prof/technical differences | 17% | 9% |
| Other | 11% | 6% |
| Friendship with new firm | 7% | 15% |
| Take functions in-house | 6% | 11% |
| Fired for business reasons | n/a | 17% |
| Die/sell/out of business | n/a | 43% |
| Not sure | n/a | 15% |


Source: Bay Street Group Study, "What do Clients Really Want?"; 11/06

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 **The Current Landscape**


- Recognition of SAG
 - Non CA functional managers (AAA, AAM)
 - Resource constrained
 - Bottleneck is the lack of desired practitioner: CA³
 - Technically Excellent (At a 10,000 ft level)
 - Excellent Relationship Skills
 - Technologically Savvy
- New “Job to be Done”
 - SEC Reliability and Assurance (Protiviti)
 - Individual Tax Compliance (Jackson Hewitt, H&R Block)
 - Risk Management (Will Banking Take Over?)
 - Advisory Services / Corp. Compliance (The Profession 3.0)

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3.0: “Paradigm Shift”

- A New Model for a “Flat” World
 - Organized around the “job to be done”
 - Places a premium of client understanding and interaction
 - The “niched” CA³ Quarterback / Rock Star
 - The “service line” Technical Specialist / Wide-Receiver
 - The Emergence of Para-Professionals
 - Why can't a bank teller enter data, count inventory, etc?
 - The Virtual Back-Office / Support Infrastructure
 - Processing, Marketing, Training, CPE, etc.




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3.0: “Paradigm Shift”

- A New Model for a “Flat” World
 - Custom Delivery + Commoditized Fulfillment = Significant Pricing Power (Meet Jake and Rob).
 - Look at the brokerage houses (Edward Jones) – a glimmer of what is possible.
 - Expanded service set.
 - Tapping the potential of the Information Age
- The differentiator is “EXECUTION”




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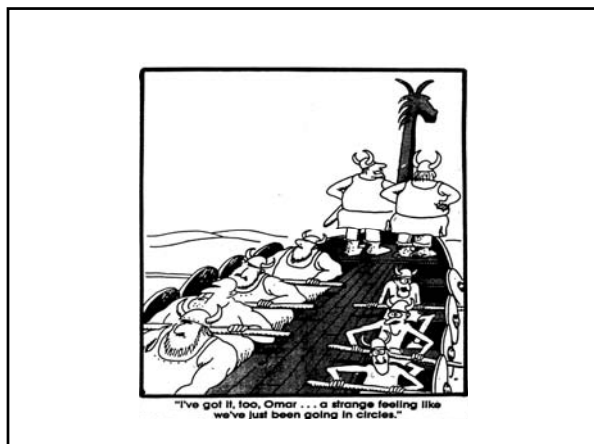


The Pawlow Principle:

Firms are perfectly aligned to get the results that they are getting.



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The Pawlow Principle:

Firms are perfectly aligned to get the results that they are getting.

Einstein's Definition of Insanity:

Continuing to do things the way they have always been done and hoping, somehow, for a different outcome.

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Introduction

| | |
|---|------------|
| Do work teams have clear, measurable goals? | 9% |
| Do individuals stay diligently focused on the most important goals? | 14% |
| Are success measures tracked accurately and openly? | 10% |
| Do work teams plan together how to achieve their goals? | 16% |

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Execution Check

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Execution Framework

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Discipline 1

The 4 Disciplines of Execution

Clear about "the goal"

know activities and actions

They do it

Discipline 1:
Focus on the "Wildly Important"
 The team is **clear** about and **committed** to the most important objective(s) and people stay focused despite all the other competing priorities.

Discipline 1 The 4 Disciplines of Execution

Clear about "the goal" → know activities and actions → They do it

Discipline 1: Focus on the "Wildly Important"

Common Thinking:
We can effectively accomplish 6, 8, or even 10 important goals at once with excellence.

Reality:
The more we narrow our focus the greater our chances of achieving our goals with excellence.

Discipline 1 The 4 Disciplines of Execution

WILDLY Important Goals

(WIG) Our most leveraged goals. Goals that drive our vision, make all the difference, and that take us to a new level. Perhaps, failure to achieve these goals renders any of our other achievements inconsequential.

General Electric - The Power of Focus

1980

- 45+ business units
- \$25.5 billion revenue

1981

- Jack Welch (CEO) announces that GE will leave any business line where they cannot hold the leadership position or a very close 2nd place


2000

- 12 business units
- \$129.8 billion revenue
- 40-fold increase in stock price
- Outperformed S&P 500 by more than three times over the two decades

Discipline 1 The Focus – JFK's Speech to Congress

"I believe that this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to the earth."

President John F. Kennedy




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Discipline 1 The Commitment of Resources

"I believe we possess all the resources and talents necessary. But the facts of the matter are that we have never made the national decisions or marshaled the national resources required for such leadership. We have never specified long-range goals on an urgent time schedule, or managed our resources and our time, as to insure their fulfillment.

This decision demands a major national commitment of scientific and technical manpower, materiel and facilities, and the possibility of their diversion from other important activities where they are already thinly spread. It means a degree of dedication, organization and discipline which have not always characterized our research and development efforts."

President John F. Kennedy



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Discipline 2 The 4 Disciplines of Execution

Clear about
"the goal"

▶


know
activities
and actions

▶

They do it

Discipline 2:
Create a Compelling Scoreboard

We have a highly visible scoreboard of the critical few measures that motivate our players to win!



Discipline 2 The 4 Disciplines of Execution

**Discipline 2:
Create a Compelling Scoreboard**

Common Thinking:
Once we have communicated the goal people will know we are serious about it.

Reality:
They won't believe we're serious until we start keeping score.

Thirteen! Thirteen! - Video

Accounting Firm Example

1. Develop and "Professionalize" the Automotive Niche to achieve desired market position .

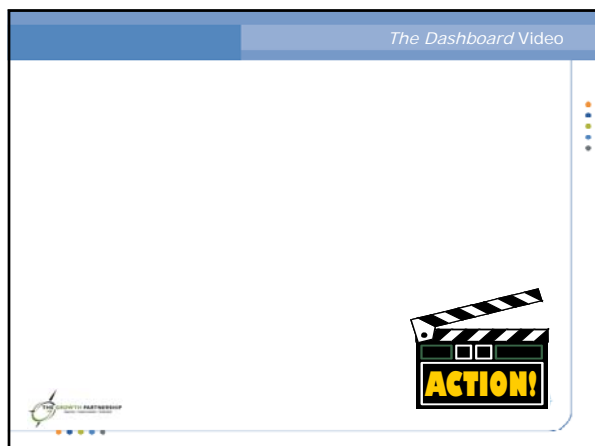
- Develop marketing campaign by June 30.
- Meet with 15 prospects by October 31.
- Convert 5 clients by December 31.

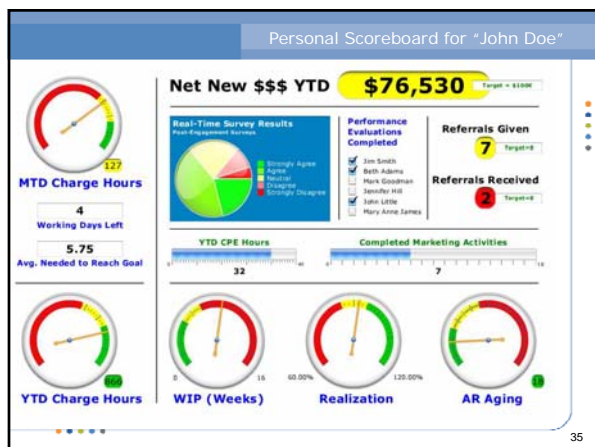
2. Develop online accounting systems capabilities for top 50 clients within 12 months.

- Get system up by June 30.
- Complete first five pilot companies by November.
- Bring "five live" every month until August of next year.

3. Achieve the most successful product launch in firm history with Cost Segregation Studies.

- Generate 20 percent of sales from new clients.
- Generate 30 percent of sales from referral sources.
- Generate 50 percent of sales from existing clients.
- Achieve total revenue of \$500K by year-end.








Discipline 3 The 4 Disciplines of Execution

Clear about "the goal" know activities and actions They do it

Discipline 3:
Think Differently, and Translate New Goals Into Specific Action

We think "new and better" and have a process for individually selecting and activating the critical few weekly objectives that will drive the goal.




Discipline 3 The 4 Disciplines of Execution

Clear about "the goal" know activities and actions They do it

Discipline 3:
Translate Goals Into Specific Action


It's not uncommon to think... The best ideas come from the leaders.
 If people know the goal and see the scoreboard, they will know *what to do* about it... and *do it*...

However, in reality... The best ideas come from interaction between leaders and the front line.
 Goals will never be achieved until everyone on the team thinks critically about what must be done to achieve goals and then does it.

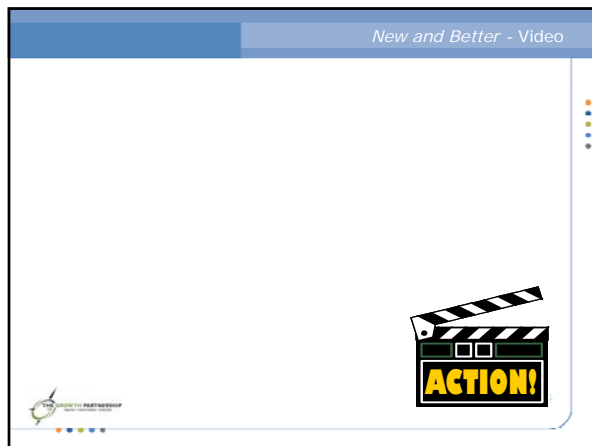


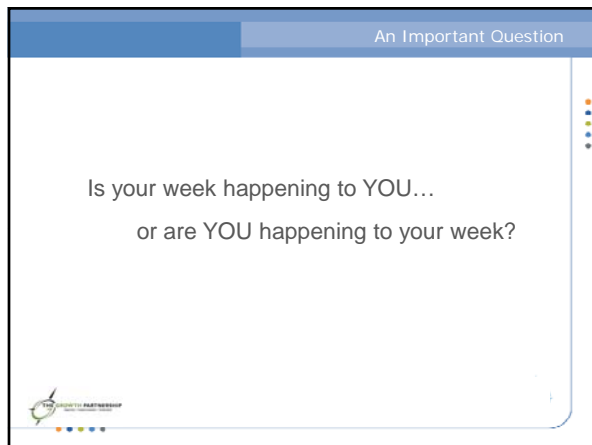
Einstein's Definition of Insanity

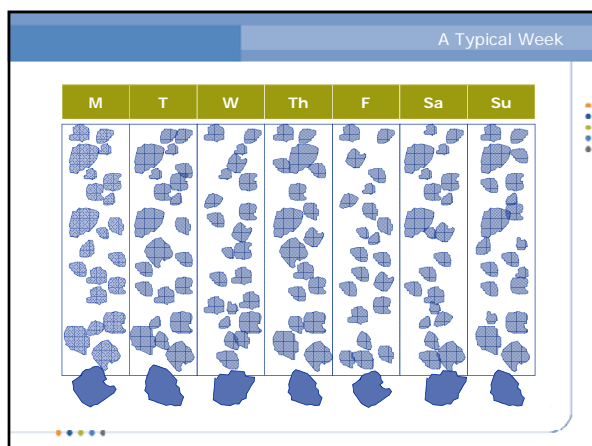
- Doing things the way you've always done them, and somehow hoping for a different result.



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An Effective WIG Week

| M | T | W | Th | F | Sa | Su |
|---|---|---|----|---|----|----|
| | | | | | | |
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Discipline 3 The 4 Disciplines of Execution

What would it be worth if everyone in your firm actually did the **three most important things** they could do to move the goal forward each week?

Discipline 4 The 4 Disciplines of Execution

Clear about "the goal"

know activities and actions

They do it

Discipline 4:
Hold Each Other Accountable All the Time
 We have a process for reporting to each other on the critical few weekly objectives that will drive the goal.

Discipline 4

The 4 Disciplines of Execution

Clear about "the goal"

know activities and actions


They do it

Discipline 4:
Hold Each Other Accountable All the Time

It's Not Uncommon to think:
 As long as goals are clear and compelling and people know what to do to achieve them they will remain focused and committed to doing it.

However, in reality:
 The certainty of weekly accountability to the team ensures focus and commitment.

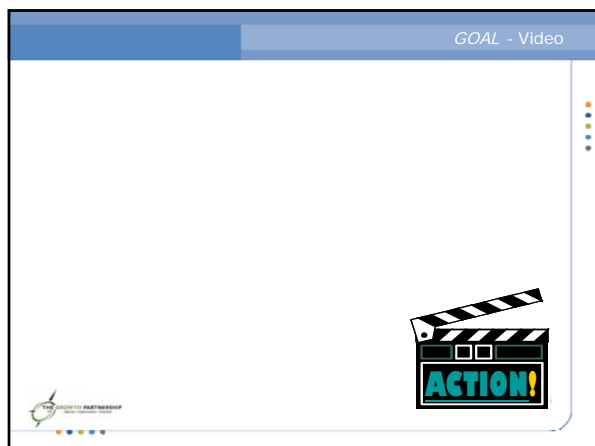
The WIG Meeting - Video



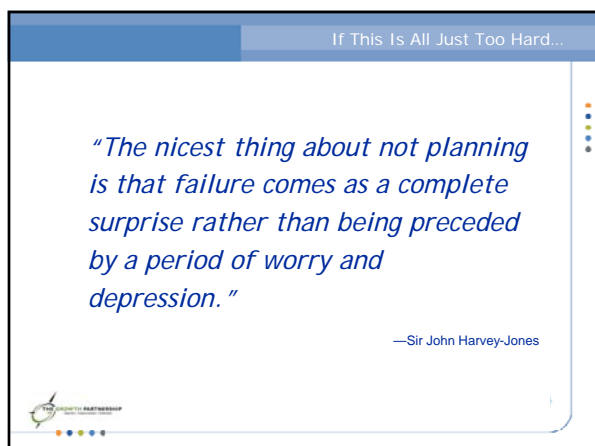
The Weekly Cadence

Discipline 2:
 Maintain and Review the Scoreboard

Disciplines 3 & 4:
 Make Individual Commitments and Report on Activity and Results







Thank You!

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