



PCPS

PRIVATE COMPANIES PRACTICE SECTION

BEST PRACTICES IN RECRUITING AND RETAINING TALENTED STAFF

*A White Paper from the AICPA
Private Companies Practice Section (PCPS),
the AICPA Alliance for CPA Firms*





Acknowledgments

We wish to thank the firm of Clifton Gunderson LLP and the following CPAs for their contributions to this white paper — Jerry M. Bland, Carl Glaw, Ray Roberts and Deborah Sessions. Much of the advice given here was taken from interviews with them on staffing issues.



Table of Contents

- Introduction** 3-4
 - What Are Your Programs and Practices? 3
 - Collecting Best Practices 4
 - The Small Firm Perspective 4

- Recruiting** 4-6
 - College Relations 4
 - Internships 5
 - Rehiring 6

- Retention** 6-12
 - Employee Orientation 6
 - Career Development 7
 - Nurturing Future Partners 8
 - Motivational Programs 9
 - Business Development 12

- Appendix**
 - AICPA Resources Related to Staffing Issues 13



Introduction

The AICPA Private Companies Practice Section (PCPS) regularly researches issues that affect CPA firms. For the last several years, PCPS research has consistently shown that staffing is the biggest management challenge for non-national firms. Thus, PCPS conducted a thorough study of nearly 500 firms, including a survey and follow-up interviews, to understand how they were handling staffing problems. The results confirmed that while practices continue seeking to attract and retain the best and the brightest, few have formal, documented programs that would help them achieve this goal.

This white paper provides a brief report on selected results of the survey in order to offer firms insights into how others are handling recruitment and retention and to allow them an opportunity to benchmark their efforts against those of their peers. As a service to member firms, the paper also contains extensive listings of best practices for specific aspects of recruiting and retention that are intended to help CPAs address these challenges.

What Are Your Programs and Practices?

If your firm does not have formal staffing policies, you are not alone. In most cases, firms had no documented programs in place to address staffing issues. For example:

- 93% did not have a leadership development program.
- 92% did not have a program to address the generational differences in attitude toward work-related issues.
- 90% did not have a career professional program that would, among other things, identify expectations, titles, compensation alternatives and other benefits to those not on the partner track.
- 89% did not have a partner-in-training program.
- 88% did not have a documented business development program for partners and managers.
- 87% did not have a formal, documented internship program.
- 84% did not have a documented owner self-evaluation program.
- 75% did not have a documented pay-for-performance plan aligning compensation with firm strategic initiatives.
- 55% did not have a documented employee orientation program.

When asked whether they would be willing to share a sample documented program with other PCPS members, 69% said they did not have documented examples of *any* of the programs.



Collecting Best Practices

To create this white paper, we gathered responses from the survey and interviewed selected firms to find the best practices currently in use in recruiting and retention. The following sections describe these best practices and, whenever possible or necessary, offer suggestions on how to implement them.

The Small Firm Perspective

Complicated staffing programs are clearly too costly for the smallest firms, but that does not mean that recruiting and retaining the best employees are not important issues for these practices. Throughout this white paper, as necessary, we offer tips on how a program can be adapted for a smaller practice or implemented in an informal manner. While detailed programs can be valuable, many firms don't have the resources to implement them. To offset this limitation, this paper provides a series of ideas that have proven successful in other practices. CPAs can use them to begin brainstorming the best way to adapt these basic principles in their own firms.

In fact, the best advice for small firms in this area is that they should take advantage of their size. They often have more flexibility than larger practices, which may need a long list of approvals and discussions before adopting a new, firm-wide policy or approach. Smaller firms may be in a better position to offer flexible work hours, allow someone to get specialized training, expose staff to clients and provide many of the kinds of benefits that help attract and retain talented staff. In addition, small firms are in an excellent position to offer a congenial atmosphere and personal attention to career issues. Treat your size as an advantage, and reap the benefits that your flexibility can offer.

Recruiting

How can smaller firms gain a competitive advantage in the recruiting process? Firms agreed that the best way to stand out is to build relationships with universities, professors and students.

College Relations

- *Form a relationship with a local university.* Many colleges are eager to involve alumni or other professionals in their accounting programs. At the simplest level, you might volunteer to regularly speak to students about career choices or give a guest lecture on an emerging technical issue. This raises your firm's visibility on campus among students and among the faculty members who might refer promising candidates. If you're willing to become more involved, you might form or join an advisory board composed of accounting professionals. Such a board could help the college accounting program recruit students or take on other activities giving the firm high campus visibility. Criteria for selecting the university might include its proximity to the firm, partners who are graduates and have a relationship with the institution or some other important connection that will enhance your partnership.
- *Make friends with a professor.* Accounting professors can serve as referral sources for promising students whom the firm may wish to recruit. Firms might also consider hiring professors to create orientation programs or develop CPE offerings for staff.



Internships

According to the *2005 Experiential Education Survey*, published by the National Association of Colleges and Employers, college graduates who participated in an internship or cooperative education assignment are more likely to stay with their employer. In fact, 76 percent of the employers responding to the survey reported higher retention among college hires who come directly from their own internship or co-op program.

- *Start small.* Hire one person at a time and develop your program based on this initial experience.
- *Focus on the purpose of the internship.* Are you hiring an intern as part of a recruitment program or because you need added help? The answer to that question will tell you how to plan the internship. If you are recruiting, as well as seeking another worker for busy season, you will focus some of your attention on introducing the person to all the activities and opportunities at your office — and on determining whether that worker fits with the firm. The intern's positive experience at your practice will give you an advantage over other employers when hiring time arrives.
- *Consider the added opportunities.* Even if recruitment is your main goal for the internship, don't overlook the benefits of having an extra person available during tax season. Some firms can make significant cuts in weekend or evening hours for existing staff because they use interns. As a result, the internship offers retention and recruiting advantages by giving existing workers a welcome break from long hours.
- *Get the timing right.* If your firm is competing with other, larger practices for talent, it's often a good idea to begin working with interns in their junior year. That gives you a recruiting edge in the senior year because your interns are already familiar with your firm and its benefits.
- *Offer reasonable compensation.* You want the intern to have a great experience, and fair pay is part of the package. The university providing the intern can give you a sense of the going rate for interns.
- *Look for the same background that you would seek in a staff accountant.* Consider what classes an internship candidate has taken, as well as grade point average, communications and social skills, involvement in organizations like Beta Alpha Psi and any campus leadership positions.
- *Assign the intern a buddy.* This might be someone who went to the same school or is in the same age range. The buddy can become an informal office mentor and, once the intern returns to school, can maintain occasional contact up until you present a job offer.
- *Strike early with a job offer.* If the internship has succeeded, present the student with a job offer before he or she finishes the assignment. If the person is still a junior, don't hesitate at least to discuss with the intern future opportunities at your firm.
- *Develop an on-campus representative.* Ask a promising intern to be the point person for your practice at his or her college. That student could identify and meet with potential recruits to discuss the firm for a small stipend. It's easier — and less costly — to interview and entertain prospective hires if an informed firm representative has narrowed the field in advance.
- *Get feedback.* Find out your interns' opinions on their experiences and on your firm, and adjust your plans accordingly. Even in the smallest practice, this might simply mean doing a half-hour exit interview to learn about the intern's perspective on how the arrangement worked and any suggested improvements.

Rehiring

Not all recruiting will be among recent graduates. Many firms are reaping the benefits of welcoming back former employees. Some practices even maintain a network of ex-staff members for re-recruiting and other activities. Keeping in touch can be as simple as adding these individuals to the firm's mailing list, inviting them to continuing education programs or including them in social events. Rehiring is generally less costly in terms of time and financial resources than bringing in unknown recruits; the rehire knows the firm's culture and procedures, taking less time to get up to speed.

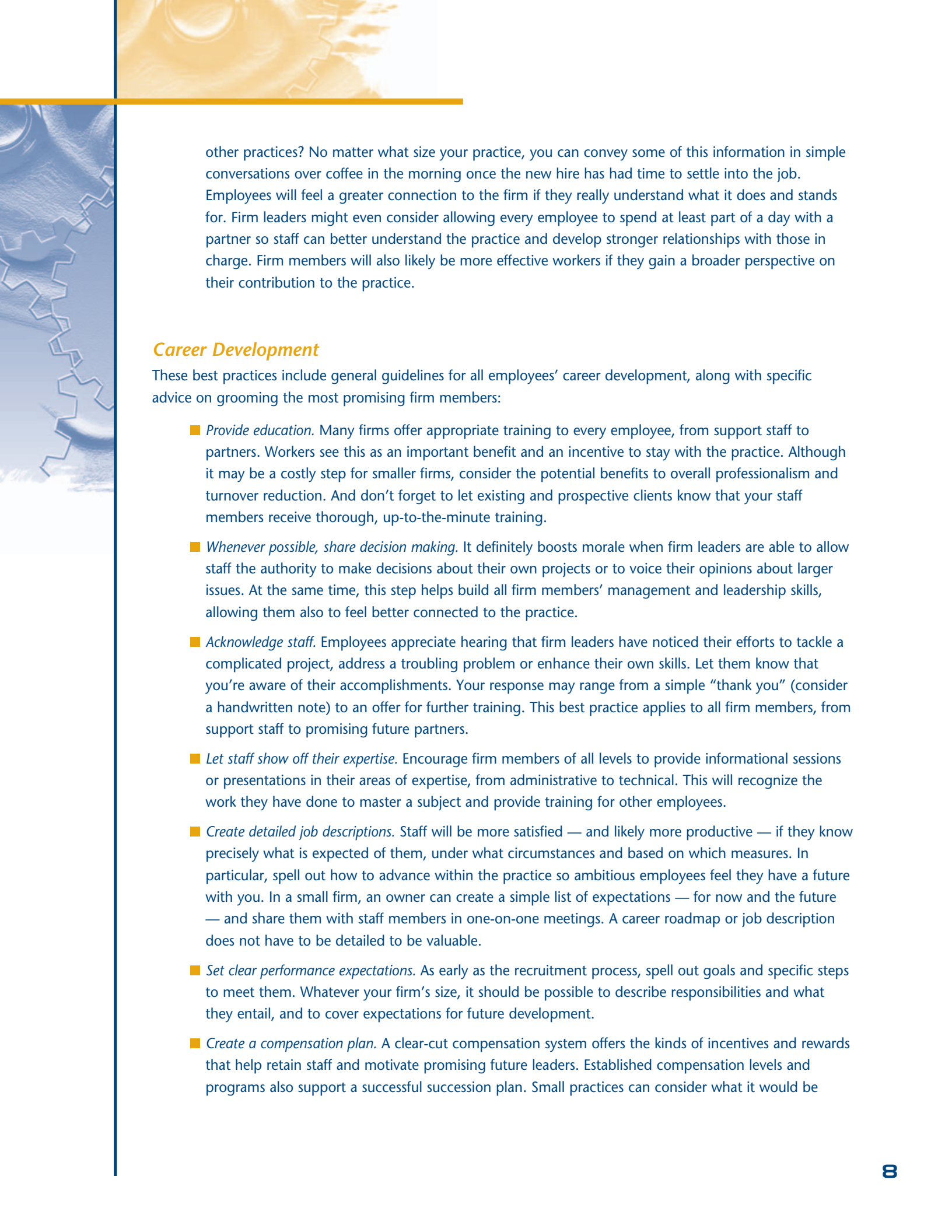
Retention

Retaining the most talented workers is a multifaceted process, but we've broken it down into practical steps in a series of key areas, from orientation to business development.

Employee Orientation

These steps can help your firm make a great first impression:

- *Let people know what they're getting into.* Accounting is a rigorous profession with high standards and long hours. When interviewing interns and new hires, you certainly don't want to scare people off, but you should be realistic about what they will face in the new job. Of course, you should also take the opportunity to explain the rewards that the profession and your firm have to offer. This candor from the beginning will help cut down on costly and inconvenient turnover.
- *Formally welcome new staff to the firm.* Employees should not get to know your firm simply by reading a manual. Instead, partners should introduce themselves to new recruits, and there should be a real orientation process, something that can be accomplished informally, even in a very small practice. This process should include not only a discussion of the person's duties, but also introductions to the people with whom they'll be working and a description of what they do; a tour of the office; and some coverage of firm benefits and policies.
- *Provide a manual.* A personal welcome may be critical, but it's also good to give workers something in writing. A manual might contain bios of practice members, explanations of benefits and policies, and examples of standard work papers. Even in the smallest firm, a short booklet can reduce confusion and answer many basic questions.
- *Assign mentors.* A mentor can offer insights not only into the job's technical requirements, but also into firm culture, hierarchy and personalities. In a very small practice, a partner might simply ask a veteran staff member to be available to a new hire when questions arise.
- *Encourage follow-up questions.* While orientation during the first week on the job is important, employees will develop additional questions as they get more involved in their work. An employee manual may address many of these concerns, but let new staff know that questions are welcome and tell them who can help them when new issues arise.
- *Don't be a stranger.* Once orientation is over, people tend to settle into their own jobs, often with little sense of what's going on around them. For example, does your staff know what you do? Do they understand why clients engage your firm? Do they know what competitive advantages you offer over

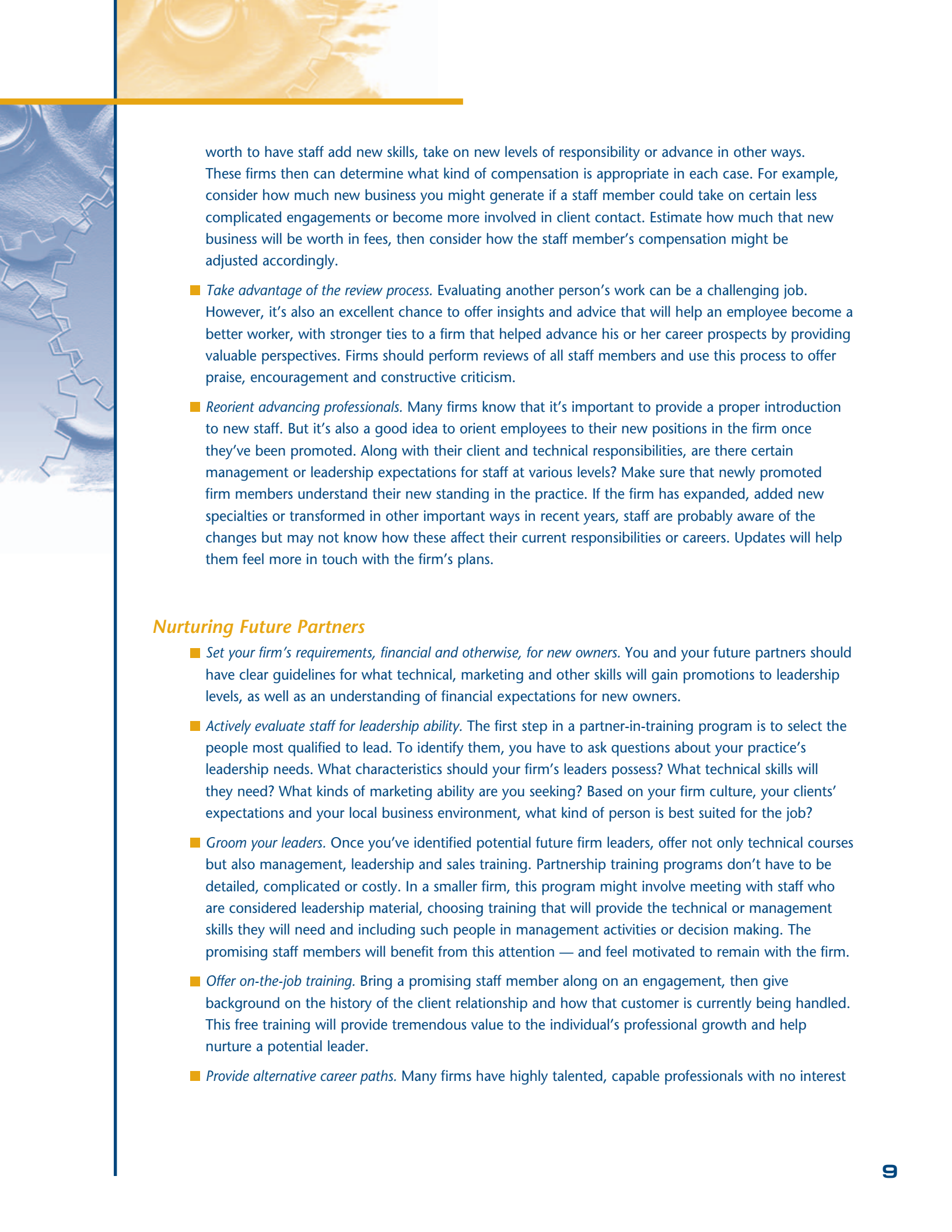


other practices? No matter what size your practice, you can convey some of this information in simple conversations over coffee in the morning once the new hire has had time to settle into the job. Employees will feel a greater connection to the firm if they really understand what it does and stands for. Firm leaders might even consider allowing every employee to spend at least part of a day with a partner so staff can better understand the practice and develop stronger relationships with those in charge. Firm members will also likely be more effective workers if they gain a broader perspective on their contribution to the practice.

Career Development

These best practices include general guidelines for all employees' career development, along with specific advice on grooming the most promising firm members:

- *Provide education.* Many firms offer appropriate training to every employee, from support staff to partners. Workers see this as an important benefit and an incentive to stay with the practice. Although it may be a costly step for smaller firms, consider the potential benefits to overall professionalism and turnover reduction. And don't forget to let existing and prospective clients know that your staff members receive thorough, up-to-the-minute training.
- *Whenever possible, share decision making.* It definitely boosts morale when firm leaders are able to allow staff the authority to make decisions about their own projects or to voice their opinions about larger issues. At the same time, this step helps build all firm members' management and leadership skills, allowing them also to feel better connected to the practice.
- *Acknowledge staff.* Employees appreciate hearing that firm leaders have noticed their efforts to tackle a complicated project, address a troubling problem or enhance their own skills. Let them know that you're aware of their accomplishments. Your response may range from a simple "thank you" (consider a handwritten note) to an offer for further training. This best practice applies to all firm members, from support staff to promising future partners.
- *Let staff show off their expertise.* Encourage firm members of all levels to provide informational sessions or presentations in their areas of expertise, from administrative to technical. This will recognize the work they have done to master a subject and provide training for other employees.
- *Create detailed job descriptions.* Staff will be more satisfied — and likely more productive — if they know precisely what is expected of them, under what circumstances and based on which measures. In particular, spell out how to advance within the practice so ambitious employees feel they have a future with you. In a small firm, an owner can create a simple list of expectations — for now and the future — and share them with staff members in one-on-one meetings. A career roadmap or job description does not have to be detailed to be valuable.
- *Set clear performance expectations.* As early as the recruitment process, spell out goals and specific steps to meet them. Whatever your firm's size, it should be possible to describe responsibilities and what they entail, and to cover expectations for future development.
- *Create a compensation plan.* A clear-cut compensation system offers the kinds of incentives and rewards that help retain staff and motivate promising future leaders. Established compensation levels and programs also support a successful succession plan. Small practices can consider what it would be

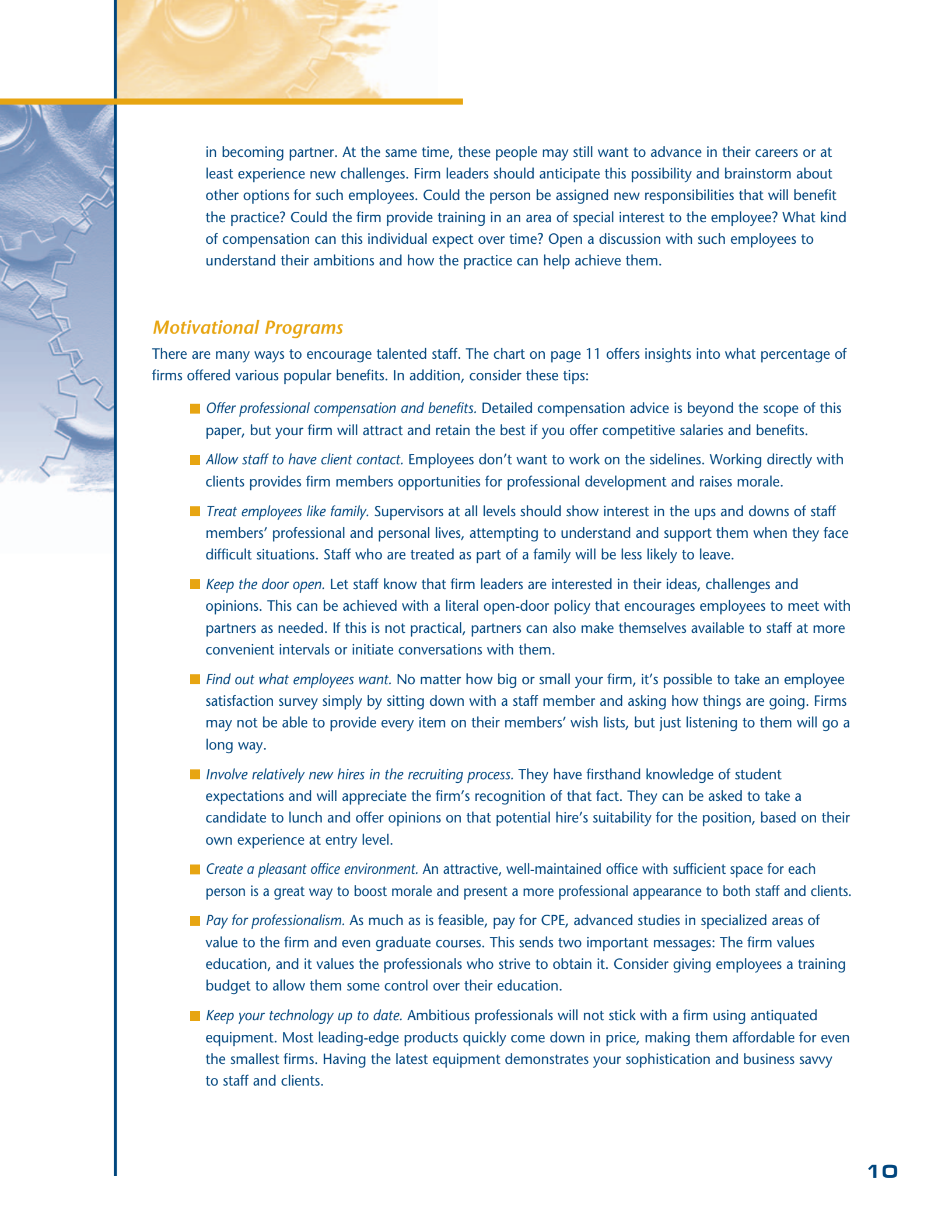


worth to have staff add new skills, take on new levels of responsibility or advance in other ways. These firms then can determine what kind of compensation is appropriate in each case. For example, consider how much new business you might generate if a staff member could take on certain less complicated engagements or become more involved in client contact. Estimate how much that new business will be worth in fees, then consider how the staff member's compensation might be adjusted accordingly.

- *Take advantage of the review process.* Evaluating another person's work can be a challenging job. However, it's also an excellent chance to offer insights and advice that will help an employee become a better worker, with stronger ties to a firm that helped advance his or her career prospects by providing valuable perspectives. Firms should perform reviews of all staff members and use this process to offer praise, encouragement and constructive criticism.
- *Reorient advancing professionals.* Many firms know that it's important to provide a proper introduction to new staff. But it's also a good idea to orient employees to their new positions in the firm once they've been promoted. Along with their client and technical responsibilities, are there certain management or leadership expectations for staff at various levels? Make sure that newly promoted firm members understand their new standing in the practice. If the firm has expanded, added new specialties or transformed in other important ways in recent years, staff are probably aware of the changes but may not know how these affect their current responsibilities or careers. Updates will help them feel more in touch with the firm's plans.

Nurturing Future Partners

- *Set your firm's requirements, financial and otherwise, for new owners.* You and your future partners should have clear guidelines for what technical, marketing and other skills will gain promotions to leadership levels, as well as an understanding of financial expectations for new owners.
- *Actively evaluate staff for leadership ability.* The first step in a partner-in-training program is to select the people most qualified to lead. To identify them, you have to ask questions about your practice's leadership needs. What characteristics should your firm's leaders possess? What technical skills will they need? What kinds of marketing ability are you seeking? Based on your firm culture, your clients' expectations and your local business environment, what kind of person is best suited for the job?
- *Groom your leaders.* Once you've identified potential future firm leaders, offer not only technical courses but also management, leadership and sales training. Partnership training programs don't have to be detailed, complicated or costly. In a smaller firm, this program might involve meeting with staff who are considered leadership material, choosing training that will provide the technical or management skills they will need and including such people in management activities or decision making. The promising staff members will benefit from this attention — and feel motivated to remain with the firm.
- *Offer on-the-job training.* Bring a promising staff member along on an engagement, then give background on the history of the client relationship and how that customer is currently being handled. This free training will provide tremendous value to the individual's professional growth and help nurture a potential leader.
- *Provide alternative career paths.* Many firms have highly talented, capable professionals with no interest



in becoming partner. At the same time, these people may still want to advance in their careers or at least experience new challenges. Firm leaders should anticipate this possibility and brainstorm about other options for such employees. Could the person be assigned new responsibilities that will benefit the practice? Could the firm provide training in an area of special interest to the employee? What kind of compensation can this individual expect over time? Open a discussion with such employees to understand their ambitions and how the practice can help achieve them.

Motivational Programs

There are many ways to encourage talented staff. The chart on page 11 offers insights into what percentage of firms offered various popular benefits. In addition, consider these tips:

- *Offer professional compensation and benefits.* Detailed compensation advice is beyond the scope of this paper, but your firm will attract and retain the best if you offer competitive salaries and benefits.
- *Allow staff to have client contact.* Employees don't want to work on the sidelines. Working directly with clients provides firm members opportunities for professional development and raises morale.
- *Treat employees like family.* Supervisors at all levels should show interest in the ups and downs of staff members' professional and personal lives, attempting to understand and support them when they face difficult situations. Staff who are treated as part of a family will be less likely to leave.
- *Keep the door open.* Let staff know that firm leaders are interested in their ideas, challenges and opinions. This can be achieved with a literal open-door policy that encourages employees to meet with partners as needed. If this is not practical, partners can also make themselves available to staff at more convenient intervals or initiate conversations with them.
- *Find out what employees want.* No matter how big or small your firm, it's possible to take an employee satisfaction survey simply by sitting down with a staff member and asking how things are going. Firms may not be able to provide every item on their members' wish lists, but just listening to them will go a long way.
- *Involve relatively new hires in the recruiting process.* They have firsthand knowledge of student expectations and will appreciate the firm's recognition of that fact. They can be asked to take a candidate to lunch and offer opinions on that potential hire's suitability for the position, based on their own experience at entry level.
- *Create a pleasant office environment.* An attractive, well-maintained office with sufficient space for each person is a great way to boost morale and present a more professional appearance to both staff and clients.
- *Pay for professionalism.* As much as is feasible, pay for CPE, advanced studies in specialized areas of value to the firm and even graduate courses. This sends two important messages: The firm values education, and it values the professionals who strive to obtain it. Consider giving employees a training budget to allow them some control over their education.
- *Keep your technology up to date.* Ambitious professionals will not stick with a firm using antiquated equipment. Most leading-edge products quickly come down in price, making them affordable for even the smallest firms. Having the latest equipment demonstrates your sophistication and business savvy to staff and clients.

- 
- *Open up management meetings.* If nothing confidential is to be covered, invite staff to attend partner or other leadership meetings in the office. They will appreciate being included and will likely come away with a better sense of how their assignments fit into the overall work of the firm.
 - *Be flexible.* Some firms allow staff to set their own hours within a reasonable window — as long as projects are done on time — while others have a more formal approach. Some firms thrive (and save on overhead) with a staff consisting largely of telecommuters or virtual workers. Consider realistically when staff truly need to be on site, and offer as many accommodations for the rest of the time as possible.
 - *Be generous during the slower months, especially with inexpensive benefits.* Staff will greatly appreciate such bonuses as early closings on Friday during the summer, casual dress days or similar benefits that cost the firm little or nothing.
 - *Celebrate success.* A small budget is all it takes to celebrate a major accomplishment, the end of a big project or any other occasion. Staff appreciation days are also a great — and relatively inexpensive — way to let employees know you value their contribution to the firm.
 - *Find the fun in busy season.* Firms have discovered many inexpensive ways to make busy season a more cheerful time. For example, create a competition in which staff nominate colleagues for prizes in acknowledgment of important accomplishments every week. Such activities put a positive spin on challenging situations and help raise morale.
 - *Recognize important accomplishments or milestones.* A gift or even a handwritten note from a partner is much appreciated when someone accomplishes something notable or celebrates an anniversary with the firm.
 - *Offer other good perks.* Possibilities include free tuition, free parking, subsidized lunches and busy season meals, Saturday busy season daycare, exercise classes or gym memberships. Whatever your firm size, think about the numerous potential intangible benefits of a small investment in good will.
 - *Set standards for staff treatment.* Firms have established ethical and professional standards, but they can also spell out expectations for treating colleagues with respect, demonstrating appreciation for work performed, valuing diversity, internal communication, career paths, mentoring, benefits, retirement planning and more. Simply having such policies signals the firm's interest in staff concerns.
 - *Be aware of the need for change.* Each new hire changes the firm's culture and personality in some way. Partners should periodically review staff policies and procedures to see if they continue to reflect the culture. For example, flexible hours may be more important in an expanding practice that has taken on numerous younger employees, while succession planning and related issues will become more significant as founding partners age.

Popular Motivational Programs

(Respondents could select more than one answer.)

<i>Top 20 Motivational Programs, in order of frequency (472 respondents)</i>	
83%	Allow staff/managers to have a great deal of client contact
79%	Provide current technology and software to eliminate mundane, repetitive work
77%	Paid benefits (health insurance)
75%	Give staff/managers challenging and rewarding work
74%	Allow staff and managers to select the CPE of their choice (a personal training budget)
69%	Flex time/full time (flexible working hours for full-time employees)
69%	Allow staff/managers time away from work to support their chosen community activities
63%	Free soft drinks and other beverages at the office
62%	Involve staff and management in regular firm-wide meetings
60%	401(k) company matching contribution
60%	Flex time/part time (flexible working hours for part-time employees)
59%	Employee handbook
57%	Paid benefits (life insurance)
49%	Free snacks at the office
47%	Provide comp time for overtime worked, giving them the choice to either take extra time off or opt for extra pay
45%	Expense account for entertaining clients
43%	Higher-than-average wages
39%	Paid benefits (disability insurance)
38%	Retirement plans for non-owners
37%	Compensated leave for dependent illness



Business Development

Business development is a complicated issue that overall is beyond the scope of this paper. However, it is a consideration in staffing, so we offer several tips for those aiming to retain the best at bringing in business:

- *Create a plan.* What kinds of engagements are you seeking? What types of clients do you want to add? You can set clearer staff expectations if you have an overall firm perspective. It's also a good idea to make a realistic assessment of your current talents. Some people are excellent technicians, some are natural rainmakers, and some are both. Most firms likely will need some combination of these skills. Where do your firm members stand? What kinds of talent do you want to recruit or retain in the future? How should it complement your current resources? How should your recruiting, compensation or other efforts be adjusted to find and keep the people you need?
- *Put together individual annual performance plans.* These plans should clearly articulate expectations for billings, write-downs, billable hours or whatever criteria the firm chooses. Such plans establish objective guidelines for compensation or bonuses and give staff a greater feeling of control over their pay.
- *Offer strategic monetary incentives.* A firm might give bonuses to managers and above who bring in new clients if it hits specified targets and to firm members who achieve a certain level of education or add a new credential.
- *Find out what other firms are doing.* Networking — at conferences and through firm associations or other opportunities — can provide information on what kinds of strategic performance plans and business development ideas have succeeded at other practices. New hires might also be able to give you a sense of what firms in your own market do to provide incentives and encourage business development. These recruits may know such information due to working or interviewing at other practices or having friends and colleagues at those firms.
- *Consider outside help.* Many firms hire marketing directors to promote the practice or salespeople to develop new clients. Smaller firms that can't add a new position have the option of outsourcing the work to an outside advertising, marketing or sales firm. Recognizing the need for outside expertise can expand a firm's options and relieve pressure on professionals who aren't natural or trained marketers.

Appendix

AICPA Resources Related to Staffing Issues

Journal of Accountancy Articles

- *The A to Z of Keeping Staff*, April 2003
www.aicpa.org/pubs/jofa/apr2003/satava.htm
- *Add a New Owner to Your Firm*, August 2003
www.cpa2biz.com/News/Journal+of+Accountancy/2003/August+2003/Add+a+New+Owner+to+Your+Firm.htm
- *How to Keep Them Once You've Got Them*, December 2004
www.cpa2biz.com/News/Journal+of+Accountancy/December+2004/How+to+Keep+Them+Once+Youve+Got+Them.htm

The Practicing CPA Article

- *Open Your Door to Former Employees*, March/April 2005
www.aicpa.org/pubs/tpcpa/marapr2005/open.htm

Publication

- *Top Talent Speaks — Is Your Firm Listening?* Issued by the PCPS Executive Committee. No. 059002PDF1; \$25 AICPA members; \$31.25 nonmembers. (PCPS members can download this publication from the members-only content in the PCPS Firm Practice Center at pcps.aicpa.org/Resources/Technical+Issues+Committee+and+Communications/Publications/Top+Talent+Speaks+Is+Your+Firm+Listening.htm.)

PCPS Firm Practice Center

- See the “Resources” tab at www.aicpa.org/pcps.



American Institute of Certified Public Accountants
Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881
800.CPA.FIRM • Fax 800.329.1112

ISO Certified

