



PCPS Brief: Smart First Steps in Grooming Future Leaders

Welcome to the PCPS Brief—the monthly newsletter that synthesizes information, news and resources around a particular issue or concern and offers actionable ideas for your practice.

Who is poised to take over the leadership reins at your firm after current partners retire? That's a pressing question for many CPA firms. According to PCPS research, a vast majority—81%—of firms said they did not have documented succession plans, even though 62% believed succession planning would be a significant issue for their firms in the near future.

Preparing younger staff members to take charge in the future is an important part of any firm's succession planning. Firms that plan ahead not only have a better chance of effecting a smooth transition to the next generation, but they also have a distinct advantage in the ongoing scramble to recruit and retain the most promising young people. According to the most recent update of the PCPS Top Talent Study, highly valued staff members said that career growth opportunities were the most important reason to join a firm and the second most important reason to stay. Clearly, firms that do a good job of nurturing their talent have the best chance of retaining it.

What Do You Need?

As the PCPS succession study showed, many current partners are depending on selling their firms to junior staff members somewhere down the road, but few appear to be making a concrete effort to lay the groundwork for a smooth future transition. In an article in the [Journal of Accountancy](#), consultant Bill Reeb, author of *Securing the Future: Building A Succession Plan for Your Firm*, lists many of the questions firms must address when grooming future leaders. An important early step, he notes, is to decide which firm members are best suited for future leadership roles.

To make that decision, firm leaders need to evaluate their firm's mission, long-term goals and strengths and weaknesses, including their available in-house skills sets. By sitting down and documenting firm member's experience and credentials partners can decide whether they're likely to meet the practice's future leadership needs. Firm owners may be pleasantly surprised at the skill sets and knowledge they discover during this exercise, which could provide simple answers to transition and future leadership questions. It's then possible to see what kinds of skills—in technical knowledge, marketing or leadership—are needed and consider how to acquire them. Based on those factors as well as firm culture, client mix and local business environment, it's easier to begin to narrow down the list of promising staff members who might be groomed for leadership or to determine the characteristics and experience the firm should seek in a future owner.

Smart first step: If firms make it a policy to allow their people to be reasonably autonomous and independent in their jobs, the natural leaders will demonstrate their abilities. When staff members are able to use their own initiative it's easier to see what kinds of talents the firm needs and who has them, even before firms begin any formal planning or evaluation process.

This may involve having the confidence to delegate more responsibility and decision making opportunities to staff members, according an *Inc.* magazine article, "[Who Can You Trust?](#)". Remember that staff abilities are a reflection of your own management skills. "If you've done a good job hiring," the article points out, "you'll probably see that your people really can manage the tasks before them--even if they approach problems differently than you would."

Delegating can also be advantageous for those in charge, a [Wall Street Journal Career Journal](#) article points out. Empowering employees, it says, "requires business leaders who are willing to let go of their need to be in charge of everything." Many business leaders advance by offering to take on more and more responsibility, but "the higher executives climb, the more important it is for them to delegate." As a result, the firm can benefit now and in the future if younger CPAs are allowed to take on expanded responsibilities.

While everyone in the firm will likely benefit from greater involvement in the life of the firm beyond their own jobs, not everyone will necessarily qualify for specialized leadership training. An excellent manager simply may not have the entrepreneurial instincts and demonstrated leadership talent that the firm will need in the future. Once firms decide what characteristics are needed to be a leader, they should stick to them even if not all talented firm members fit this profile.

And finally, find out to what level staff aspires. Some may prefer to be a valued contributor without partner responsibilities.

Preparing for the Future

Once you've identified your firm's future needs and opportunities and decided which young firm members are best suited to lead the practice in the future, it's time to offer the education and experience they need to maximize their potential. According to the PCPS white paper, [Best Practices in Recruiting and Retaining Talented Staff](#), that means ensuring they have the right training in technical areas as well as providing them with education and experience opportunities in management, leadership and sales training.

Smart first step: Bring a promising staff member along on an engagement and give background on the history of the client relationship and how that customer is currently being handled. This kind of mentoring constitutes free training that can provide tremendous value to the individual's professional growth and help nurture a potential leader.

It may be a good idea, as well, to institute a recognized partnership training program to acknowledge promising staff members and to institute a formal career path to leadership positions. In a smaller firm, such an initiative might comprise meeting with staff who are considered leadership material, helping them to choose training that will provide the technical or management skills they will need to advance and including them in management activities or decision making. In fact, without investing in an expensive leadership program, small firms can offer talented staff one of

the most beneficial aspects of leadership preparation: on-the-job training. "Development today means providing people opportunities to learn from their work rather than taking them away from their work to learn," according to an article in *Human Resource Planning* magazine by authors from the [Center for Creative Leadership](#). The most effective—and often least expensive—approach may be to create an organization in which staff gain a larger sense of how the firm's works as a business. That means providing client contact and updating staff as often as appropriate on new clients, new practice areas and other strategic changes. Given this foundation, staff are in a better position to grow into leaders who can take over the firm one day.

Set a Realistic Timetable

If it is to work well, this process cannot be undertaken in a hurry. Practitioners advise that it can require as long as five to 10 years to provide even the most promising candidates with the training and experience they need to take on the challenges and responsibilities facing firm leaders. While this development phase is occurring, firms should be taking the time to plan ahead for transition.

Smart first step: Consider questions such as:

- What will the partnership group likely look like in five or ten years? How well will that group be prepared to achieve the firm's strategic goals and compete in the changing business market?
- What are the firm's financial and other requirements for new owners?
- How does the firm's compensation structure encourage and reward people who are striving to move up in the ranks?
- How will future transitions be accomplished?
- Will a new managing partner take over when all the senior partners have retired, or will the reins be passed sooner than that? Many consultants recommend that a new MP be installed while older partners are still on the job. These partners should offer advice and support without trying to interfere with the new leader's authority.

Tools for Transition

PCPS has created a host of resources related to succession planning and staffing that address the development of future leaders. As well as the staffing white paper cited above, they include another free white paper, *Preparing for Transition: The State of Succession Planning and How to Handle the Process in Your Firm*, and:

- The book, *Securing the Future: Building a Succession Plan for Your Firm*, by Bill Reeb.
- Two Webcasts available on CD-ROM: *Positioning Your Firm for Successful Transition* and *Strategies to Facilitate Transition and Increase Firm Value*.
- The self-study CPE program, *Strategies to Protect the Value of Your Firm*.

More information can be found at <http://pcps.aicpa.org/Resources/Succession+Planning/Succession+Planning+Product+Overview.htm>. Be sure to use the discount code **GR** when purchasing the book or **PCPS** for the other products.