

Session 120

Staffing Concerns: Strategic Look Inward for Potential Solutions

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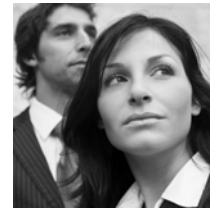
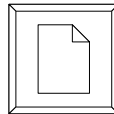
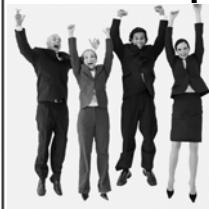
Prior to joining the AICPA, Mark Koziel served three years as Director of Media Planning for a political consulting firm after finishing his twelve year public accounting career as Director of Placement, Human Resource Consulting and Business Development Consulting Divisions at a large local accounting firm in Buffalo, NY.

Mark was an active member of the Buffalo Chapter of the New York State Society of CPAs. Mark was one of the founding members of the Young CPAs committee and served as Chair for two years before being appointed to the Buffalo Chapter Board and serving as President for the 2003-2004 Fiscal Year, one of the youngest President's in the history of the Buffalo Chapter.

Mark earned a BS in Accounting from Canisius College.

MACPA Maryland Business & Accounting Expo

Staffing Concerns: Strategic Look Inward for Potential Solutions



Recruiting and retention Some Realities

- Recruitment and retention of talent are biggest challenges for firms
- Turnover is high
 - **One in six CPAs left firms in 2004, up 2% from the prior year**
 - **Replacement cost: 1.5 times current salary**
- Enrollment is up
 - **But in some states fewer students entering public accounting**
 - **Accounting firms hired 17% more entry level recruits this year**

Recruiting and retention **Some Realities**

- Generational differences are influencing the workplace
 - **Work/life considerations are ranked equal to upward mobility**
 - **By 2020, 3 out of 4 of AICPA members nearing retirement age**
- 60% of firms have owners in 55-62 years age bracket
 - **Only 21% of all firms have a succession plan**

Gevity Institute Study:

- Cornell University's Center for Advanced Human Resource Studies
- 320 businesses between 8 and 600 employees
- Average size = 53
- Three HR practices affecting company performance
 - Employee Selection Strategy
 - Employee Management Strategy
 - Employee Motivation & Retention Strategy

Gevity Institute Study

- Most Effective Policies:
 - Employee Selection Strategy
 - Person-organization fit
 - Person-job fit
 - Employee Management Strategy
 - Self-management
 - Controlling environment
 - Employee Motivation & Retention
 - Family environment
 - Individual monetary rewards

Gevity Institute Study

- Companies that implemented all 3 strategies
 - 22% higher sales growth
 - 23% higher profit growth
 - 67% increase in retention

Human Capital Resource Center 5 PRACTICE SECTION

Human Capital Center - Microsoft Internet Explorer

Address: <http://pcps.acpa.org/Resources/Human+Capital+Center/>

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Welcome to Phase II of the PCPS Human Capital Center

The content for this site will be rolled out in phases. Topics (or sections) of material will be added during each phase. Content will also be updated and

PCPS
PRIVATE COMPANIES PRACTICE SECTION

Welcome to the Human Capital Center

In our PCPS/MAP Top 5 Issues Survey, Staffing has been identified as the number one issue every year for the past ten years. Firms are always looking for best practices to recruit and retain staff, solutions to the staffing crisis and ways to boost morale. To satisfy firms' needs, we have made available a host of tools and information to help you attract and keep top-quality talent.

Organizational Structure & Governance

Team Recruitment

Orientation/Assimilation *New*

Performance Management

Training & Learning

Team Development

Owner Development


Reward & Compensation & Incentives

Generation/Diversity Integration

Work/Life and Retention *New*

Strategy & Planning



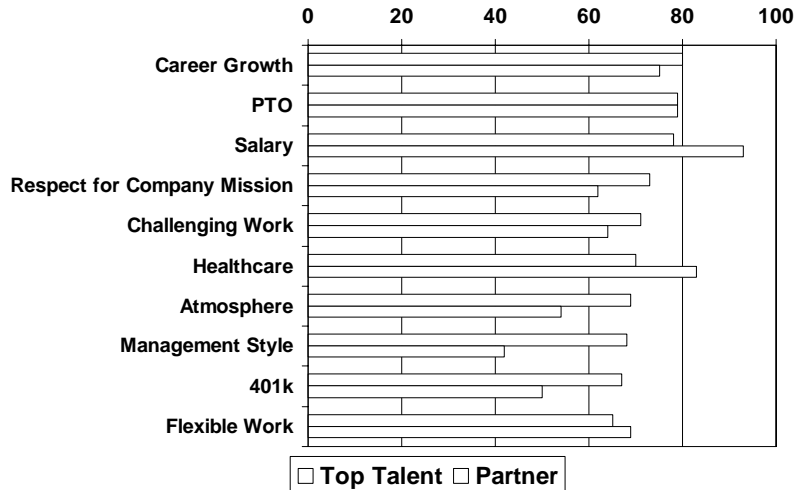


PCPS
PRIVATE COMPANIES PRACTICE SECTION

2006 PCPS Top Talent Study

- Good news! - Young professionals say they want to stay in the accounting profession
- The understanding gap since the last survey has shortened
- Partners still have some work to do act on these findings

Top 10 Reasons to Join a Firm



Gevity Institute Study

- Most Effective Policies:
 - **Employee Selection Strategy**
 - Person-organization fit
 - Employee Management Strategy
 - Self-management
 - Employee Motivation & Retention
 - Family environment

Person-Organization Fit

- Why “B” students make great partners
- Small firm advantage
- Recruiting Action Plan (Appendix A)
- Personality assessments over job skill testing

Finding Qualified Staff

- Your unique value proposition
- Incorporating newer team members in Business Development
- A function of marketing
- Social functions
- Websites

Demographic Forces – Age Trends

- In 1993, AICPA membership was made 47% over 40
- In 2006, 75% are over 40
- Rather than new members coming into our profession at a rate to balance our retiring members, our membership is just getting older.
- Instead of being a pyramid shape (smaller at the top and wider at the bottom), our demographics look more like a funnel.
- Our profession has been successful in attracting women. In 1993, women made up 45% of our membership. In 2004, that percentage is 55%.

CPA Firm Practice Forces

2008 Succession Survey Said:

- ✓ 65% of multi-owner firms did not have a written succession plan in 2008 compared to 75% in 2004
- ✓ 9% of Sole Owners had Practice Continuation Agreements in 2008 compared to 8% in 2004.
- ✓ 69% of multi-owner firms said at least 1 partner would retire in the next 5 years with 38% stating that more than one would retire
 - ✓ Up significantly from 2004 with 56% having at least one partner and only 18% with more than one partner retiring

Succession Issues – 2006 MAP Survey

- 21.4% of TP firms have a succession plan in place, while 24.1% of average firms have one, an improvement over 2004
- 6.3% of TP firms & 5.9% of average firms have a practice continuation agreement with another CPA firm

Succession Issues

- There will be more sellers than buyers in the next five to ten years
- Succession is about MAP and client transition; not multiples etc.
- Successful succession runs contrary to our professions traditional success measurements
- Many practitioners feel that the next generation is not ready to lead the firm.
- The next generation is not sure they want to
- Successful succession planning for a partner takes about five years of preparation
- Niche practice leaders have very tough succession issues

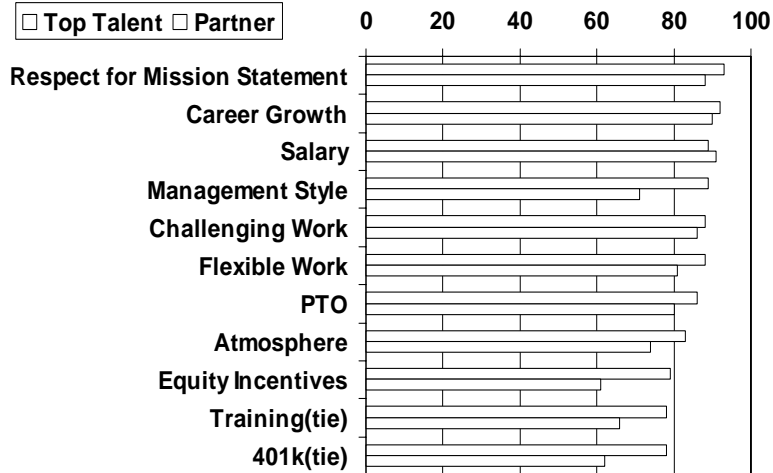
Turnover – Professional Staff

	2006 All	2006 TPs	2004 All	2004 TPs
% Losing Prof. Staff	46%	44%	43%	38%
Average Total Terminations	3.7	4.2	4.3	5.5
Voluntary Turnover Rate	32%	36%	33%	45%
Total Turnover Rate	42%	48%	54%	73%

Turnover Rate – Larger Firms

2006	All Firms			Top Performers		
	550-999K	1M-1.99M	2M+	550-999K	1M-1.99M	2M+
Revenue						
Voluntary	30%	19%	16%	35%	27%	17%
Involuntary	13%	9%	4%	14%	14%	5%
Total	44%	28%	21%	50%	41%	21%

Top 10 Reasons to Stay



Gevity Institute Study

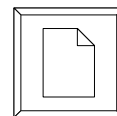
- Most Effective Policies:
 - Employee Selection Strategy
 - Person-organization fit
 - **Employee Management Strategy**
 - Self-management
 - **Employee Motivation & Retention**
 - Family environment

Self Management

- Performance Management System
- **TRUST!**

Performance Management

- Chargeable Hours/Productivity
- Technical Knowledge/Firm Systems
- Client Service
- People Development & Teamwork
- Business Development
- Performance Management Implementation Action Plan



Business Development – New Recruits

- High School visitation
- Financial Literacy
- Young CPAs

Family Environment

- Greatest small firm advantage!
- Engage young cpas to help
- Recruiting and sales strategy

Advancement – Partner Track

Who Thought Their Firm Had a Partner Track?

	Top Talent	Partners
Firm Has a Ptr Track	31%	41%
Firm Does Not	37%	55%
Do Not Know	32%	4%

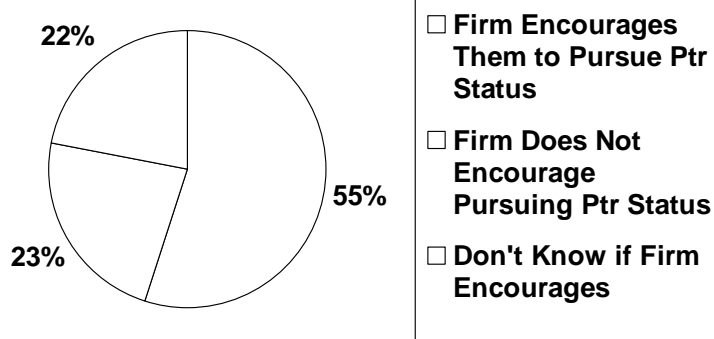
Advancement - Promotion

Top Talent Want Senior Positions

- 83% of Top Talent stated their firms promoted from within
- 97% of partners said internal promotion was firm policy
- 72% of Top Talent believed they were being groomed for a senior position
- 76% of Top Talent have a goal to be groomed for a senior position

Advancement – Partner Level

Top Talent Responses



- Firm Encourages Them to Pursue Ptr Status
- Firm Does Not Encourage Pursuing Ptr Status
- Don't Know if Firm Encourages

Alternate Career Paths

- Many young professionals may not want the partner track
- Most of the survey respondents agreed that not pursuing a partner track does not have to hurt your career

	Top Talent	Partners
Will not Hinder Young CPA's Career	65%	83%
Alternate Career Paths are Available	50%	76%

PCPS 2004 Staffing Study

- 93% did not have a leadership development program
- 92% did not have a program to address generational differences
- 90% did not have a career professional program
- 89% did not have a partner-in-training program

PCPS 2004 Staffing Study

- 88% did not have a documented Business Development program
- 87% did not have a documented intern program
- 84% did not have an owner self-evaluation program
- 75% did not have a pay-for-performance plan
- 55% did not have a documented orientation program

PCPS 2004 Staffing Survey

An amazing 69% said they did not have documented examples of ANY of the programs mentioned.

Retention and Recruiting - Bottom line

- They want to be “engaged” in the firm mission , vision and values.
- They seek greater autonomy in their work.
- They want to be **more** involved with the client
- They are accustomed to real time communication
- They want career growth opportunities and greater clarity of what it looks like
- They want personalized “one fits one” policies
- They want interesting, challenging projects
- It’s about culture

Top Talent Best Practices:

- Know your mission and strategic goals
- Offer great salary AND benefits
- Use incentive pay programs
- Offer growth opportunities
- Keep dialogue open
- Offer interesting, stimulating projects
- Recognize accomplishments and have some fun
- Be flexible and address work/life issues
- Offer continuous learning opportunities
- Don't stop recruiting people once they're hired

Tips for Firms

- The PCPS Top Talent Study booklet contains tools for firms
- The Best Practices in Brief – pages 24-25
- Action Agenda – pages 26-27
- Note that some best practices are covered by multiple steps in the action agenda
 - For example, “Keep Dialogue Open” is indicated in 5 of the 8 action items

The PCPS Top Talent Study

Visit the PCPS Web site to purchase or download (PCPS firms only) the booklet at: <https://pcps.aicpa.org>

Click the Top Talent link or follow this path → Resources > Staffing > Recruiting & Retention

PCPS Staffing Resources

- PCPS Human Capital Center
- “Performance Evaluations that Work: The Power of Communication” – archived web forum
 - www.aicpa.org/pcps
- “Recruiting in the 21st Century” – archived web forum

References and contacts

- PCPS Firm Practice Center -
<https://pcps.aicpa.org/>
- PCPS hot line 1-800-CPA-FIRM
- Jim Metzler VP - Small Firm Interests -
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