INSIDE Public Accounting
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IPA's Most Recommended Consultants Discuss What Firms Can Do To Accelerate Change

INSIDE Public Accounting 2019 MOST RECOMMENDED CONSULTANTS

Every year, INSIDE Public Accounting surveys more than 500 accounting firm leaders on a range of operational and financial issues. Through this process, IPA asks about consultants the firm would recommend and the result is the annual Most Recommended Consultants list.

This month, three of the 10, **Sam Allred** of Upstream Academy, **Allan Koltin** of Koltin Consulting Group, and **Domenick Esposito** of Esposito CEO2CEO, answer questions about change – managing it, adapting to it, speeding it up and taking steps today better prepare for the future. IPA will share additional insights in the coming months.

Besides Allred, Koltin and Esposito, the 2019 IPA's Most Recommended Consultants are: Boomer Consultants, ConvergenceCoaching, Crosley Company, Network Management Group, The Platt Consulting Group, Right Networks and the Succession Institute.

HOW WOULD YOU ANSWER THE QUESTION, "WHY CHANGE? WE'RE MAKING MORE MONEY THAN EVER – WHY PUT THAT AT RISK?

Allred: I've always loved the response that Edward Deming gave to a similar question many years ago. He said, "Change is not mandatory. Survival is optional." Leaders of high-performing firms don't ever ask this question. Partners of firms across North America are making great money at the current time and there's no reason they can't continue to do so – if they invest in their firm's future. It would be foolish and reckless leadership to take a "steady as she goes" approach to the future and try to milk the profits for as long as you can until you hit retirement. Leaders who do that are just kidding themselves into believing that they are going to remain independent. The most successful firms today have been changing every year and their ability to change with the times is what has allowed them to thrive today.

Koltin: We need to remember that nothing in business is forever and the biggest sin we can make is thinking we can "milk the same cow" forever. Many firms are coming off of their best one to two years of earnings and are being blinded by the changes coming our way. I've advised on change in our profession for close to 40 years and I dare say the next five years will have more change than the last 40 years combined. Technology eliminating human involvement and the continual commoditization (and potential elimination or reduction) of compliance work (as we know it today) should be enough to get anyone's attention. As one bank audit partner recently said to me, "Blockchain will eliminate the middleman and WE are the middleman."

Esposito: With technology making historical financial data less and less relevant, providing compliance services to small and mid-sized owner/operator companies is not the growth engine that, perhaps, it once was. Whatever growth does occur from compliance services comes at very thin margins. On the other hand, small and mid-sized owner/operator companies continue to strive for lean and mean infrastructures. As a result, these companies outsource a significant number of services. Examples include: CFO services, technology, marketing and HR support. These are examples of high-demand services that forward-looking CPA firms are currently providing. Not changing your service offering with a suite of advisory and consulting services is analogous to putting your head in the sand.

WHAT ARE YOUR THREE MOST PRACTICAL TIPS TO ACCELERATE CHANGE MANAGEMENT?

Allred: Since most change initiatives in our profession have experienced a 70% failure rate (largely due to people failure), it's vital to focus on the people side of things. 1. Every change initiative leads your people through the 'Swamp of Despair.' Be honest with your people about the swamp and create and execute a plan to help narrow and shallow your journey through the swamp. 2. Work to create a culture of open and honest dialogue where team members at all levels are invited and encouraged to share their thoughts, concerns and fears regarding change initiatives. It's difficult to overcome fears and concerns if you don't know what they are. 3. Identify your rock stars and superstars at all levels throughout your firm and enable them to be change agents to help you with all change initiatives.

Koltin: I think the three most practical tips I could give to accelerate change management in firms are: 1. Start by assuming that 30% to 50% of your compliance revenue might simply evaporate in the next five years. We all talk about this happening in audit, but the truth is it will happen even quicker in tax, as tax doesn't have the same regulatory and compliance requirements of audit. 2. The history books are chock full of examples of industries and very successful companies that were blinded by their own paradigms of success – the leaders of those firms were very bright and felt they had control of their business – until they didn't. 3. Stay positive – these changes will ultimately elevate us in our clients' eyes from being the most trusted advisor to their most valuable advisor.

Esposito: 1. Keep branding the firm by adding quality people and quality clients. 2. Ensure that you develop and implement strategic and succession plans that probably should be periodically refreshed to reflect a recent SWOT analysis. 3. Rely less on lateral hires to build your bench strength (a strategy that can create collateral damage) and more on developing your bench strength from within.

WHAT COULD AVERAGE FIRMS (NOT TOP PERFORMERS) REASONABLY DO TO BETTER POSITION THEMSELVES FOR THE FUTURE?

Allred: My experience the past 20 years as a full-time consultant to the accounting profession has taught me that the biggest contributing factor to average firms (middle-of-the-road performers) is too many partners stuck in their comfort zones. It's impossible to be a high-performing firm when partners are cruising – spending the majority of their time living off existing skills, performing the same work over and over – even if they are really good at it. When partners do this, they have flat-lined their careers and have stopped inspiring others. They have adopted an "I have mine" mentality and they are largely forcing those below them to stay in their comfort zones as well. The most important thing average firms could do to better position themselves is to force partners to give away familiar work (clients and engagements) and stretch themselves out of their comfort zones to grow their skills, confidence and results.

Koltin: If average-performing firms want to survive (and thrive) in the future they need to start with a reality check on where they are at. I find that many average (and below average) firms simply don't know there is a universe of firms performing at a much higher level. Once they find that out, they need to channel their frustration, tension and energy inward and begin to ask the hard questions. They need to evaluate the degree of risk, the time it will take to accomplish their goals and related changes and, finally, there needs to be a true assessment of the probability of success that they will have. I pray that for firms like this, "doing nothing" won't be an option and that "hope" won't become its strategy.

Esposito: Keep tight control over timely billing and collecting and make sure your best people are given opportunities to grow professionally.

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WHAT'S THE BIGGEST BLIND SPOT THAT FIRMS ARE NOT PAYING ATTENTION TO AT THE LEVEL THEY SHOULD (IN YOUR AREA OF EXPERTISE)?

Allred: Too many leaders aren't recognizing early enough the fight to retain their best and brightest people. Many take for granted that most of these people will stay with the firm and choose to make it their career. Leaders need to be serious about engaging their best people at all levels. They need to identify their superstars and be intentional about developing a one-size-fits-one career plan for each of these members. They need to enable team members to become change agents in helping the firm to move to higher ground. They need to ask the right questions and then listen, with the intent to understand what kind of firm these bright young people will choose to invest in for the remainder of their careers.

Koltin: The biggest blind spots that firms are not paying attention to are: 1. Not having the ability to really make tough decisions. Often times we make watered down decisions so that we don't upset our partners. We aim to please, which sometimes gets in the way of making the best – and hardest – decision. 2. Not being able to make quick decisions – we call this being "built for speed." Each life cycle of a firm requires a hard look at our ability to make tough decisions and to do them often and fast. I find firms struggle when they get to $5 million in revenues or more when trying to move from "the partners running the firm" to "the firm running the partners." Interestingly, some firms grow to $30 million and still have this challenge. 3. Being too caught up in the present and not being forward-thinking enough – we need to stop being so busy and have a greater respect for our firm and its future.

Esposito: Building people is a lot less obvious in many firms when compared to building revenues. This can be a long-term killer.

WHAT'S THE NO. 1 THING FIRMS SHOULD DO TODAY (RELATED TO YOUR AREA OF EXPERTISE)?

Allred: Develop and execute a plan to become an advisory firm. Transfer your best clients to those partners who are willing to lead teams that will serve these clients in a true advisory manner. Establish advisor training within the firm to train those above a staff level how to ask the right questions and take advantage of opportunities to go on a fact-finding mission. Develop a plan to wow your best clients by helping them reach the goals they have set and move the dials they are trying to move. Establish the pattern of beginning new relationships with clients as an advisor rather than a historian that wants to become an advisor at some future date.

Koltin: The No. 1 thing firms should be doing today is balancing partner expectations when it comes to the relationship between innovation and profitability. As I've said before, the "go-go" years are over and having a very high current compensation, along with a very rich deferred compensation (retirement) program, as well as building a sustainable firm are going to be really tough. I advise firms to pick two of these three options and then build a strategic plan around them. For a profession that doesn't like change and often does things on the "cheap," these changes are easier said than done.

Esposito: Stay true to your brand and don't chase "onesies and twosies" that create opportunity costs down the road. ■**IPA**