Defending Against a Succession Planning Crisis

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A succession crisis is occurring at public accounting firms across the country, driven by the vast numbers of Baby Boomer partners who will be retiring in droves over the next 10 years. Many CPA firms wish to remain independent, but few of them have completed and implemented formal plans to ensure their legacy.

This crisis is the main reason the public accounting marketplace has become extremely competitive for quality professional talent at the partner level. Survival as an independent firm depends primarily on a firm's ability to build a first-class team of talented partners who will make a positive and sustained contribution to retain a retiring partner's clients and increase growth and profitability more effectively and more quickly than its rivals.

A succession-driven talent war is also taking place for high-level staff positions (senior managers, managers, directors). The time to react to this marketplace crisis has become significantly shorter, especially for firms with predominantly Baby Boomer partners. Talented, creative and innovative professionals are in high demand for pivotal positions, not only to replace the "old guard" but also to deliver new services as traditional compliance services become more fee sensitive and professional staff compensation and benefits costs continue to rise.

CONSIDER FLEXIBLE WORK ARRANGEMENTS

Succession planning problems are compounded by the fact that many firms have an abysmal track record of retaining women through the partner levels, which has severely depleted the ranks of potential succession partners and leaders. However, more recently, contemporary approaches to flexible work arrangements (FWA) have been evolving. The new approaches are geared toward continuing the long-term careers of women in a customized fashion rather than just constructing ordinary FWAs geared toward job retention without a planned approach to the long-term aspects of a career as a partner.

More firm leaders are realizing that clients may not be as opposed to an FWA with their engagement partner as traditionally thought. Thus, having a reduced and restructured roster of clients who are well served by an FWA partner can be a valuable component of client retention and a contribution to the firm's succession planning strategy. The focus on partner FWAs should be geared more toward the career aspects of the arrangement aligned with the firm's succession needs — not just month-to-month or day-to-day scheduling demands.

KEY SUCCESSION PLANNING ISSUES TO CONSIDER

Some of the issues to consider when developing a succession plan include the following:

- ✔ Succession planning needs to start from the top. Holding partners accountable for implementing the firm's succession plan and compensating them accordingly is one key to the success of the plan.
- ✔ Reviewing and updating the succession plan at the annual partner meeting or retreat is not enough. A firm succession plan must be practiced daily and taken seriously by all the partners — young and old. Succession planning should be a topic that is managed and discussed at every partner meeting during the year.
- ✔ Recruiting and retaining the best entry-level and experienced professionals should be a top priority.
- ✔ Establishing formal staff career development programs, partner-in-training programs and mentoring programs is crucial to implementing a realistic succession plan.
- ✔ Establish a staff-centric culture, including a compensation and rewards program that retains your most talented professionals.
- ✔ Establish relationships and dialogues with smaller firms for possible merger transactions in the future that will solidify a succession plan.

Having a strategy to remain an independent firm is not good enough. Firms need to implement a succession plan that insures the transition of clients and leadership of the firm along with funding the future pay-outs to retired owners. Succession planning is not a program that should take place a few years before client service partners and/or leaders are about to retire. It should be an ongoing daily occurrence. Accounting firms and marketplaces are dynamic, so succession plans shouldn't be static. Partners must embrace the reality that having the right professionals in place today and designated for the future, while recognizing that the future can arrive at any time, is an essential element of succession planning. With the proper structuring and planning, partner succession should be a seamless process and not a major event.

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