Firm Culture and Its Impact on the Future of the Firm

“If you ignore creating a culture, you will have one anyway.”
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An increased emphasis and concern on attracting and keeping quality staff indicates that accounting firms are growing and that competition for talent is heating up. The most recent American Institute of CPAs Private Companies Practice Section CPA Firm Top Issues report shows that attracting and retaining top talent ranked in the top five issues for firms of all sizes. It was the first time that issue had appeared in the top five of all firm size categories.

According to the professionals at Ajilon Professional Staffing, “a tightened regulatory environment, increased globalization of businesses large and small, and an aging workforce have continued to generate robust demand for qualified and experienced accounting professionals. However, while demand has gone up, the supply of accounting talent has not grown at the same accelerated pace.”

This talent shortage is looming over the accounting profession, so the last thing accounting firms can afford to do is lose talent because they failed to invest in a culture that reflects both the professional and personal needs of their staff.

The Pennsylvania Institute of Certified Public Accountants (PICPA) conducted a survey in 2014 to identify which firm culture issues were important to PICPA members and how they felt their firms were addressing those areas. The survey was distributed to all PICPA members who work in public accounting firms, and we received responses from 1,038 members from across Pennsylvania. Respondents weighed in on career development, partner development, importance of various benefits, and other key factors affecting their career decisions. Through this survey we have identified several opportunities for firms when it comes to retaining and grooming employees to succeed retiring partners. To get an incoming CPA perspective, we also surveyed the PICPA student members to see how their responses compare to CPAs already in the workforce. This report compiles key findings of those surveys.

Some Key Issues Affect All Age Groups

You can find numerous reports and articles about generational differences in the workplace. Most of these reports identify many of the same trends that we found in our survey. The foundation of most of these reports revolve around how those generational differences are complicating inevitable management transitions in today’s workforce. What we found interesting in our survey results, and something that the firms in Pennsylvania can acknowledge as they begin the process of succession planning, is that at the core, the generations have some similar values, goals and key motivators in the workplace. Of course there are differences that exist among them but perhaps instead of viewing these differences as roadblocks, firm leaders can look to find ways to leverage the strengths and expertise of each generation to give their firms the best chance to be successful in the long term.

Culture is the character and personality of your organization. It’s what makes your organization unique and is the sum of its values, traditions, beliefs, interactions, behaviors, and attitudes.

–HR Insights Blog

As firms begin the process of adapting their work environments to a more sophisticated and modern culture it is important to not only look at the issues that may have the potential to cause a divide between generations but also to identify the areas where commonalities exist. From there, firms can devise a culture that works for everyone at the firm.

Our survey identified several areas where little to no generational divide exists. For example, most respondents of all age groups place a high value on standard benefits, including competitive salary, vacation time, and health care. Almost 90 percent, from across all age demographics, agreed that they felt content with their basic monetary benefits. Another example that is interesting – and counter to the stereotype that the millennial generation is the one generation that craves constant recognition – the survey shows that employee recognition is an important requirement in a firm culture across all generations. Employee recognition was ranked as at least somewhat important among 86 percent of each age group of respondents. Additionally, each generational age group had 30 percent of respondents giving employee recognition a ranking of extremely important.

These key statistics indicate that while it is certainly important to acknowledge generational differences, it may be equally important to recognize generational similarities and avoid assumptions about each group. The mindset of the millennial generation and the baby boomer generation may be different but that does not mean they are incompatible.

1 (Drew, 2013)
2 (Ajilon Finance, 2009)
Long-Term Career Goals

Survey respondents were asked about their career goals at their current firm. As might be expected, nearly 70 percent of those who fall into the upper management and partner category plan to retire with their current firm.

Respondents who are age 40 and below want to embark on the partner track, with close to 40 percent of respondents answering that is their goal at their current firm. Employment trends show, however, that many CPAs are not simply rejecting the partnership track, but rather, rejecting a career in public accounting. More than 20 percent of the forty and under age group as a whole will likely leave for a better opportunity in industry. When we narrowed down that age group to those 30 and under, that number jumped to over 30 percent. While moving to industry has traditionally been a common path for many who start their career at a public accounting firm, this trend could now be creating a staffing gap, especially as older partners prepare to retire. See PICPA membership age breakdowns on page 8 which demonstrates the troubling demographic trends which indicate that traditional business models may not be sustainable in the future.

What is your goal at your current firm?

- Retire from this firm: 14.92%
- Become a partner: 38.98%
- Become a non-equity firm leader: 13.14%
- Transition to a part-time position in the firm: 3.56%
- Leave for a better opportunity in public accounting: 5.12%
- Leave for a better opportunity in the industry: 21.83%
- Leave the accounting profession entirely: 2.45%

Fringe Benefits No More

One area that appears to wedge a gap between the millennial generation and the baby boomer generation is the area of benefits. Benefits that may have once been viewed as added perks to a job are now somewhat expected, and have become initial determining factors of employment. In an accounting industry report by Ajilon Consultants, it is noted that “many accountants are drawn to the profession not only for the analytical work, job stability, and opportunity, but also for the compensation.”

To attract and retain the new generation of employees, firms must be willing to offer more than just a competitive salary. A substantial portion of the workforce is from a generation where work/life balance wasn’t a defining part of their career choice. Today, the emphasis on work/life balance is something that the new generation of employees expects from their employer. To attract and engage younger staff members, offering nonmonetary benefits is
not optional. Above is a chart that indicates the generational shift in how people live and work. These shifts are good indicators of how values and expectations have changed in the workplace and what types of benefit changes companies can make to ensure they are retaining top talent.

The new generation of employee wants the flexibility to work when they want and where they want. If their company does not provide them with that flexibility, they are going to move on. The “whatever” aspect of the chart is the most provocative and indicative of the new generation of employees. The strongest professionals at firms will have other options. This is the cause and effect of a talent pool shortage. To retain the strongest talent and develop their leadership potential, it is important to pay attention to the things that motivate the next generation of employees, and, in the process, could boost the morale of older staff members.

So, What Benefits DO Matter?

In two separate questions, we asked respondents to tell us if their firm offered certain employee benefits, and we asked them to tell us how important those benefits were to them.

The items that measure the importance of certain benefits can be grouped into three categories (1) money and time, (2) convenience and atmosphere, and (3) work tools. The results show that while money and time are by far the primary motivators, other factors are at play. In terms of money and time, partners and CPA staff agree that they value and receive competitive salary, vacation time, and health care benefits. One notable difference was related to 401(k) matching plans. Surprisingly, the younger the staff member the greater the importance for this benefit, which may indicate that partners, who traditionally develop compensation packages, may be undervaluing this benefit.

When we looked at the convenience and atmosphere benefits, the survey revealed some gaps that firm leaders should consider as they assess and develop their culture. For example, of the respondents age 40 and under, 80 percent said the ability to telecommute was important to them but close to 30 percent of the firms they are working for either do not offer that benefit (23 percent) or respondents were unsure if their firm offered that benefit (5 percent). Additionally, 80 percent of the respondents in the 40 and under age group said the ability to receive compensation for overtime was an important benefit (55 percent responded that this benefit was extremely important), but 80 percent of the firms they work for either do not offer overtime compensation (74 percent) or respondents were unsure if the firm offered that benefit (5 percent).

When looking at those age 41 and above, the responses reflect a different work style. 50 percent of respondents in this age group said that the ability to telecommute was either not important to them (21 percent) or that it was only moderately important (24 percent). Additionally, 55 percent of respondents in this age group suggested that compensation for overtime was either not important (31 percent) or only moderately important (24 percent). This variation in how different generations value the importance of certain benefits supports the generational shift in how employees value their time.

In terms of work tools, respondents from both age groups want up-to-date technology. About 98 percent of respondents age 40

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and under and 94 percent of respondents age 41 and over said that up-to-date technology was an important benefit. There was, however, a slight variation when it came to whether or not the firms were providing up-to-date technology. Ninety percent of respondents above the age of 41 felt their firm’s technology was up-to-date, while those age 40 and under agreed at 84 percent.

Career Mapping

A good portion of the survey focused on specific benefits, but the retention isn’t all about benefits. According to Laura Prosser of Sageworks Consulting, “Seniors and managers most often have left their previous firms due to a disconnect between career goals (both personal and those established by the firm) and the firm’s investment in the resources, training, coaching, etc. needed to cultivate the skill sets necessary for achieving those goals.” We asked respondents to indicate what opportunities they believe their firm offers for career development and what tools they provide for career growth.

Respondents across the board overwhelmingly agree and strongly agree that in most instances, the firm offers career development and tools for career growth. Partners and CPA staff also agree that their firms provide education and training to assist in their career growth and that leaders give staff authority to make decisions and voice opinions.

Two areas that did not receive as many Agree and Strongly Agree responses were “clear performance expectations” and “value of additional credentials.” When it comes to clarity of what is expected of their performance, only 25 percent of nonpartner staff agree that they have a clear picture of what is expected from them. Additionally, 40 percent either disagree or strongly disagree that their firm places value on additional credentials.

It’s important to note that when asked which factors affect their career decisions, two of the top three responses among those 40 and under were “opportunities for promotion” and “enjoyment of the profession.” (Work/life balance was the No. 1 response.) Here we find a contradiction amongst these responses, indicating an area where there could be significant disconnect between firm leaders and their staff CPAs.

For example, staff members are saying they find the opportunities for promotion an important factor that affects their career decisions, however, they are also saying that they do not have a clear idea of their performance expectations. How can these staff members identify opportunities for promotion if they don’t know if they are doing what is expected of them to receive a promotion? Staff members are also saying that enjoyment of the profession is a defining factor affecting their career decisions, yet 40% of firms don’t place any value on obtaining additional credentials, perhaps holding staff members back from specializing in something that they enjoy doing. If firm leaders are not providing their staff with the support and encouragement they desire, these staff members will likely look elsewhere for a job that suits their needs. Define what is expected of future leaders, and reward those who show potential and take the initiative to specialize or create a niche market at your firm.

Cultivating Leadership – The Path to Partnership

The path to partnership varies from firm to firm. We asked respondents to identify how familiar they were with their firm’s partnership development plan. As would be expected, as staff members move up the ladder at their firm the understanding of the partner track becomes clearer. However, there is a 30 percent gap between partner and non-partner staff members when it comes to understanding the partner track. The window for cultivating leadership has narrowed and in the next 3 to 5 years millennials will be entering into management roles, yet none of them will be over the age of 40. Gary Boomer, president of Boomer Consulting in Manhattan, Kansas, suggests that, to combat this issue, leaders should be identified and groomed early in their careers, and provided with opportunities to develop their leadership skills. Emerging leaders often leave firms if they don’t have an opportunity to lead and don’t see a significant future with the firm.

So, what is an emerging leader? An emerging leader is a young, dynamic person within your organization who shows a passion

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1 (Prosser, 2013)  
2 (Boomer, 11/01/2014)
and eagerness to grow and learn, says Adelaide Ness, Executive Vice President at the Rainmaker Company, a consulting company specifically focused on communication within accounting firms. Ness also suggests that the training, coaching, and on-boarding for young people has traditionally been focused on technical and procedural processes rather than an emphasis on leadership and business development. For some staff members, the technical training may be necessary. But for those who your firm identifies as emerging leaders, the job-related and procedural skills will come naturally with time, guidance, and the relevant tools. Firms that cultivate leadership develop a leadership plan that includes the core technical training that emerging leaders need to progress in their jobs, as well as the exposure to the management team and involvement in key business decisions that encourage their careers within the company.¹

Boomer Consulting provides a comprehensive list of characteristics to look for in emerging leaders. Here is a list of 10 of those characteristics:

1. Look for people who have a tolerance for, and can manage, risk.
2. Avoid those who spend too much time in consensus-building. (While consensus is important in a professional service organization, it is time-consuming and doesn’t always lead to good decisions.)
3. Look for those who can manage a diverse group of people. An appreciation of others’ unique abilities is the sign of a good leader.
4. Avoid weighing a person’s ability to be a good implementer and problem-solver too heavily. These abilities don’t necessarily make great leaders. Their tendency is to over-analyze and delay making decisions.
5. Look closely at personal integrity and the ability to trust others. This is of utmost importance.
6. Look for the ability to turn dangers into opportunities.
7. Avoid those who are overly competitive and lack humility.
8. Look for those with the ability to engage, inspire, and convince others.
9. Identify those who have an instinct to know which problems to solve, not just how to solve problems.
10. Look for those who have excellent one-on-one social skills, as they are as important as public speaking.

Equally important to identifying future leaders is the leadership training offered to this group. The survey results show that leadership training is weak for firms of all sizes, with the only exception being firms with 75 or more accounting staff members. The smaller sized firms (two-to-five, six-to-10, and 11-to-20 employees) all had more than 50 percent of respondents choose disagree or strongly disagree when asked if their firm offers any form of leadership training. Even at the partner level, 40 percent either disagreed or were unsure if their firm had a leadership training program.

One highlight of the survey shows that of the respondents age 40 and under, a high percentage answered “unsure” on all questions related to leadership development at their firm. Remember, a large percentage of the 40 and under group responded that they would someday like to be a partner at their firm (see page 4), so not being sure about leadership development is one of the most significant disconnects of the survey results. This group wants to someday be involved in the leadership of their firms, so it must be frustrating that the tools for leadership are lacking or nonexistent. It is important to remember that management training is an element often overlooked by firms. Employees are promoted but are not necessarily given any training to supervise others, an important responsibility as one moves up the ranks.

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¹ (Ness, 2014)
² (Ness, 2014)
Are Women Leaning Out Instead of In?

The percentage of women in the accounting profession has grown in the past few decades. Twenty-three percent of PICPA members were female in 1998; in 2015 that number has grown to just above 30 percent. Narrow that down to those working in public accounting, and it’s still 30 percent female; however only 14 percent of firm partners are female.

There’s a clear male/female divide regarding long-term career goals within firms. More than 55 percent of males plan to retire from their firm, but just 34 percent of females envision the same. About 18 percent of females plan to leave for a position in industry, as opposed to 5 percent of males. Thirty-five percent of males have a clear understanding of what it takes to become a partner; whereas only 20 percent of females have that understanding.

When it comes to key factors affecting career decisions it’s worth noting that 94 percent of females find work/life balance extremely important, and 50 percent find family issues extremely important. Also, 51 percent of females think women’s initiatives are important, but only 24 percent of men feel the same. The ability to work part time is extremely important to 48 percent of females, but only to 22 percent of males.

Whether partnership is not being offered to female employees or many simply are not interested, it is clear that there is a need for more leadership cultivation among female employees, and an emphasis needs to be given to finding a way to make partnership more appealing to them. As the female demographic continues to grow in the profession (PICPA student membership is 48 percent female) women will grow as a leading group of potential firm leaders. However, there is a newly emerging trend of a decline of females going into public accounting. Some of the factors cited here could be contributing to the movement, and time will tell if that trend will be a leading cause of the projected workforce deficit.

The Future of the Profession – The Millennials

The millennial generation are the future of the profession and the future of accounting firms. Roughly, 10,000 baby boomers will cross the threshold to age 65 every day through 2030.1 With too few members of generation X available to replace baby boomers, millennials (those born between 1981 and 2000) will take on more responsibilities at younger ages.

Lauren Stiller Rikleen, author of the book, You Raised Us – Now Work With Us: Millennials, Career Success, and Building Strong Workplace Teams, suggests that Millennials are often deemed by other age groups as entitled, seeking promotions prematurely and requiring constant praise. Millennials, however, see themselves differently: as buried in historically high student debt and thwarted professionally by an outdated workplace structure. When millennials find a job, they often enter a workplace where senior generations have already formed a negative opinion of their commitment, work ethic, and tendency to ask questions and seek feedback.2

Workplace Teams, offers a piece of advice for dealing with the generational shift of power. She says, “for millennials to move past these stereotypes and succeed in the workplace, perhaps it is time to change the patterns of the season and have the senior generations be on the receiving end of the advice. After all, millennials have been urged to speak up throughout their lives, but never has it been so important for other generations to listen.”3

Because of these stereotypes, succession planning, or the lack thereof, has become a problematic issue for many firms as the time nears for them to transfer leadership to a new generation. In a 2014 article for the Harvard Business Times, Rikleen offers a piece of advice for dealing with the generational shift of power. She says, “for millennials to move past these stereotypes and succeed in the workplace, perhaps it is time to change the patterns of the season and have the senior generations be on the receiving end of the advice. After all, millennials have been urged to speak up throughout their lives, but never has it been so important for other generations to listen.”4

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1http://www.pewresearch.org/daily-number/baby-boomers-retire/

2(Rikleen, You Raised Us - Now Work With Us: Millennials, Career Success, and Building Strong Workplace Teams, 2014)

3(Rikleen, The Commencement Speech Parents Need to Hear, 2014)
Unsuccessful Succession Planning Could Be Detrimental

Across all demographics and firm sizes, succession planning is expected to be a top concern for the next five to 10 years. According to a 2014 Global Accounting Alliance survey, about half of all U.S. CPA firms will likely lose at least one partner or principal to retirement in the next five years. Grooming and training the next generation of leaders will be the key to a successful transition. “The growing focus on succession planning indicates that more firms are starting to understand that this transfer of ownership is inevitable. Angie Grisson, president of The Rainmaker Consulting firm, suggests that change is difficult, and for many current firm partners letting go of something that they worked so hard to build can be a difficult transition. As a firm partner, it’s important to remember, “If you aren’t thinking like a business owner in your own business, then what kind of value are you bringing to your clients who are looking to your firm to bring them new ideas and new concepts?”

Lauren Prosser, director Sagesworks ProfitCents Professional Services, provides some insight into how an inability or unwillingness to change and innovate within the firm culture can significantly inhibit client service today and threaten the firm’s viability tomorrow. Prosser suggests that when a firm loses valuable staff members at the senior and manager level because firms are unwilling to adjust to the changing needs of staff of all ages, then a leadership void is created. This becomes a major source of uncertainty for those firms who want to remain independent. For those considering a sale, the loss of human capital devalues a firm, potentially limiting its options on the acquisitions front. Click to view PICPA’s Resources on Firm Mergers & Acquisitions

Recognize What Others Value

CPA firm culture may be changing, but so is the culture at many other businesses. Existing and potential clients not only evaluate a firm’s fees, expertise, and experience, they also want to work with firms who share their values and visions. A 2013 study by Hinge Marketing, How Buyers Buy Accounting & Finance Services, reported that 22 percent of clients said they chose a firm that was “a good fit and shared their values.” Our survey respondents indicated that second to good citizenship, they believe clients find the most value in a firm that has high-profile business leaders. If having high-profile business leaders is what firm employees think their clients value, firms should encourage staff to build their profile in the business community and build their reputation as good citizens. The survey results indicate that firms may not be giving staff time to do this, or supporting those efforts.

Clients also want to work with people who are like them. Diversity initiatives have long been ignored as important factors in the workplace, but these things are important to employees and clients. See PICPA’s diversity and inclusion study Increasing Talent, Clients, and Revenue for Your Organization: The Business Case and Toolkit for Diversity for more information on diversity initiatives.

Finally, it’s no secret that clients want to work with firms that employ both technically competent and happy people. We don’t need a survey to tell us that happy employees are better employees, and this directly affects customer satisfaction. CPA firms are not just providing a service, they’re building relationships. Those relationships are ultimately created between people, and high staff turnover can be detrimental to building lasting relationships.

Learn from the Past, but Don’t Get Stuck

As the accounting profession transitions to a new generation of potential leaders, it is important to establish a firm culture that represents the core values of the profession but is also forward thinking and adaptive to the changing business world. Jennifer Wilson, partner and co-founder of ConvergenceCoaching, summed up the importance of the collaboration between the generations: “Experienced accountants with institutional knowledge and years of intellectual capital and leadership are essential to a growing firm. Equally important are the younger accountants – a generation that is social media savvy, possesses the know-how to network, and brings a freshness and creativity that can reignite a firm’s passion and success.”

Ninety-three percent of the students that we surveyed already had jobs lined up before graduation. The best and the brightest will end up at firms that best accommodate their needs. Some may follow the money and the prestige of working in a national firm but smaller firms can also compete to attract top talent by creating an environment where employees are valued and leadership is nurtured. Reevaluate your firm’s culture, and think about how your firm compares with others across the state. Think about making adjustments to your current policies that ensure that both your current and future employees are engaged, loyal, and happy.

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13 (Grisson, 2014)
13 (Prosser, 2013)
14 (Institute, Hinge Research, 2013)
15 (Wilson & Van Dooren, 2014)
Works Cited


What do PICPA members have to say about their firms and profession and their career plans?

**Firm Culture and Its Impact on the Future of the Firm**

To remain competitive and successful, firms need to look at what’s important to current and future employees, as well as clients. This includes benefits, leadership development, partner training, and core values.

Key factors affecting career decisions cited by more than 50% of respondents:

- Work/Life Balance
- Enjoyment of the Profession

**Top Issues Facing Firms in the Next 5 YEARS**

1. Succession Planning
2. Retaining Qualified Staff
3. Compliance Issues

More than 20% of those under 40 plan to leave public accounting for a position in industry.

68% believe that clients value good citizenship.

53% think up-to-date technology is extremely important.

65% agree their firm places a high value on the CPA credential.

93% said their firm covers licensing fees and professional association fees.

28% said their firm DOES NOT offer leadership training.

65% agree their firm places a high value on the CPA credential.

3. Compliance Issues

93% said their firm covers licensing fees and professional association fees.

28% said their firm DOES NOT offer leadership training.

More than 20% of those under 40 plan to leave public accounting for a position in industry.

Most important characteristics of a leader:

1. Integrity
2. Honesty
3. Perseverance to future trends