

**More Rules,
More Regulations,
More Patents**

automatically assume that methodology works right, “and will believe that the approach has been sanctioned by the IRS, which is just not the case,” adds Ochsenschlager.

The AICPA sees another obvious flaw with the current system. As tax strategy patents proliferate, not only will practitioners need to be up to speed with new tax laws to create solutions for clients, they will need a dedicated researcher on staff to determine if those solutions are infringing on any current – or pending – patents.

While the debate is starting to get attention, don’t expect any changes any time soon, says Ochsenschlager. Until then, if you have a creative tax partner who comes up with a unique way to solve a client’s tax problem, look out – you may just be infringing on someone else’s patent! ■

Superior Leadership For The Managing Partner: Part Two Essential Leadership Principles To Implement In Your Firm Today



Bob Prosen
**The Prosen Center for
Business Advancement**

*Lecturer, consultant and CEO of the Prosen Center for Business Advancement in Dallas, Bob Prosen last month discussed Healthy Culture and Effective Communications with IPA, two of his four leadership principles. In this issue, he shares his insights on **Trust & Loyalty** and **Rewards & Recognition**.*

Prosen often finds MPs are not following basic, practical steps that would make them more effective leaders and generate more trust among their staff. A key to this effectiveness is to improve trust and loyalty within a firm.

MPs can improve trust and loyalty right away, says Prosen, who is a big advocate of proven answers that MPs can implement easily. “The top thing would be to make and meet commitments. So when you tell somebody you’re going to do something, do it, and expect the same from them.” Think of a commitment as a promise, Prosen says, and understand that once a promise is broken, confidence is lost.

Some MPs take trust for granted, but direct communication can repair any potential damage as long as staff has not had to deal with ethical violations, integrity issues or other egregious errors. If there is an issue with trust in the firm, Prosen suggests MPs first admit that there’s a problem, sit down with the staff member in a relaxed environment and really listen. It’s not important to have an answer right away, but the person must feel that they’ve been heard.

The MP can then craft a meaningful, honest response with a commitment to follow through.

**Staff Understanding
Of Their Roles Helps
Inspire Loyalty**

Inspiring loyalty in the firm is a key function for the MP, and has practical applications: It creates a strong culture throughout the workforce. MPs who can clearly communicate the firm's mission and describe how staff members are important to achieving that mission can succeed in developing a sense of empowerment among employees. "Your staff needs to be told how they matter," Prosen told *IPA*.

He pointed to two CPA firms he worked with recently. Firm A, a large firm, had few problems retaining top talent. Firm B, a smaller company, was struggling to keep good people. The MP of Firm A told Prosen: "It's the culture we built. It's all about the culture. People want to stick around because we've created an environment for them that's fulfilling." In contrast, Firm B was more competitive, the work load was imbalanced and communication was poor. People said they were leaving for more money, but he warns that money is almost never the real reason.

Prosen believes better communication skills can fix most problems. He commented on the recent survey conducted by CPA management consultant *Steve Erickson*, that was highlighted in the March issue of *IPA*. More than 40% of the respondents said they did not know how to get promoted within their firms.

**Provide Guidelines
For Promotions So
Staff Understand Rules**

Prosen believes MPs are afraid of locking themselves into promotions they don't want to make if they lay out a formula for advancement, but he contends that MPs can provide guidelines without guarantees. While tangible successes need to take place before a promotion, intangibles matter too. An MP can announce a promotion to the team and explain why: She took on new responsibilities, she did an outstanding job, clients are requesting her and she works with the rest of the team very well, for example.

It's not uncommon for staff members to be suspect of the frequent contradictions – espousing a work/life balance, yet requiring 70-hour weeks during the tax season, for example, or saying the rules must be followed by everyone, but the rainmaker partner does as he pleases.

**Not All Staff Are
Equal – It's OK To
Acknowledge That**

"You have to declare up front that everybody's not equal," Prosen says, but the core ethics and values of the firm remain the same. Staff members are not paid equally; they have different skills, varying work styles and different

levels of productivity. “If there’s a rainmaker bringing in new clients, but he’s not around that much, too bad,” Prosen says. “That’s the benefit that person gets for being a rainmaker.” But having said that, the MP must understand that the team needs to be acknowledged and rewarded for its hard work.

“The first thing to recognize is rewards aren’t always monetary. We’ve got to get past that one,” he says. “It’s not the only way to take care of your team.” Prosen said he asked a staff member at one firm how she would like to be rewarded. Her answer was comp time. Another person who loves the theater would appreciate great seats. Another would love to come in at 10 a.m. for a week to recover from a tough stretch. It’s OK to customize your rewards.

“Everybody’s not the same, but we treat people fairly, and we won’t compromise our standards,” Prosen says. The key lies in knowing your team. Younger employees put a premium on leaving the office at a decent hour. MPs must understand this, even though billable hours are so important. “You’ve got to figure out what motivates each employee,” he says.

**Customize Rewards
For Activities That
Help The Firm Succeed**

Staff should also be rewarded for activities that help the firm, but don’t necessarily translate into bigger profits. For example, if the firm is concerned about its “public face” and one staff member is dedicated to a professional association, that work should be encouraged and recognized. Prosen said MPs can do something as simple as presenting the team member with a certificate in front of their colleagues. “People like to be held out and recognized for things that they do. They enjoy that,” he says, “Sometimes formal recognition is as good, or better, than a pat on the back. It just takes a little time to do it.”

Keeping commitments and remaining accountable are themes Prosen returns to again and again. One firm he worked with developed a formula to make its system of bonuses less subjective. The formula involved scoring staff on various successes: quality of work, repeat business, promotion of new services, etc. The scores were posted every month. “It caused people to work together better than they did before,” Prosen said.

MPs who want to be better leaders should embrace the idea that the schoolhouse is always open. “Everybody should be looking at themselves and saying, ‘what skills can I develop that will benefit my personal life and the firm?’ ” Finding a mentor to trade ideas with once a month over coffee can provide a valuable sounding board, Prosen told **IPA**.

Leadership takes honesty. “You have to be comfortable in your own skin. If you’re not serious about moving in a certain direction, don’t pretend,” Prosen says. “Be who you are. Keep an open mind, adjust where appropriate, and try to have some fun.” ■

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Professional Management Of Today’s CPA Firm Offers Focus, Discipline And Skill Sets To Grow A Thriving Business

While most CPA firms are led by MP’s who’ve risen through the ranks, some firms are reaping the rewards of professional management. Firms with an eye toward long-term expansion may recognize that it may be time to bring in a C-suite professional, a *Lee Iacocca* or a *Jack Welch* for the CPA firm.



Robert Lane
Kerkering, Barberio & Co.

What can a professional manager bring that a traditional MP cannot? “Time,” says **John Nicholas**, COO of Sarasota, Fla.-based **Kerkering, Barberio & Co.** (FY06 net revenue of \$15.4 million). “The firm is their only client,” adds **Robert Lane**, MP of KB&Co. “They bring experiences from their professional careers that are different from ours.”

“By bringing in someone who can spend 100% of their time focused on the firm, I think you find out there are things that you’re able to do that you weren’t doing before,” says Lane. “Our partners do not have to take on roles of managing the day-to-day operation or even working on significant issues, such as corporate insurance coverage or negotiating leases. Those are all handled by our professional management team,” says Lane, who hired John Nicholas, CPA, as COO six years ago. “The partners primarily focus on their clients and client matters, staff development and practice development.”

And Lane notes, “When we identify opportunities, maybe mergers, we can turn to our COO who does a lot of the negotiations and background work, putting together deals and opportunities. It’s another example of how we are able to leverage our own time as partners and let our COO handle a lot of potential opportunities.”