LESSONS LEARNED FROM THE TRENCHES
Steve Kass (KPMG US), Ken Hughes (Dixon Hughes Goodman), Bill Goodman (Retired-Schenck)

Ken Hughes

Good:

Listen, learn and execute

Prolific reader (management skills)

Role Models (talking to them)

Steal somebody else’s ideas and execute them

People (get the best and the brightest) – recruitment at college campuses. Go get other people at direct admit (higher experienced people with specific talents)

Viewed CPE as something that makes people better. Don’t stop at 40 hours per year. Rather, think of it as creating famous people.

Focus on industries. Generalists don’t make it.

Strategic planning (Strategy). What is the strategy to go to the next level. Keep it simple.

Bigger does matter. Better services and more alternatives. Losing independence is required if leaders want to grow and take it to the next level. The size of the client increases with the growth.

Bad:

i.e. Developed software. Learned that everything you touch doesn’t always turn out well. You better have strong partners that know what they are doing to make it work.

Small merger (for geographic location reasons, industry play, etc). Gut said it wasn’t the right thing to do, but the winners curse may lead you to outside your strategy. Can’t integrate a sole proprietor in a city you are not in and expect it to work.

Reorganized the firm into profit centers and brought into the firm young leadership positions without doing leadership assessments. Make sure that the person you put into leadership position without assessment (psychologist), sponsoring by a few different people, programs for development. It costs a lot of money but less than if they grow and then leave (with people and business).

Recession in 2008 – Find that your average partners become very mediocre in a down market. Don’t be slow to react to this situation. Set up a better system of accountability and react quickly so you don’t make the same mistake twice.

Bill Goodman (Schenk)

25 years at KGN before joining Schenk. Joined Schenk after a bunch of mergers and was brought in to restore trust and be able to get all the partners and staff to act as one firm (not silos of different offices).

Worked on infrastructure – internal IT, HR, business development i.e. “overhead”
Good:

Communicating in an open, honest, one-on-one manner with partners/managers. A lot of listening and asking what is on people’s mind. It gets you to know the people you don’t already know. It also let’s people think that you care about them.

Treat everyone with respect, honor, and learn what they are like as a person.

Created a role of COO. Took a partner and made them give up their clients to run the infrastructure of the firm. Give them instructions and then let them do it. LEAVE THEM ALONE.

Keep the important decision makers involved in the decision making process and it will pay dividends.

Have the firm participate in local events (employees and the firm as a whole).

Bad:

Started taking on the complaints of the partners personally. Don’t take it personally.

Let personal network go to hell. Maintain your personal network (for advice as much as potential business).

Dreamed a little too big. Don’t expect everyone to be good at everything. You can’t develop everyone to do everything (e.g. practice development).

Didn’t have enough time to do one-on-one mentoring. Wasn’t able to focus on big picture items and always came back to menial tasks and topics.

Didn’t properly develop silos that they were good at. Tearing down the barriers.

Didn’t play the politics very well. The board had a lot of power (as opposed to the shareholders). Figure out who should be on the board and pick those that can best run the firm (high level decision makers). It slows you down, and hard to get them off the board.

Steve Kass

CEO of Rothstein Kass around 10 years ago, after selling the hedge fund administration business. Followed Harris Rothstein with no transition (after the sale, Harris retired the next week to Florida). Must be the “we” mentality. It is not about me, but rather we (even if the CEO must take responsibility for things that go wrong).

Veracious reader about management skills and leaders.

Good:

Focused on organizational culture. Steve had an executive coach – question asked was who was most important, the cpa firm people or their clients?. You need two wings of a bird to fly level. What are the core values that represent the organization and get everyone involved in developing the consensus. Not just a poster on the wall, but everything had to tie back to the core values. Fortune magazine top 100 firms to work for.

Trust your gut. It is usually correct.

Actively involved in recruiting (the most important positions). Keeps you in the forefront of what is going on.
When vetting for promotion process, spend a lot of time. You tend to have different rules for older people vs. new entries (or lateral entries). This shouldn’t be a different method, but it is.

Be effective at bringing the smartest people together. This includes your admin people. Hire the best people that you can.

Focus on your niche. What makes you different than everyone else?

Invest in what your good at. If you have a niche, keep making improvements to grow and develop it.

Bad:

Bob Parsons – case study for bringing in business but a cultural disaster for the organization who he works for. Don’t close your eyes to the rain makers if they don’t follow the culture and is toxic to the firm.

Need to hold people accountable and don’t be slow to make changes if they aren’t.

Transparency. The more you have professional management (President, COO, etc), then you need more transparency to the rest of the partners.

Corporate structure and governance. Growing from $58M to $245M (4 to 8 offices), be in front of the changes that you need to make with governance, structure, etc. in order to keep ahead of problems.

Trust your gut (the bad) – Don’t let bad decisions go forward if your gut tells you no.

Don’t be afraid to take chances. Continue to be entrepreneurial even as you grow.

Don’t ever let your responsibilities get in the way of your client relationships (even if on a lesser basis).

“Being respected” trumps “being liked” every time.

General

Accountability – Set expectations and then follow up to make sure they are getting done. As CEO’s, we tend to think we should be doing things perfect (which prevents us from getting help). Don’t fall into that trap, and don’t hesitate that you don’t know something and need help (hold yourself accountable). Tone at the top – you need an accountability plan at the top. The CEO must prepare a business plan as well as everyone else and be accountable to that plan like you do for everyone else in the organization.

Corporate (vs partnership) style of governance – Size dictates. You need to change the mindset that all partners are created equal. The partners must buy into the management (e.g. closed compensation committee). Sell it to the partners on what you need to get to the next step. It’s a sell job, and you need to demonstrate to the partners that there are reasons (finding people to do things that we aren’t good at, moving to slow, etc.) Smaller firms have more difficulty with dedicating time to governance. Don’t include everyone in too many decisions. Key is to balance getting feedback from those you need to include in making the decision without having them be the decision makers. Co-managing is not an efficient use of time, can create redundancy).

Idea they wish the did – Spreading way too thin (too much emotional involvement in what he was doing in a collaborative style but was then 16 hour workday.) Need to be a better delegator. Take more time off to think of things
that are a better way to do some things. Also, get some non CPA firm people on the Advisory Board. Also, get involved in non CPA board and things outside of the profession. Balance your life.

Content partners – They are OK to have in a firm (there is a role), but make sure they are comfortable with their role and their compensation for it. It also depends on if they are performing in other areas (transitioning their book, meeting their billable hours, training staff, good corporate citizen, etc.) If they have some of these features, then perhaps they can be worthwhile to keep in the firm. Otherwise, if you ask them to meet these objectives and they don’t then you have to consider getting them off the bus.

SK wished he spent more time in front of the partners. Give them the time and make sure they are developing.

Millennials. Not afraid to work, just that they don’t want to work the same as we did. They put their time in differently (and flexible) in order to do what they want. They will also be good trusted advisors since they really want to help people (community, helping people). Teach them that it is about helping the client. Make them feel like there is a purpose for what they are doing. They have some impatient issues so they want faster growth and development. They want ongoing vibrant conversations and often.

To get the things done that you need to do. Confirm what your partners what your role is. Look at your life and see what you are supposed to be accountable for, and if it doesn’t fit in then move it to someone else. Also, find a good number two that you can rely on to take things off your plate.