

Map out your firm's path to its best performance.

# STRATEGIC PLANNERS Lead the Pack

BY THOMAS PURCELL

**O**ne CPA I know says strategic planning is akin to making soup: There are lots of recipes for what works—but the ultimate test is whether the soup tastes good and nourishes those who eat it. To navigate changing regulatory, professional and marketplace patterns and get maximum growth with

minimum waste, a firm needs a recipe for action—that is, a strategic plan. No one plan will work for all firms, but all strategic plans encompass clear initiatives designed to move an organization in a particular, perhaps new, direction.

The busier your practice is the more useful a strategic plan can be. Although it can take several years to implement one, benefits include improved decision making; enhanced organizational responsiveness; better performance; and more productive, confident and responsible personnel. Here's how a CPA firm can organize a strategic plan, work it and minimize future pitfalls. Two CPAs who have done the planning process and recommend it give the hands-on view in the case study sidebar. Once you have a plan, revisit it on a regular basis to keep it relevant.

## PLANNING THE PLAN

A strategic plan's function is to logically link the tasks, relationships and schedule to achieve a business goal. To get started

■ **Agree on the process to follow.** Convene a partners meeting to lay the groundwork. At it, management needs to frame and find answers to a range of questions such as: Will we work from the top down (management directs

## Groundwork

**To develop a good plan, identify organizing principles in six key areas: clients, technical skills, executive skills, support skills, alliances and, above all, "subtractions"—areas of business you definitely won't seek or accept.**

Source: Institute of Management and Administration, New York.



## Wee Duit Awl's Strategic Plan

After a productive two-day retreat, the Wee Duit Awl CPA firm has reached consensus on a tentative strategic plan. Selected elements of that plan follow:

**Mission:** Wee Duit Awl, CPAs, assists its clients in developing innovative solutions to assurance and tax issues in a dynamic business world.

**Values:** Wee Duit Awl, CPAs, values integrity, timeliness and objectivity.

**Vision:** By 2006, Wee Duit Awl, CPAs, will be the largest locally owned and operated CPA firm in the state of Nebraska.

**The plan:** The following notes show different elements of a plan and how it evolves. The degree of detail depends on individual firm style. While each element could be expanded, the key is to clearly cascade down in degree of specificity as you move from the strategic issue level to the action plan level.

I. STRATEGIC ISSUE—How do we attract and retain quality staff?

**Strategic objective A**—Meet 70% of staff needs from entry-level college students.

**Initiative:** Develop college recruiting program.

**Strategy:** Identify top three colleges in our region.

**Tactic:** Develop criteria for evaluating college accounting programs.

**Tactic:** Assess existing programs.

a. Bill Smith will survey CPA exam pass rates of graduates from [named colleges] during their first three years following graduation for the past five years by August 1.

b. Judy Jones will present in tabular form the professional involvement of faculty at [named colleges] by August 1.

**Strategy:** Foster relationships with accounting faculty at top three regional colleges.

**Initiative:** Develop an internship program.

**Initiative:** Develop a scholarship program.

**Strategic objective B**—Adjust compensation and benefits to the mean in our major market areas.

**Strategic objective C**—Meet 30% of staff needs from experienced hire pool.

**Initiative:** Identify executive search firms that can provide experienced staff who meet firm needs

II. STRATEGIC ISSUE—How do we inform clients and potential clients about our expertise?

the process) or the bottom up? (Management bases its plan on input from all levels of staff.) What types of planning teams do we need, and who will be on them? Will we use an outside facilitator? In addition, the firm must choose goals, schedule interim accomplishments and decide how and to whom a final plan should be disseminated. Keep the process as simple as possible.

To bring into focus the firm's present position and future hopes and articulate its mission and values, use the meeting to get answers to the following:

- Who are we?
- Where are we today?
- How do we want to conduct ourselves?
- Where are we going?
- How are we going to get where we want to go?
- What's the best way to measure our progress toward getting there?

Techniques for working on answers to the above questions, as well as those in "Planning Questions," page 30, can include using a facilitator or a retreat.

One caveat: Keep all staff levels in the loop; it helps prevent disenfranchisement later. A bottom-up method that doesn't meaningfully incorporate workers' input can create cynicism and derail a plan. Top down or bottom up, a firm's workforce implements any changes—and if the staff doesn't respect the undertaking, it will be doomed at inception. Nothing creates disenchantment faster than asking personnel to devote time and thought to a process and then ignoring the input.

■ **Clarify the firm's mission and values.** A firm's mission statement answers the question "Who are we?" and expresses the organization's purpose. For example, one Omaha charity's mission statement says that it "works with individuals to build just and compassionate communities." A core-values statement answers "What is important to us?" and cites the beliefs and behavior standards fundamental to the organization. It should express the entity's moral and ethical basis, as the "Wee Duit Awl's Strategic Plan" sidebar above shows. Combine the mission and core-values statements or not, as you wish. Developing them calls for honest introspection. As firms configure themselves in unusual ways, a mission statement can express an entity's most important organizing principle. Stay open to fresh challenges and changes.

■ **Clarify the firm's vision.** A firm's vision describes where it wants to go and when it wants to get there. Address how large you want the firm to grow, what types of clients you want to attract and whether to expand into new and emerging areas. Keep it in line with firm resources.

■ **Environmental assessment.** To develop information about a firm's current situation, look at the broadest factors first; then, in stages, narrow the focus to specific firm issues. Initially, consider the political, economic, social, technological, human resource and regulatory forces affecting the profession (PESTHR analysis).

Next, identify your firm's SWOTs (strengths, weaknesses, opportunities and threats the firm faces) and decide their relative importance within its markets. Strengths and weak-

nesses pertain to the firm's capabilities, while opportunities and threats are outside forces. This analysis will be the basis for defining *your firm's*—not the profession's—strategic issues. Ask:

- What is the nature of our practice in the entities we serve?
- How do new independence standards and international regulatory forces influence the firm?
- How does the shift to a service-based economy affect it?
- What impact does electronic commerce have on it?
- How do CPA education standards affect our staffing?
- What effective geographic range does our practice area encompass?
- What emerging practice specialties (niches) are in demand in our area?
- What capabilities does our firm have for meeting those demands?
- Who are our key clients?
- How dependent is the practice on keeping these clients?
- Who are the key clients in our practice area that we don't yet serve?
- What's the scope of the financial resources and challenges of our firm?
- Do we use information technology and specialized staff to leverage professional expertise?
- How do we sell the firm's services?
- What responsibility do we have to the future development of the profession?

Answers to such questions help you develop an overview of



the nature of your practice and of the influences affecting it.

**Identify strategic issues.** There are four cautions about strategic issues. First, because only those things your firm can do something about are strategic issues *for your firm*, differentiate between your firm's issues and those of the profession. If you identify the regulatory environment as a potential strategic issue but there's little your firm can do to affect it, it's not a strategic issue for your firm.

Many times strengths, weaknesses, opportunities and threats are complementary aspects of the same issue. If you recognize the firm's lack of consulting capacity as a weakness and clients' demand for consulting services as an opportunity, a strategic issue for your firm might be how to take advantage of the demand for increased consulting services.

Second, if your process identifies a large number of strategic issues, combine some. For example, you may note that staff preparation for providing services is poor, staff ability to progress to partner is stalled and staff is unresponsive to changes in the business environment; you don't have three strategic issues, but one—staff development. There is no set maximum, but you will put energy and money into addressing these, so the fewer there are the easier progress will be. Try to narrow the focus to three to five crucial issues. One way to do this is by having the planning group rank alternatives.

Third, you will need to make a commitment to pursue these areas for a significant period of time. You can't change strategic issues each year in the same way you might get new software. To give your firm time to fully develop the initiatives

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## EXECUTIVE SUMMARY

■ **THERE'S NO COOKIE-CUTTER STRATEGIC PLAN** that works for all firms, but all strategic plans encompass clear initiatives that enable a practice to analyze the effectiveness of alternative actions and logically link tasks and relationships designed to move an organization in a particular, or perhaps new, direction.

■ **FIRST, CLARIFY THE FIRM'S MISSION AND VALUES.** A mission statement concisely expresses the entity's purpose and uniqueness. A core-values statement describes its common beliefs and behavior standards.

■ **AN ENVIRONMENTAL ASSESSMENT DEVELOPS** information about a firm's current situation. Ideally, it looks at the broadest factors first. Then, in stages, it narrows its focus to specific firm issues and their solutions.

■ **IT CAN TAKE SEVERAL YEARS** to implement a strategic plan. The busier a firm is the more a plan can help to focus its efforts. Once a firm has a plan, it should revisit it on a regular basis.

■ **DIALOGUE WITH ALL LEVELS OF STAFF** helps prevent disenfranchisement later. A professional staff implements any plan, especially in a service organization, and disillusionment by this group will doom a plan at inception.

■ **STRATEGIC PLANNING REQUIRES DISCIPLINED,** logical, self-reflective thinking. It's an investment that will pay dividends to the firm in the form of a more focused, cohesive business direction, a firm's greater sense of commitment to commonly understood goals and, ultimately, better service for clients.

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and strategies needed, plan to address three to five strategic issues over a several-year period.

Fourth, don't link strategic issues to a course of action too soon. As you move toward solutions, you lose the wider perspective and may miss opportunities. Try to raise strategic issues as questions—for example, "How do we attract and retain quality staff?" as opposed to, "We need to attract and retain quality staff." By expressing the issues as questions you invite more ideas and input from the planners. "Wee Duit Awl's Strategic Plan" sidebar illustrates how this might work as well as the progression described in the following bullet points.

■ **Develop strategic objectives and initiatives.** Once you have settled on a short list of strategic issues, begin to map approaches to them. These are your objectives, and at a minimum they must help you exploit key opportunities, defend yourself from key threats, leverage your key strengths and remedy key weaknesses. Brainstorm to identify all possible ways of addressing the objectives. These are your strategic initiatives.

Gradually, several related sets of actions will emerge. Some won't be feasible, but at this level you don't have to pin down who will do what by when. You are using the process to search for linkages that are clear and logical. Successfully implemented strategic initiatives create competitive advantages.

■ **Develop tactics and action plans.** The goal of this phase is to establish the steps needed to accomplish the agreed-upon objectives. Be specific. At this point you will assign specific tasks to particular people, along with due dates, deliverable outputs, benchmarks and resources. If you have built the case for your strategic direction and objectives, members of your firm should know exactly how what they are going to do will help achieve the desired result. Make sure the participants clearly understand the plan prior to implementing it.

■ **Implementation and assessment.** If you've been thorough in the preceding steps, implementation should be straightforward. Choose benchmarks to measure progress toward the desired objective, and monitor progress during this phase.

Critical success indicators are historical (lagging) information.



Some of them include measures of market share (including comparative growth factors, new billings and new clients per partner); realization rates on client billings; staff utilization rates; partner billing rates; CPE hours per staff person; and percentages of entry-level staff hired who are successful on professional certification examinations. Firms with more sophisticated planning may employ leading indicators (performance drivers), too.

It is difficult to develop meaningful indicators—historical or leading—in professional service enterprises. In part, that's because of the subtlety and complexity of the business relationships that underlie a firm's success. So before settling on a strategic measure, think through how measuring a particular item will affect the firm. For example, if too much emphasis is placed on utilization rates, staff may ignore training to their—and the firm's—detriment.

### IT WILL SERVE YOU WELL

Remember, strategic planning is a process, not a one-time event. If you apply it to managing your practice, allow time for fine-tuning before you judge its success. If the firm hasn't used strategic planning before, adjust your expectations. Just getting agreement on the strategic issues and objectives can take longer than expected—and may be the only outcome of a first effort. Recognize the continuous nature of planning, and revisit the plan at least once a year. Assess the critical success indicators quarterly.

As planning becomes part of the culture, partners and staff will become aware of the strategic focus and the firm's objectives will guide their daily actions. That's the point at which you get to think about other things such as how to improve the firm by responding to the overall environment rather than "stamping out fires."

Strategic planning is disciplined, logical, self-reflective thinking about your firm. Extend and refine it over several years, and it will serve you well. The best time to develop a plan is now. It's an investment that will pay dividends in the form of a more focused, cohesive direction, your staff's greater sense of commitment to commonly understood goals and, ultimately, better service for your clients. ■

## Planning Questions

To help home in on where your firm is and where you want to go, answer the following:

- What substantive issues face us today? What will face us tomorrow?
- In what ways has technology affected how we do business? How *will* it affect us in the future?
- What do we do well?
- What do we need to enhance?
- What measurements will tell us how well we are doing?
- Have we clearly defined our ethical position?
- What are we neglecting that we should be doing?
- What kind of staff training should we plan for?
- What makes us unique?
- What potential profit areas are we overlooking?
- How can we involve employees more?
- What safety issues should concern us?
- What form will future market competition take?
- Have we imagined every possible negative eventuality?

Source: Marlene Caroselli, Center for Professional Development, Rochester, New York.

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