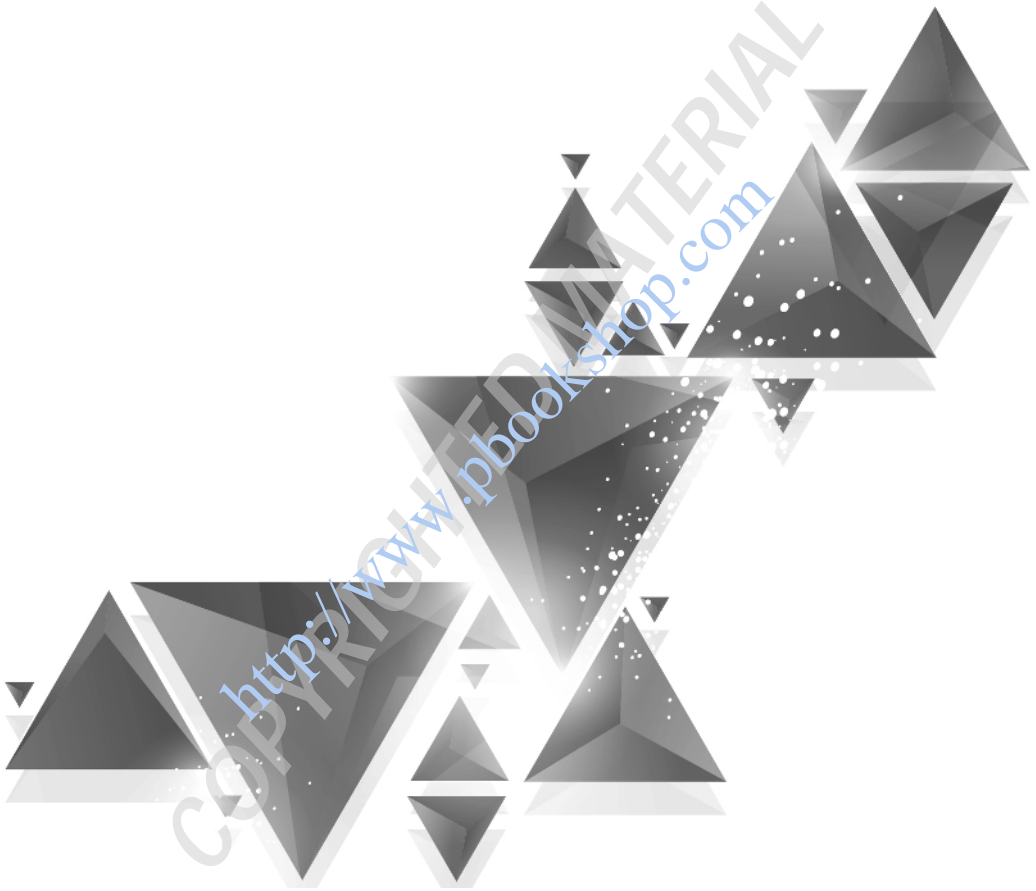


Why Leadership Matters



“One does not ‘manage’ people. The task is to lead people. And the goal is to make productive the specific strengths and knowledge of each individual.”

~ PETER DRUCKER

Leading the Brightest of the Bright

CPAs and chartered accountants are some of the brightest professionals in the world. Accountants regularly rank in the top 10 percent on college entrance exams, and most people would argue that their intelligence quotients rank at the very top, as well.

This book is about leading a small (or large) group of very bright, somewhat introverted, and skeptical accountants toward a common goal. It's about

- ▲ leading a small team of auditors, tax accountants, or consultants.
- ▲ the new manager leading a group of accountants on an engagement.
- ▲ leading niches, divisions, and service lines.
- ▲ leading large organizations with many offices and hundreds of partners, owners, or shareholders.

When I became an audit senior and later a manager at Price Waterhouse, I mistakenly thought that the title on my business card gave me the right to tell people what to do. Looking back in horror, I know now that people didn't want to follow my leadership because they felt dominated and manipulated. It was a painful lesson for me to learn that I could manage projects and processes but not people. It took me many years and experiences to grasp the lesson embodied in Drucker's opening quote, and I am still working hard on it today. To be effective, you can't *manage* people; you must *lead* them.

This chapter makes the case for leadership. I have found that if people first understand the why of something, then the how, what, when, and where come easier. In the following pages, I will describe why leadership matters in CPA firms and what aspects of leadership matter most to those who are running those firms—often in their own words. The payoff (benefits) of great leadership will be discussed, along with some of the challenges of leading a highly skilled and intelligent workforce. We will also cover the leader's role in growing the firm and leadership compared with management. An interesting topic that we'll cover in this chapter is how leading an accounting firm has some similarities and differences to other business types. My hope is that you grasp the why of leadership and that it will encourage you to devour the other chapters that will take you through the how, what, when, and where of leadership.

Tony Morgan, founder and managing partner of the local firm Gollob Morgan Peddy & Co., P.C., in Tyler, TX, says, "Whenever we meet with college students, we see the gregarious ones in other fields of study and the more introverted in accounting, ... but for a person to advance, he or she must be willing to take some risk and be willing to lead other people."

To bring these leadership lessons to you, I've interviewed nearly 100 leaders from accounting firms all over North America, like Tony Argiz, founder, CEO, and managing partner of the megaregional firm Morrison, Brown, Argiz & Farra, LLP, in Miami, FL, in the following section. Many of the interviewees' firms have been named best-of-the-best or all-star firms by various publications. A large number of my interviewees are leaders of firms that have progressed from start-up to becoming a member of the top 100 accounting firms in the

United States. At the end of 2010, there were approximately 25 accounting firms in the top 100 that are still in the first generation of their leadership. A few, like Reznick Group, are in transition from the first generation of leadership to the second generation. That is an amazing statistic when we realize that the United States has nearly 50,000 firms. So, I wanted to know what it was about the leadership of these firms that powered them into the best-of-the-best category or the top 100 in the first generation. What did their partners say about them? And what can we all learn from their insights, wisdom, and experiences?

Leader Profile: Tony Argiz, founder, CEO, and managing partner of the megaregional firm Morrison, Brown, Argiz & Farra, LLP, in Miami, FL

The leadership development story of Tony Argiz is one of the most fascinating in the accounting industry today. Born in Cuba, Tony was sent to the United States by his parents, who desperately wanted to keep him safe from the burgeoning Communist regime. Only 8 years old when he left, he became part of Operation Pedro Pan. He sadly remembers his mom working for days to make him a suit and an overcoat for the journey to the United States, but the regime's militiamen wouldn't allow him to take anything but the clothes he was wearing.

Raised in a Catholic boarding school funded by the Archdiocese of Miami, FL, Tony cried himself to sleep many nights because of loneliness and feelings of abandonment. Although he somewhat understood the dangerous political climate in Cuba at the time (the Cuban government had nationalized all businesses, including his father's wholesale meat business), he nonetheless spent many days sad and bewildered.

Today, Tony has become a recognized business and civic leader in south Florida. As the CEO and managing partner of Morrison, Brown, Argiz & Farra, LLP (MBAF) since 1997, he has led the growth of the firm to become one of the top 40 accounting firms in the nation. MBAF is also a 15-time honoree on the *INSIDE Public Accounting* (IPA) annual list of the nation's 25 best-managed accounting firms. Tony was also selected as one of the "Top Five Most Admired Peers" by the IPA 100.

Adam Spiegel, MBAF partner, says

The best thing Tony has created within our firm is a culture of people who always seek to grow and improve. He is constantly encouraging each and every person to think, "What can we do next for our client, our firm, and our community?" The culture we have at MBAF requires us to work smarter and improve efficiency and effectiveness in the work we do on a daily basis. Many people who are no longer with the firm now miss this special culture.

Tony is a strong believer that if you do not write down your goals, your chances of achieving them will be much diminished. Tony creates an environment of opportunity and sets the framework for unlimited growth and satisfaction in all our people. I truly believe that "the sky is the limit" is each person's opportunity at MBAF. It does not matter if you start in our file room or as the receptionist; what matters is your initiative, effort, and desire to improve, grow, and utilize the firm's resources to achieve collective and individual goals.

Tony has led our organization through this economic crisis by teaching each of us to provide exceptional value-added service, to be consistent and diligent about

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the communications with our clients, and to use our skills of professional skepticism to protect our number one asset: the firm. I believe that this brand of leadership is the reason that we have continued to grow as an organization through the economic crisis. Tony's ability to anticipate problems and, most of all, to provide solutions ahead of time has helped us and our clients survive and thrive. Tony has an impressive ability to get people to focus on the "solutions" and not the problems. This ability is imperative to the optimistic culture within our firm.

Tony encouraged me to get involved in Leadership Miami, where I met future leaders of our community and built relationships that have lasted 14 years. This program led to several important developments within our firm, such as our mentoring program. Tony then encouraged me to attend The Rainmaker Academy, and as a result of this experience, I have implemented several new principles into my day-to-day activities and into the culture of our firm.

We have just announced a combination with the firm ERE in NYC, and Tony's leadership through the year-long process has been unwavering. He has always been positive and optimistic that this combination will provide additional opportunities for each individual within the firm. Tony has been very concerned that both firms have a synergistic culture and that each member of the combined firm feels that this is a once-in-a-lifetime opportunity to be a part of a firm that is going to grow beyond its wildest dreams.

Well-known for his community and industry leadership, Tony has served on many boards and as chairman of many, including the Orange Bowl Committee and the United Way of Miami-Dade. Tony has actively served on leading industry associations, chairing key committees in furtherance of the accounting industry. He has served on the AICPA's Nominations Committee, the governing body of the AICPA's Council and the Private Companies Practice Section Executive Committee and its Technical Issues Committee. In 1986, Tony was appointed to Florida's Board of Accountancy and was then elected to chair the board. He chaired its Probable Cause Panel, as well.

Rosamarie Bravo, MBAF partner, says

Tony has a keen sense in identifying an individual's strengths. By doing this, he creates an environment in which everyone can succeed. I started to work at MBAF right out of college with no professional experience. After a couple of years, Tony would invite me to attend client meetings with him. At first I spent most of the time listening. Little by little he would give me more responsibility until it got to the point that he expected me to run the meetings. This experience allowed me to learn from Tony and gave me the confidence to believe in my abilities.

Tony is the epitome of a person that leads by example. Everything he expects us to do, he is always doing himself first. He is the first one working in the morning and the last one to leave the office. He tackles every challenge that comes his way and is always thinking about how we can improve and serve our clients better. Seeing his dedication and attention to detail inspires me to work harder to become a good leader of my team.

In high school, he found that sports provided him with many opportunities to learn to lead a team. Later, he pitched for Florida International University, which brought him back to Miami.

Leading the Organization

Tony Argiz found that his high-school sports experience gave him some of his first leadership training because

In a sports team and an accounting firm, there's really no difference in leading. If you're on a baseball, football, or basketball team, you can't win by yourself. It's a team effort, and it's a team sport. My role is not only the management and making sure that we make the money, but it is to continually bring in business, whether it's litigation, for me to testify, or audit work or tax work.

Terry Snyder, president of the accounting firm alliance PKF North America in Lawrence, GA, agrees that leadership lessons are transferable across industries. "Some years ago, I would have told you there was a big difference between leading an accounting firm and other types of organizations," Terry says. "But that's because accounting firms pictured themselves as partnerships and, for some reason, thought they were void of good business principles. Partnership is a tax concept, not a business concept.

Terry continues

I had a large church that was a client of mine. And I said, "You know what, when we walk out of these doors, you're running a church. But behind these doors, you're running a business. And if you're not successful at running your business, you won't be able to walk through the front door to the church."

"No money, no mission, and no mission, no money," is a concept that applies to any organization. If you fail to keep the business side healthy, your profession or your organization will falter. And that takes leadership.

Of course, there are some differences in leading an accounting firm. First, you may have a larger percentage of really smart people than in other organizations. Second, the partnership model does not promote rapid decision making, so leaders must exercise patience. Other than those two, most leadership lessons will transfer very well.

Here's what several accounting leaders say about leadership across industries:

- ▲ Bob Bunting, former CEO of the megaregional firm Moss Adams LLP in Seattle, WA: "I think there are more similarities than there are differences between leading an accounting firm and any other organization. I think leadership skill sets transfer very well."
- ▲ Neal Spencer, former CEO of the megaregional firm BKD, LLP, in Springfield, MO: "I'm not sure leadership is much different in an accounting firm from any other business. Leadership principles are leadership principles. Having come from the restaurant business, I look at running an accounting firm in somewhat a similar fashion. Like the restaurant business, the accounting business has certain peaks and valleys. You staff up accordingly for your peak season and right size accordingly as things slow down. If you're fortunate to get your staffing model just right, which is what restaurants try to do as they anticipate the timing of their lunch and dinner volume, you end up with a very profitable firm. What's different in the accounting business is you must balance

your immediate staffing needs with making the appropriate investments in people and services to support your long-term vision.

- ▲ Jim Metzler, vice president of the AICPA: “The only thing that’s different about leading an accounting firm, a regular business, or a trade association is the business model. The characteristics of leadership are probably similar throughout just about any organization.”
- ▲ Bob Hottman, CEO of the top-100 firm Ehrhardt Keefe Steiner & Hottman PC (EKS&H) in Denver, CO:

Some people understand what being a leader is and some people don’t. I think everybody in an organization can and should be a leader. I believe one of the best leaders we have in our firm is our receptionist. She’s a real can-do-attitude type of person, and people go to her for all sorts of things, even things way outside of her normal responsibility. If people come to you, they’ll follow you. That’s what being a leader is all about. It’s not about some title.

The Leader’s Role—Influencing Mission, Vision, and Values

The primary role of a leader is to live and breathe the mission of the organization that he or she is leading. The leader sets the priorities, influences the followers, and maintains values or standards that will ensure that the organization meets its purpose (or mission). Steve Mayer, founder, chairman, and CEO of the regional firm Burr, Pilger & Mayer LLP in San Francisco, CA, believes, “Once you are inspired, it’s easy to be a leader because you’re passionate about what you’re doing. That’s what it takes to influence others: passion for your mission. It becomes infectious, and people will follow your zeal.”

Accounting Leaders Have to Shape a Vision for Their Firms

Larry Autrey, managing partner of the top-100 firm Whitley Penn LLP in Ft. Worth, TX, says

It may not be obvious to people that the firm must define itself. If you are an oil and gas exploration company, then you explore looking for oil and gas. If you are a not-for-profit that takes care of kids, and you’ve got an emergency shelter and an orphanage, then you know easily what you do. But if you are an accounting firm, I think it leaves you the ability to be a lot of different things. I think both the positives and the difficulties of running an accounting firm are that the culture could shift based on who’s at various levels if you are not careful.

Rick Anderson, CEO of the megaregional firm Moss Adams LLP in Seattle, WA, says, “I believe leading is influencing people to agree to follow you. In the end, everyone is a

volunteer, and they will follow you because they want to, not because they have to. In most of my leadership roles, I didn't have authority to hire or fire or adjust the pay of anyone; I had to earn the right to lead."

An accounting firm is part business and part profession. The purpose of a business is to create and serve customers. A profession is an occupation, a vocation, or a career in which specialized knowledge of a subject, field, or science is applied. Accounting firms are full of people who want to apply their special knowledge or skill but could care less about creating and serving clients. How then do we develop a common mission for a firm, so that everyone is committed to carrying it out? This is the fundamental job of the leader.

Tom Luken, president of the local firm Kolb+Co in Milwaukee, WI, says, "Bob Kolb, the founder of our firm, worked closely with me because he knew I was a good business developer. I have always been inspired by trying to influence people to do things my way, rather than to tell them or boss them to do it my way. While I think my way might be the right way, I am not forcing them to do things my way."

Author of over 20 books on leadership and the foremost leadership expert in the world, John Maxwell said, "Leadership is influence, getting things done with other people." It's interesting that he has invested most of his life's work on the subject of leadership, yet he can boil it down to one word: influence.

Effective leadership is not about charisma or cleverness. Effective leadership is about having and communicating a compelling vision, having the dedication to work hard to achieve the vision, and taking responsibility and being trustworthy.

Hugh Parker, executive partner of the regional firm Horne LLP in Jackson, MS, adds

Abraham Lincoln was not a universally loved person by any means, but look at his lasting influence. Leadership is about influencing direction; management is staying on top of details. Management actually has more to do with the routines. Leadership is symbolized in a Wayne Gretzky quote for me. He says, "Most people will think about where the puck *is*; I'm thinking about where the puck's *going to be*."

An effective leader creates vision and influences human action toward achieving the vision. Jim DeMartini, managing partner of Seiler LLP in Redwood City, CA, says, "The purpose of the business is to create a client and grow the client. The role of a leader of a business is to lead and teach our professionals how to create and serve clients."

Losing Focus

Accountants often get too caught up in doing the work itself and getting paid. Although one of the most highly attended and repeated sessions at Management of an Accounting Practice meetings deals with partner compensation, sessions on creating a client are often ignored. Ask many accounting firm partners, and they will tell you that the purpose of their business is to make a profit or to maximize partner income.

Although an accounting professional may only have one function—production—an accounting business has three basic functions: marketing, production, and innovation. One of the roles of the CEO is to ensure that a healthy mix of these functions takes place. Because of the profession's influence, many firms are production-oriented only. I contend that in

such firms, the owners have created good jobs for themselves, but they have not created businesses. Only in firms with a healthy mix of marketing and innovation can there be a dynamic business.

When many people talk about marketing, they often mean the organization of the selling functions (that is, moving more of our tax, audit, and other services to the consumer). All marketing is communication, and all communication is marketing. Marketing begins with the client and the client's needs, wants, demographics, and values. Marketing does not ask, "What do we want to sell our clients?" Good marketing understands the client so well that you shape your service to fit the client's needs, and it sells itself.

A Sad Tale (Tail!)

With the growing importance of technology, many have toyed with the notion that a day will come when computers will make decisions and run the business. In fact, some have predicted the day when an accounting firm could be run by a computer, a man, and a dog: the computer would run the firm, the man would turn the computer on and off and feed the dog, and the dog would be there to keep the man from touching anything else!

But about the only real advantage that technology has afforded us has been to generate reams and gigabytes of information. Many firms are overloaded with information about every hour of service, yet they find it difficult to make good decisions because the information is not condensed and organized in meaningful ways.

Leading Versus Managing

Both leadership and management are crucial to the success of a business. However, leadership is different than management in many profound ways, and it is very easy to get confused about the subject. In this section, I'll cover some of the differences. In my experience, rarely can you find both extraordinary leadership and management qualities in one individual.

Management is more about efficiency, whereas leadership is more about effectiveness. Nothing will increase your effectiveness as much as raising your leadership ability. When you focus on your leadership ability, you encourage others in your organization to do the same. The result is that the effectiveness of your entire firm improves.

Leadership is not management, technical ability, or a title. Colin Powell, former U.S. secretary of defense said, "Leadership is the art of accomplishing more than the science of management says is possible. Leadership is both art and science. Some people have natural leadership characteristics. Others have learned to lead."

According to Mike Cain, founder and comanaging partner of the top-50 firm Lattimore Black Morgan & Cain, PC (LBMC), in Nashville, TN, "Leading and managing a business are clearly different. They're different skill sets, and they're both incredibly important. I think leadership has you looking down the road, trying to anticipate where things are going, what the trends are, where you ought to be positioned in the future."

You Need Both

David Deeter, founder of the top-100 firm Frazier & Deeter, LLC, in Atlanta, GA, says

We have a chief operating officer and I would see this person as the leading manager. In addition, we have a controller and other positions that do a lot of management. But a firm needs a leading partner to help set the direction and tone of the firm. A leading partner keeps us focused on our future, our vision. He helps us maintain a sense of mission and values. Managing is more systems; it's organization charts. A great leader surrounds himself with great managers. Because, often, some of the best leaders aren't necessarily great managers themselves, just like a great pitcher may not be a great hitter.

Sometimes, a solid manager will become the managing partner, president, or CEO of an accounting firm. This person may have solid management credentials, skills, education, and experience, but somehow, the competition grows much faster, and the well-managed firm remains somewhat status quo. Such a firm may be well-managed but underled.

Growth is often a solid indicator of the skill set of the leader. If you are assigned responsibility for five clients, and five years later, the business from those clients is diminished, you might be a good manager but a poor leader. A good leader will grow the client relationships and replace the ones that go away.

On the other hand, you may see a high-growth firm led by a visionary leader that is crumbling from within. Such a firm may have strong leadership but poor management. Great leaders will make room for solid managers who can build and maintain infrastructure; otherwise, their dreams will be dashed.

Keith Farlinger, CEO of the national firm BDO Canada LLP in Toronto, Canada, distinguishes between leadership and management. "What we've done over the last two or three years is to start to lead from national office. You need to work on developing that vision from a national point of view, and we've been very aggressive in bringing in resources to help us reach that vision."

Leadership is more about doing the right things, whereas management is about doing things right. The leader must select the right goals from competing priorities and say no to others. Leaders are always looking at the relative importance of doing certain things, whereas the manager's primary job is to accomplish the high-priority goals efficiently.

New Skills

For accountants, leadership is very different than their craft. The accounting profession attracts a thoughtful, deliberate sort of person. Most accounting problems take thought, study, contemplation, and a deliberate approach to solutions; however, this is not so for leadership. Leadership requires in-the-moment decision making and action. As Carlos Ghosn, CEO of Nissan, says, "You learn to be a leader by acting, by doing." Steven Covey, author of *The 7 Habits of Highly Effective People*, said, "Gandhi demonstrated great leadership time and again, simply by going and doing what had to be done. His methods were simple and uncomplicated."

Are Leaders Born or Are They Built?

People come up to me all the time and say things like, “Leaders are natural” or “Leaders are just born that way” or “She is just a natural leader because she makes it look so easy.” I have found that although some people are born with gifted intelligence, it can be frittered away without nurturing. I’ve also found that people of average intelligence can accomplish greatness with their lives because of dedication, learning, and hard work. In this section, we’ll talk about nature versus nurture.

Ken Baggett, co-managing partner of the national firm CohnReznick LLP, says

I believe people have some personality traits they are born with that help them become leaders, but I believe most people can develop leadership skills at some level if they are exposed and want to work at it. I had a wonderful experience as a young leader when I met Bob Bunting, the former CEO of Moss Adams. I had just become the managing partner of Reznick Group. He was speaking at a conference, and I approached him about spending a little time with him to learn how Moss Adams operated and provided leadership training. He immediately agreed, and I flew to Seattle the following week. To my surprise we started at 9:00 AM and ended our time together around 5:00 PM that day. Not only did I feel I had spent the day with “greatness,” but I was amazed at how open Bob was. At the end, I asked him why he had allowed me so much time, and he said that when he became managing partner of Moss Adams, he was sent to another firm’s managing partner for a similar full day of discussion. At the end, the managing partner said that Bob must offer the same assistance in the future when others came calling. That day taught me that you always share, you always make time, and you can always learn from teaching.

Both teaching and learning have a role to play as you work to develop your leadership skills. “A good part of leadership is having a pretty high IQ, some of it you are born with. But the molding of the behavior is what creates the leaders,” says Bill Haller, managing partner of the national firm CapinCrouse LLP in Indianapolis, IN, “It’s sitting under masters who have the ability to turn knowledge into skill.”

Leader Profile: Bob Bunting, former CEO of the megaregional firm Moss Adams LLP in Seattle, WA

Robert L. Bunting was very shy and quite humble as a youngster. He was elected president of his high school student body but never viewed himself a leader. Bob taught accounting labs and majored in accounting at the University of Idaho, so he wouldn’t have to go into sales or marketing. He wanted to be the best he could be from a knowledge application point of view. When he joined Price Waterhouse in 1968, he began to learn that leadership comes in many styles. His first mentor was a “techno-geek” and a leader in that people sought him out for his knowledge base—an instant connection for young Bob Bunting trying to find his way.

Bob says, “Hunter Jones, a PW partner, taught me that I could be a very substantial professional, that I could be technically very smart, and I could distinguish myself by having a grasp of a unique knowledge base,” he says. “And basically be the only

game in town or the best game in town in a particular area of knowledge.”

When Bob began his public accounting career, he viewed each of his superiors as someone who could teach him valuable skills. It was this thirst for knowledge, his honesty, and his humility that helped him rise to the status of CEO of Moss Adams LLP.

From 1982–2004, Bob was president and chairman and still is an active partner of Moss Adams LLP. He is a past president of the Washington Society of CPAs and has served on the boards of the Catherine Holmes Wilkins Foundation, United Way, and Historic Seattle.

Over a long and successful career in the accounting profession, Bob is no stranger to awards and accolades. He’s been tapped for numerous prestigious positions, including chairman of the AICPA, and president of the International Federation of Accountants. He was named to the Steering Committee of the International Integrated Reporting Committee, established to help drive forward the creation of a globally accepted framework for accounting for sustainability. In addition, several times, he’s been named one of *Accounting Today* magazine’s 100 Most Influential People.

INSIDE Public Accounting has three times named Bob as one of the five peers who accounting professionals most admire. Bob was one of the recipients of the AICPA’s Gold Medal Award for Distinguished Service, the highest award granted by the AICPA. Bob served as chair of the AICPA Board of Directors in 2004–05 and is presently president of the International Federation of Accountants.

After all the other accomplishments, what makes the peer selection stand out? No suggested list of people is presented to the voters beforehand. They’re simply asked to write down names of whoever comes to mind. Three hundred eighty-five firms participated in the survey.

Chris Allegretti, CEO of the regional firm Hill, Barth & King, LLC (HBK), in Boardman, OH, says

I owe a great debt to Bob Bunting. When I became CEO of our firm, I reached out to talk with Bob, and he invited me to come to Seattle and meet with him. He invested an entire day with me and listened intently to my biggest perceived problems. He has met with me frequently as he has traveled to the east coast, and he always returns my calls. He really challenged me to develop a compelling vision of where I wanted to take the firm. He carefully explained how to create a powerful set of core values and beliefs under which we operate. When I asked Bob how I could pay for his service and advice, he simple told me, “Pay it forward. Help another new managing partner, and you will repay me.” His humility and wonderful advice really encouraged me.

Types of Leaders

Great leaders must be adaptive to change. If we rely only on our experience, the ability to handle the new challenges that today and tomorrow bring is very limited. Some leaders operate well in a rapid-growth environment, and others operate better in slower growth. Some leaders operate best in crisis, and others lead better when things are more stable. Sometimes, the rapid growth leader cannot lead very well in a stable situation.

“There can be different types of leaders for different roles. A business that is growing steadily in a stable market environment will benefit from a leader who is also steady and stable. Whereas a business in crises may need a different type of leader for a period of time,” says Bill Haller.

Bill goes on

My partner, C.E. Crouse, is a great client leader. His skills fall into two areas: trust and competence. It amazes me at how much someone can foul up in a particular client situation, and C.E., with his calm style and his caring attitude, can make that client feel, “Not to worry; I am on the case. I will solve your problem and do it all gently without leaving any scarred bodies behind.” He is a very Godly man. The way he deals with people, they feel better about themselves.

Dave Sibits, president of the national firm CBIZ Financial Services in Cleveland, OH, observes, “There are leaders who can grow firms to a certain size, and then, the business will plateau. My five and half years as part of the senior team of American Express helped position me to do the job that I am doing today: leading part of a public company.”

Leaders have to understand the technical and human aspects of their firms. Gordon Krater, managing partner of the megaregional firm Plante & Moran, PLLC, in Southfield, MI, says

I think we are technical by nature, and so we often look for what’s wrong. I think engineers, accountants, and lawyers are generally those kinds of people. Professionals are doing intellectual work, and they want to make sure that the person who’s leading understands that. We are all about people, not things. If I describe my leadership style, I’d say servant leadership. I don’t really feel that I’m the boss; I feel like I’m here to create an environment where people can excel.

Bob Hottman agrees with Krater,

I view leadership in a serving role as opposed to a commanding role. I think in a service business, a servant leader is going to be much more successful than a commanding leader will be.

We use a tree to symbolize our firm and the roots being the core values, the trunk being the partners, and the limbs and the branches and the leaves being our clients and our people. And we know that tree will grow as long as we can develop partners. But the partners are on the bottom to support the organization. They’re not on top coming down.

Effective Leaders Must Be Humble

Bob Bunting describes one of his firm’s now retired office managing partners and her humble leadership style’s dramatic impact:

Out of her office, we’ve produced five managing partners, and we’ve produced four industry leaders and two specialty leaders.

She is self-effacing. She defers credit to others. I think she systematically avoids being charismatic. She has very high empathy with people, but she is demanding. You tell her a sob story, she says, “Let’s go to work on that; let’s get that fixed; I’m going to help you, and

you're going to perform." And it's really masterful to combine the empathetic style of leadership with a very demanding set of expectations.

Because of her leadership, our firm is growing.

Now, in other situations, you have the guy who is the absolute boss; he is the smartest guy in the room, he makes great decisions, people always go to him for answers, and he gives them answers because he doesn't have time to bring them to the answers. How many leaders has he produced? Zero. People don't quit, but he is not enabling people or bringing people along.

Gordon Krater notes that humility has made successful leaders in his firm, as well. "Our former managing partner, Bill Herman, has a lot of fine leadership traits," Gordon says. "One of the best is he really doesn't care about the credit. But he'll take the blame. Even when somebody is trying to give him credit, he'd say, 'Well that's not me; that's the team.'"

On the topic of humble leaders, Bob Hottman says, "In Jim Collins's book *Good to Great*, humility was a common characteristic of the very best leaders. None of those people were rock stars. You would hardly know their names unless you'd really read the book and remember it, and so, that was an extraordinary characteristic that they shared."

Challenges of Leadership

Often, effective leadership goes unrecognized. Leaders who come to the rescue and solve problems appear like gallant cavalry officers on white horses. Books are written. Songs are sung. Speeches are made extolling the leadership of the "rock star" leader. But what about the leader who guides his or her organization to avoid calamities? Few people recognize the lack of calamity as worthy of speeches or accolades!

Leader Profile: John Wooden, Renowned Basketball Player and Coach

Often, we are inspired by the leadership that builds a sports team with extraordinary results over a long period of time. Hundreds of leaders produce a winning season or two, but very few successfully lead their teams over the years. Probably the most enduring record in sports is held by basketball coach John Wooden and his UCLA Bruins. Coach Wooden's teams achieved 10 national championships (including 7 in a row), 88 consecutive wins, 38 tournament playoff wins, 4 perfect seasons, and only 1 losing season in his 41 years of coaching. If the product of great leadership is results, these results make Coach Wooden a leader in a class of his own.

Coach Wooden says in the prologue to his book *Wooden on Leadership*, "Helping others to achieve their own greatness by helping the organization to succeed is what leadership is all about."

Coach Wooden lived by a simple leadership formula: C+F+U—conditioning plus fundamentals plus unity. In a professional firm, conditioning includes the mental, technical, emotional, and business training that enable you to sustain great results during high performance times of "busy season" or client deadlines.

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Coach Wooden was famous for his training and focus on fundamentals. In your firm, the fundamentals are great work and great client service.

In Coach Wooden's mind, unity or team spirit meant a willingness to sacrifice personal interest or glory for the welfare of all. That is why he was willing to kick All-American Bill Walton off the team bus before a crucial game when Walton did not comply with Coach Wooden's rules on dress and hygiene.

Part of the accounting leadership challenge comes from the nature of a professional firm. According to Dave Sibits

The little book *Herding Cats* by Patrick McKenna sums it up very well. The real challenge is that the professional service firm is made up of a lot of entrepreneurs. Trying to get entrepreneurs, who take pride in their individualism, to pull in the same direction is one of the major challenges. Getting them to work together, while really pushing them to exercise their own professional capabilities really makes it more challenging. It's way different than making paint or running a retail outlet. The closest thing to running a professional service firm is a football or a baseball team. These sports teams have professionals with highly elite skills, and to be successful, they must play as a team.

Working with lots of egos can be challenging for a driven leader, and sharing or giving away the credit isn't always easy, says Scott Dietzen, managing partner, Northwest Region, of the national accounting firm CliftonLarsonAllen LLP in Spokane, WA.

I'm sure there are times when all leaders want to say, "Wait a minute, that was my idea." I have had to bite my tongue and say, "Yes, that person was fantastic, and they've really seized the opportunity," because in the end, what should be important to me is the firm moving in the direction towards its vision. As soon as I begin to wave my flag, the attention gets directed to the wrong people.

"When you're surrounded by a talented team, you also have to expect pushback," says Rick Anderson. "On any given day, any one of our 250 partners can question my decisions or motives on any subject. On the one hand, this serves as a bit of an irritant, but truly, I think it makes me a much better leader because I'm always growing in my knowledge, and my decisions are better because they are challenged."

I have found that leadership is very hard work and that most leaders get very little credit. Noted author and management expert Peter Drucker said that leadership "is mundane unromantic, and boring." If a leader has done a great job preparing his or her team for the downturns in business, rarely will others give him or her accolades.

The Measure of a Leader

I hope that I've convinced you of the need for great leadership in accounting firms and even described some of the qualities of great leaders. Whatever you want to accomplish in life or business is influenced by your leadership ability and the abilities of those around you. Noted leadership guru John Maxwell says, "The leadership abilities of those around you will never

be greater than your ability as a leader. If their leadership abilities are stronger than yours, they will leave.” But we’re numbers people; we like things in black and white. So how do you measure a great leader for an accounting firm?

One criteria is growth of your firm and people. A manager can sustain things, but a leader should direct growth. This growth may not show quickly. For instance, you may lead your firm to new, more profitable areas as you divest older, stagnant ones.

According to Rick Anderson

Leading the growth of the firm is my highest priority. Business development and sales are the measure of a good leader. If you don’t grow, you won’t retain your best people. If you don’t grow the business, you won’t attract the best new clients. Retaining the best people and attracting the best clients gives a firm energy at new challenges and continuously raises the bar on performance.

There are three ways that you grow: you acquire firms, you bring in talent from the outside, or you grow your talent from inside. At Moss Adams, we would say that the most important long-term strategy is growing talent from within.

Growth isn’t just about profit. Scott Dietzen reminds us that growth is also related to the vitality of an organization. “There is a very direct correlation in growing an accounting firm and leadership,” he says. “Good leaders are so passionate about growth because they realize that growth brings energy, it brings opportunity and keeps morale high, and it forces people to think of new ways of doing things, and that makes it a very dynamic organization. And so I think great leadership demands growth.”

BDO Canada finds growth so important that it doesn’t just leave that job up to top management—everyone is responsible. “Business development is our whole organization; it’s not just that partner who’s beating the bushes,” says Keith Farlinger. “It’s all of us who have responsibility for business development.”

Bob Hottman makes sales both a personal and firmwide goal. “I have a daily reminder that shows up every morning on my calendar at 5:00 AM that says sell, sell, sell, and every Monday morning at 7:45 AM, we have a business development meeting.”

A second but related criteria is long-term results for the firm. In *Good to Great*, Jim Collins found clear distinctions between the top leaders he profiled and those who led similar companies. Other leaders often were more concerned with their own wealth and success, but the top leaders who Collins described were fanatically driven to produce sustainable long-term results.

John Wright, managing partner of the top-100 firm Padgett Stratemann & Co. of San Antonio, TX, says, “The same elements that make a good leader are the same elements of a good rainmaker. The core skills, which really revolve around being a good relationship builder, being a good service provider, being a good role model, all can be learned.”

The word *rainmaker* comes up a lot when you talk about firm leadership. “Our firm’s best leaders are my best rainmakers, and my best rainmakers are my best leaders. The rainmakers carry more credibility because they can attract clients,” says Tony Morgan. “That same skill seems to attract good staff members. The ability to attract and influence a client

to come with you has some of the same characteristics of the person who can attract, retain and lead staff.”

Charly Weinstein, CEO of the megaregional firm EisnerAmper LLP in New York City, NY, takes business growth to an entirely new level.

In business, the real test of leadership is how well you grow the business. We’ve had experience in many other businesses, as well as the accounting business. The first business we built was a health-care consulting practice. We sold it to Kurt Salmon Associates and distributed the proceeds to the partners. Next thing we built was an Internet company. We worked with one individual who had an idea. We fleshed out the idea together; built an Internet company; took it public at the height of the dot-com boom; distributed the shares to the partners; and in the IPO, we raised \$40 million. Then, we built a hedge fund administration outsourcing business. We built the revenues of that business to about \$5.5 million, and we sold it to a public company for \$25 million and distributed that money to the partners.

Next business we built was a company called Velocity Technology Solutions. We raised some venture capital, some private equity money, bought a division of Siemens, and spun it out into a separate entity. We distributed the stock to our partners just a couple of years ago. It’s just a matter of time till that’s another liquidity event for our partners.

As other firms began to have slowdowns in their growth in 2008, we found that there was less competition out there for bringing talented partners into the firm. The cost of acquiring really top talent became a little more reasonable. So, we have been able to capitalize on a very strong balance sheet, a very strong capital position, excellent cash flow, and our existing base of talent and reputation to opportunistically acquire more people.

An example of this is Michael Bright. He joined us, and we now have a thriving sports media and entertainment practice. We audit the New York Jets. We do significant projects for the NBA, for the NHL, for Major League Baseball. We have some high-profile clients, but we didn’t get there without the right people in the firm, and we can’t do the work without the right resources.

Third, you must *work* on your leadership skills. You will tend to use the skills that you have, but unless your situation and clients never change, you’ll need new leadership skills as you go along. In one study of people who managed billion dollar companies or divisions, those who were successful when put in a new situation were those whose existing skills fit the new situations. As a leader, you’ll make an effort to put your people in situations that fit their skills, but you’ll really value those who can handle *different* situations. You should strive for the same thing with your own leadership skills. Different people need different things from a leader in order to perform optimally. As circumstances change over time, you’ll need to be flexible, as well.

Whether you’re just beginning to develop your leadership potential, or you’re decades into leadership, you *can* improve your skills.

When I asked the accounting leaders who I interviewed for this book, “Are you a better leader today than you were five years ago?” every single leader gave me a resounding, “Yes.” Top leaders are always working to be better.

Many of the leaders who I interviewed for this book attributed the development of their leadership skills to their progression on committees and boards of other organizations. Not-for-profit (NFP) organizations have become great development programs for leaders. Many of them set an excellent example for leaders in accounting firms and other businesses. (And you meet a nice variety of potential contacts who are willing to give back.)

Dave Sibits is a believer in the power of nonprofit work to develop leadership skills. “You develop leadership skill through participation in as many developmental activities as possible. Not-for-profit boards, the AICPA, industry associations, and your state society of CPAs are all great places to learn to lead,” Dave says. “One of the early things that helped me understand leadership was serving on the AICPA’s Tax Executive Committee. The people on the committee were real movers and shakers in our industry. Being a part of that committee really allowed me, as a young person, to hone skills to make myself a better leader.”

Successful NFPs have learned that leadership and management matter even more for them than in business. Although they lack the profit motive, they must get results and be accountable to their donors if they are going to carry out their missions. Without leadership and management, nothing much gets accomplished.

The very best NFPs invest deep thought to their missions. They focus on objectives that have clear-cut implications for the work that their members, staff, and volunteers perform. The NFPs start with the customer (the community they serve), unlike many accounting firms that start with the profit of the partners and their organization.

Whether you’re the CEO, a manager, a senior, or the receptionist, you can and should be a leader. And the opportunity to be a leader shows much earlier in your career in our kind of profession because you are leading something almost from the day you start.

“I was given an opportunity to lead an office in Bowling Green, KY, when I was a first-year partner,” says Neal Spencer. “Thank God it was in a small office because I can look back on mistakes that I made that I would never do today. So, as I’ve gone from that small leadership opportunity to leading four offices in a region to leading the entire firm, I learned a lot along the way about what it takes to lead partners and an organization.”

Hugh Parker believes, “Real leadership is the constraining resource in any firm’s success or in any firm going to the next stage of development. We see an office plateau, and it’s all due to the leadership.”

With the challenges that leaders face, many accountants may turn away from the responsibility that leadership brings. But Carl George, former CEO of the national firm Clifton Gunderson LLP in Peoria, IL, has found that leaders also benefit from their roles. “Peter Drucker may have said that leadership was mundane, unromantic, and boring work. I know he’s an icon, but I’ve got to tell you, I’m in total disagreement with that statement,” Carl says. “To me, I had the best job in the firm, being CEO. It was exciting every day. Any time I had the chance to lead 2,000 people in CG, and I had the chance to help lead our revenue growth five times during my tenure as CEO, it was exhilarating. That’s pretty good for a Hoosier boy from Indianapolis.”

Conclusion

Your ability to raise your leadership ability is the most important factor in growing your team and business. Once you have mastered a certain amount of technical competence, it will be your leadership that will help you grow into the next level of business acumen. This book is designed to give you a road map for building a competent team of professionals to continue serving your clients in more sophisticated ways.

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