

STRATEGIC PLANNING & GOAL SETTING FOR RESULTS



MARC ROSENBERG, CPA

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CPA Firm Management & Governance

CPA Firm Succession Planning: A Perfect Storm

How to Bring In New Partners

How to Negotiate a CPA Firm Merger

How to Operate a Compensation Committee

What Really Makes CPA Firms Profitable?

Guide to Planning the Firm Retreat

Effective Partner Relations and Communications

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Marc Rosenberg, CPA

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1000 Skokie Boulevard, Suite 555
Wilmette, IL 60091

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Connect with Marc:
marc@rosenbergassoc.com
blog.rosenbergassoc.com

Introduction

Football teams prepare for their next opponent by putting together a game plan. Candidates for political office create a blueprint for getting elected. These groups may never actually use the term "strategic plan," but they create them nonetheless.

All organizations, including CPA firms, benefit from strategic planning. If there is one takeaway from this monograph, it is this:

When organizations create a vision, reduce it to goals, put both in writing, assign responsibilities and establish a means of accountability for achieving the goals, they are more likely to realize their vision than if they didn't engage in *any* strategic planning.

My experience in consulting with CPA firms for over 20 years is that very few firms under \$15 million in annual fees engage in proper strategic planning. Sure, many of these firms dedicate a partner retreat to it. Some firms prepare a mission statement and put it on their web site. But for the most part, strategic planning does not drive how CPA firms operate.

Why is this? There are three main explanations:

1. **Firms aren't convinced they are better off *with* strategic planning than *without* it.** For strategic planning to work, the key people must feel, in their hearts that a fastidious devotion to a master plan will really pay off.
2. **Not enough time.** CPA firms are managed in an inherently dysfunctional manner. Partners are asked to be in charge of sales, marketing, production, training, internal accounting and firm management. It's no wonder that the partners are stretched thin. They have very little time for anything other than taking care of their clients. Strategic planning rarely sees the light of day.

As I discuss later in this monograph, the most important and most time-consuming part of strategic planning is monitoring progress and coaching others to achieve their goals.

Without the time for these critically important activities, the plan is doomed to fail.

3. **Affluence.** When the average partner at a mid-size CPA firm earns \$350,000, who can argue that they are doing anything wrong? Partners reason, either consciously or subconsciously, that if they can earn \$350,000 *without* strategic planning, why bother *with* strategic planning?

In my experience, only 20-40% of all CPA firms make it to the second generation. The main reason for this is a lack of succession planning, a critical part of a firm's strategic plan. This statistic alone would suggest that CPA firms are better off with than without a strategic plan.

Jim Collins' "bus"

A great introduction to strategic planning comes from Jim Collin's legendary book, *Good to Great*. He wrote:

"Great organizations did not *first* figure out where to drive the bus and then get people to take it there. Instead, they *first* got the right people on the bus, got the wrong people off the bus and *then* figured out where to drive it. People either stay on the bus for a long time or they get off in a hurry."

Some firms have partners who are always saying negative things like:

- "That will never work."
- "We've tried that before and it failed."
- "Goal setting is a waste of time."

These people zap everyone's energy and make it difficult to rally the troops on the firm's game plan. They must leave the firm before strategic planning can get started.

But in CPA firms, terminating negative partners is very difficult. If a firm is not willing to make the tough decision to terminate these naysayers, then it has to figure out some way to confront these people and hold them in check. The success of the firm depends on it!

Crash Course in Strategic Planning

One of the least understood terms in the small business lexicon (and I categorize small and medium size CPA firms as small businesses) is the term “strategic planning.” It connotes a lot of negative images:

- Something that was cooked up in an MBA test laboratory that is clearly meant for huge companies only.
- All theory; no practicality.
- Something that firms know is important to tell people they do, but deep down, they don’t buy into the concept.
- Expending a lot of time, energy and expense on strategic planning at an annual partner retreat, only to see it ignored when everyone returns to the office.

What we need is another term. Perhaps something like:

- Plot.
- Game plan.
- Line of attack.
- Our offensive.
- Map.
- Raison d’être (nah, that’s probably too snobby).

Enough with the light-hearted view of strategic planning. Let’s accept it for what it is and learn to better understand it.

Definition of strategic planning

Strategic planning is the process of examining where you are now, where you want to be, and most importantly, what you need to do to get there. It's that simple.

The word “process” is very important. Many people make the mistake of considering strategic planning an event, fixed in time. Strategic planning is a process because it never ends. It goes through phases, is monitored, changed and revised as circumstances dictate.

Benefits of strategic planning

1. Priorities are defined. First things are done first.
2. The firm becomes proactive rather than reactive.
3. Everyone pulls in the same direction.
4. Personnel are energized by knowing that their firm has a grand plan, know where it's going, is innovative and is forward thinking.

The three main phases of strategic planning

	The Relative Difficulty and Importance of Each Phase
1. Brainstorming – deciding what the vision should be.	10%
2. Goal setting- drilling down on the vision by creating the goals needed to achieve the vision and assigning responsibilities and deadlines.	20%
3. Execution – all the work needed to accomplish the goals; also, the monitoring and coaching.	70%
TOTAL	100%
Create Core Values	Extra Credit

Brainstorming phase. When the firm begins the brainstorming phase, it is critically important to have the proper frame of mind regarding what needs to be accomplished.

No one articulated this better than Roberto Goizueta, the immensely successful chairman of Coca-Cola in the 80s and 90s. He once said:

"Challenging the status quo when you have been successful is difficult. If you think you will be successful running your business in the next 10 years the way you did the last 10 years, you are out of your mind. To succeed, we have to **DISTURB THE PRESENT.**"

When I work with firms on strategic planning, I start brainstorming sessions with this Goizueta quote. I suggest you do the same.

Brainstorming is important. There can be no doubt about this. But for CPA firms, this is not rocket science. Spend a half a day on it, and move on. That's plenty of time.

Goal setting phase. This requires more work than brainstorming, but still, it's really not that difficult. The main challenge is devising realistic and very specific goals that accomplish the vision.

Execution. This is the tough part. This is where firms fail. As I like to tell firms: "If you agree on a goal for someone on January 1 and never discuss it with that person until December 31, it is highly unlikely that the goal will be achieved." People need to know someone is watching at all times and is actively helping them to succeed. This is where leadership comes in.

Progress towards goals needs to be regularly monitored. And leadership needs to intervene from the perspective of:

- What can I do to help?
- What's holding you back?
- How can I help you be successful in achieving your goals?

The wrong way for leadership to intervene is to beat the partners over the head by saying “why haven’t you done it?” over and over again.

Mission statements

A mission statement is:

- An over-arching purpose or reason for being.
- Why we exist.
- Motivating, distinctive and feasible.
- Action-oriented. It should lead to change and improvement or it has no value.

CPA firms have a very difficult time creating mission statements that are motivating and distinctive. It seems that regardless of how hard firms try, they cannot come up with a mission statement that is different from every other firm. For this reason, I advise firms to skip the creation of a mission statement.

If you want a mission statement for your web site or for the wall in your reception area, by all means, go ahead and create one. But assign this to your marketing and advertising people; keep it out of the strategic planning process. More on mission statements in Chapter 6.

Vision statements

Vision statements are much more specific than mission statements. They are very specific statements that describe what will be done so that the firm will look different in the future. Examples:

- Develop a specialty in the auto industry.
- Create a firmwide marketing plan.
- Merge in three small firms in the next five years.

It's the vision statement that drives the strategic planning process.

More on vision statements in Chapter 7.

Core values

If the vision statement is the heart of a strategic plan, the firm's core values are its soul. Core values define a firm's culture by listing its rules of behavior. These "rules" help determine and measure the level of commitment that the partners have to the firm's strategic plan.

Core values are the answer to the following: If your firm were an organized religion, what would your beliefs be and what would constitute a sin? If transgressions of these values are routinely tolerated and ignored, creating core values is a waste of time.

I normally don't recommend that first-time strategic planners spend much time on core values because it is too advanced. More on Core values in Chapter 9.

Topics Covered in Strategic Planning & Goal Setting for Results

- Introduction
 - Definition of Strategic Planning
 - Benefits of Strategic Planning
- The Three Main Phases of Strategic Plan
 - Brainstorming
 - Goal Setting
 - Execution
- Management Philosophy of a CPA Firm
 - CPA Firm Management Flow Chart
- 35,000 Foot View of the Strategic Planning Process
 - Creating your Strategic Plan – Include Only These Steps
- The Annual Strategic Planning Cycle of a CPA Firm
- Why Mission Statements are a Waste of Time
- The Vision Statement and Brainstorming
 - Vision Statement
 - Brainstorming Session Steps
 - Sources for Stimulating the Brainstorming Process
 1. Practices that Move CPA Firms from Good to Great
 2. Strategic Issues Facing CPA Firms Today
 3. Case Studies: 3 Vision Statement Examples
- Drilling Down the Firm's Highest Priority Goals
 - Creating Action Steps
- Core Values
 - Ways that Firms Define Core Values
 - Examples of Core Values
 - Why Creating Core Values is Optional for Many Firms
- How to Operate a Goal Setting Program
 - The Purpose of Goal Setting
 - The Very Best Practices
 - Step by Step Goal Setting Procedures
 - Individual Partner Performance Plan
 - Sample Goals for Partners
 - 6 Sources for Partner Goals
- Keys to Implementing a Strategic Plan
 - More on Partner Accountability

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