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The Practicing CPA

MARCH 1988

An AICPA publication for the local firm

IMPROVING YOUR FIRM'S QUALITY OF WORK LIFE

The toughest part of your job as a CPA doesn't have to do with facts and figures—but with faces and feelings!

I am not arguing, mind you, that faces are *more important* than facts or that feelings *outrank* figures. Rather, I am saying that the interpersonal aspects of the work situation are tougher to be sure you are handling well than the technical ones.

One reason for this is that nowadays people expect a lot from their work environment. There was a time when most people were glad simply to have a job and would put up with all manner of inconvenience without so much as a whimper. Well, at least not *much* whimpering.

But those days have long since passed. Since the end of WWII, and especially since the sixties, there has been a steadily increasing expectation that a job provide satisfaction as well as security, fulfillment as well as finances, and that the work environment should not only be pleasant, but comfortable, convenient, and cozy! Some have called it a silent revolution toward entitlementism. The emphasis is not on "what is *expected* of me" but on "to what am I *entitled*?"

In spite of this (or maybe because of it!) there is tremendous dissatisfaction among today's workers. A University of California survey of 15,000 workers found nearly 80 percent reporting that they were convinced they were in the wrong jobs. Observed the researchers, "Never before in history have American workers been so well paid, so privileged, and yet so discontent in their jobs."

What is it like to be employed by your firm? How do people feel about working there?

Assessing your work climate

Unless you are being deliberately blind, you probably have a pretty good idea of whether your firm's work climate is basically positive. There are telltale signs that signal when the quality of work life is on the debit side of the ledger. Here are eight of them:

Gallows gossip—Some intra-office gossip is to be expected, but it becomes dangerous when it is malicious and vindictive.

Resentment—Often only thinly veiled, this negative attitude will soon permeate the entire operation and slow production to a crawl.

Irritability—When short tempers and long faces become the norm, easy jobs become tough, and tough jobs become impossible.

Pessimism—If, all kidding aside, people genuinely expect something to ruin every endeavor, the company has a real morale problem.

Escapism—Instead of wanting to get involved in what's taking place, people try to avoid being pulled in and are happy when some legitimate excuse provides an escape.

Sarcasm—Not the playful kind, but the biting kind. It's like a neon light blinking "Caution: Danger Ahead!"

Minimalism—Doing the least possible, with a "not my responsibility" attitude, is a sure indication of disgruntlement.

Egoism—Everybody likes credit, but when *who* gets it becomes more pressing than whether *anything* credit-worthy has been done, it's time to circle the wagons.

What's Inside . . .

- The merits of new-client incentives, p.3.
- Partners' compensation, p.4.
- Marketing conference announced, p.4.
- Attracting students to the profession, p.6.
- Small-business owners' information sources, p.6.
- Audit forum conference set, p.7.
- AICPA-CPE post tax season offerings, p.7.
- An invitation to readers, p.7.
- American/Canadian accounting software agreement, p.8.

All of these signs of firm sickness occasionally surface even in the healthiest of work climates. It is when they become pervasive that they demand attention. And by the time you have reached that point, you've lost a lot of ground that will be hard to recover.

It may be worthwhile conducting an attitude survey to find out how staff feels about working in your firm. Basically, there are two ways to go about this: 1) call in a consultant, 2) do it in-house. There are advantages and disadvantages to each, but whichever you choose, here's how to proceed.

First, you must develop the survey instrument from information provided by employees. A standard survey form may be better than nothing, but it runs the risk of missing the boat for your particular situation. Similarly, for the managing partner to try to think of everything that could be important is to ignore the fact that how the firm looks from his office may be quite different from the view from the receptionist's desk.

Ask everyone at the firm to fill out a form indicating six or more aspects of the work situation that are personally important. Note: You are not asking at this point for any rating about whether these aspects are being handled poorly or well; you are only trying to identify what things people feel strongly about. In order to assure usable information, be sure to guarantee absolute anonymity to everyone's responses, and consider hiring an outside typist to compile all the initial answers into one list.

Next, take the list of job aspects which staff has indicated are important to produce a survey questionnaire. Be aware that how the questions are stated is critical to gathering useful information. For example, avoid "yes/no" questions because people have too much difficulty figuring out how to answer accurately. I recommend three formats for questions (the exhibit on page 5 shows examples):

STATEMENTS should be phrased in straightforward, declarative sentences with only *one* message each and with no more words than necessary. Use few or no modifying words. Each statement is followed by a seven-point scale. There are technical

reasons why a seven-point scale gives more discriminating information than a five-point one, and just as much information as a nine-point scale. But I won't go into those reasons here.

TOPICS can make up another portion of the survey instrument. Some of the topics may overlap areas already included in the STATEMENTS portion, but that's okay. The information in this section is intended to be somewhat global in nature, and the results will give you a quick estimate of the firm attitude about a variety of work-related areas. These topics are followed by one or more seven-point scales anchored by bi-polar descriptive words. Don't try to label the points between the extremes; it will muddy your results. Simply choose opposite words for either end and let people decide for themselves what the numbers in between mean on the continuum.

OPEN-ENDED QUESTIONS provide an opportunity for people to include things that were not on the original list or that occur to them at the time. These items will be more difficult to quantify than the seven-point scale ones, but they will help complete the picture. Obviously, the scaled items provide easily quantifiable information which can be tabulated quickly.

Questionnaire administration and feedback

I strongly recommend that the survey be done all at once, as a project during a special or regular staff meeting. You will need to let everyone know in advance that it will be done on a certain day and at a certain hour, explain how the information will be used, and request everyone's cooperation. You will need to assure staff again of anonymity and confidentiality and to do whatever is necessary to guarantee that.

A part of gaining cooperation is telling people what the reason for the survey is and what will be done with the results.

You should therefore do the following three things, and possibly the fourth:

- Provide full and speedy feedback on the results.

(Continued on page 5)

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New Client Incentives: Good or Bad? (Part I)

As accounting firms become better attuned to the need for formalized marketing programs, attention is frequently directed toward getting staff more involved in the marketing function. One of the first approaches to achieving this usually involves an incentive program designed to compensate staff members for new fees they generate.

Participants at MAP conferences often seek advice on how to reward staff for bringing in new business. (See "Questions for the Speaker" in the April 1987 issue.) The questions usually elicit a host of responses on both the positive and negative aspects of commission systems, depending on the individual practitioner's experiences.

In an effort to determine current practices regarding incentive programs, we recently conducted a telephone survey of local firms. As might be expected, the responses fall into both the pro and con camps. Let's first look at what supporters of incentive programs have to say, then at the responses of the opponents, and, finally, at what some individual firms are doing to encourage marketing activity.

Supporters say that some of the positive aspects of incentive programs are that they

- Can provide an intermediate process for firms in the transition from a nonmarketing to a marketing/practice development mode.
- May cause more people to become involved in the search for new clients.
- Are a method of rewarding staff for giving that extra effort to help the firm grow.
- May motivate people who are motivated by money by providing staff members with opportunities to increase their incomes.
- Will challenge the firm's emerging practice development leaders, and help bring about an understanding of the changing nature of public accounting and the need to adjust to it.
- Will help identify personal development needs in the area of sales and marketing skills. This would include the need for training in sales techniques, and in communication skills.
- May initiate staff to a process that will ultimately become a way of life—marketing.
- Can enlighten staff and partners about the importance of practice development.

Opponents say that some of the negative aspects of incentive programs are that

- In today's accounting marketplace, activities relating to marketing are no longer viewed as an added aspect of the general accounting function. Now, marketing is considered to be part of the

current job description of all staff.

- It is difficult to determine a fair commission percentage.
- Individuals possessing the initiative to pursue new clients will do so whether or not there are incentive programs.
- On evaluation, firms have found that they would have obtained a majority of their new clients even without the programs.
- There are several factors, in addition to practice development, that make up the marketing process. Incentive programs typically reward only the practice-development function.
- Regardless of the number of marketing programs or the size of the incentives, some people will never aspire to improve or utilize their practice-development skills.

Those generally in opposition to incentive programs raised a number of questions about their effect on client services and the billable workload of staff. They wondered, for example, whether the commission system should be in place all year, or just during the traditionally slower times of the year, and whether the system should extend to administrative as well as professional staff. There was concern expressed, too, over the time required to monitor such a system.

There were also questions about how to split the commission if more than one person is involved in securing a new client, and whether the commission should cover only the first year's fees or the fees received over a longer time period. Others questioned whether commissions should be paid only on work from new clients or also include new work generated from present clients, and whether the commissions should be based on actual fees billed, or take realization factors into consideration.

One alternative suggested to paying incentives is to set aside a predetermined percentage of new business revenue as a bonus pool. (The percentage could be the same as would be paid in an incentive program.) The money going into the fund could then be distributed to any staff members who perform marketing-related functions in an exceptional manner. The individual securing a large number of new clients would thus still be rewarded, as would the person who develops a successful presentation, prepares a winning proposal, or develops an internal staff-training program.

—by **Michael A. Schoenecker**, *Advantage Marketing Group*, Box 297, Sartell, MN 56377, tel. (612) 253-6392

Editor's Note: Part 2 of this article will describe some of the incentive programs currently in use by firms around the country.

Partner Compensation

It is a rare practice management conference that does not generate at least one question on partner compensation—a topic almost guaranteed to cause disagreement among partners. During such discussions, I am often asked the question, “Isn’t there a standard formula for determining partner compensation?” My answer is always the same, “No!”

While it is true that there are a number of forms and formulas in existence which can be helpful in figuring a partner’s earnings, I don’t recommend using them because each firm and each partner is unique.

I suggest you relate partners’ compensation to the buying or building of a house. Rarely do you find a ready-built home that is just perfect for you. It seems to suit you, but it is always better after you make those small adjustments: re-carpet, re-drape, paint, build room additions, plant a new lawn, etc. The same is true of existing compensation plans.

If you build your own home from scratch, you start with a set of plans—ones already drawn or drawn just for you—and again comes the adjustment. You add a room, knock down a wall, change this or that, or make other compromises. Once you finally move into the home, you are again faced with the prospect of fine tuning—painting, carpeting, etc.—whether the house is prebuilt or custom-built.

So it is with partner compensation plans. Once one is put into action, it is subject to constant change to get the desired results—to make everybody as comfortable and happy as possible. There has to be an understanding that as people change, the process or plan to make them happy will also have to change.

Why not develop your own plan for compensating partners with the mechanism for periodic review and change built in? Start with a list of objectives that you are trying to accomplish. Devise a way to delegate those objectives among your partner group, assigning levels of importance to each of the objectives you are trying to accomplish. You should understand that this is a difficult task and that like all difficult tasks, the most important part is to get started. The more you do it, the better you will be at it, although it is possible that you might need some outside help from time to time.

I consider these three ingredients a must for any effective partner compensation plan:

- A base pay that is equal to the amount each partner is capable of earning if he or she were performing the same duties elsewhere. This amount may be found by consulting colleagues, placement firms or professional organizations.

- A fair return on invested capital. Figure your equity on an accrual basis, and realize that you are in a high-risk business.

- A method for recognizing and rewarding extraordinary effort. This would be performance over and above the day-to-day goals and objectives that were agreed to at the beginning of the year by all the partners. It is generally easy to recognize these efforts because they result in extra “bottom line” or some other noticeable improvement in the firm.

You should also recognize that any compensation is a reward for the accomplishment of any preset and then completed task. Assuming that is so, it should be relatively easy to develop the plan for your firm, the goal-measurement system to track your progress, and the compensation system that reflects what a particular job is worth.

As you proceed with your custom plan, take the following items into consideration:

- The more the bottom line, the easier it is to satisfy all the partners.
- You will get better and better the more you do

(Continued on page 8)

National Marketing Conference Set

The AICPA National Marketing Conference will be held on June 9–10 at the Flamingo Hilton Hotel in Las Vegas. To accommodate the needs of both firm marketing directors and partners in charge of practice development, the conference will offer separate sessions designed specifically for each group.

Topics will include avoiding common problems when developing a marketing plan; target marketing—selecting and penetrating markets that offer the greatest potential reward; value billing—what it is and how to develop a “psychology of billing” in your firm; how to get partners to support the marketing plan; the components and expenses of marketing; how to deliver quality services to clients; how to motivate and reward partners and staff for marketing efforts and develop a “marketing culture” in the firm; how to monitor your marketing plan and redirect your efforts when necessary to keep the plan on track with your firm’s growth; and a step-by-step selling process. For further information, contact the industry and practice management division: (212) 575-3814.

Quality of Worklife (Continued from page 2)

Some of this information may be a bit painful to publish, but you must do it. You might consider publishing jibes aimed at management, for example, but you should leave out digs aimed at lower-level staff.

Provide a forum in which to discuss the results as a group and allow discussion around problematic areas that the survey brought to light. Also, plan to allow some time (but not *too* much) for collective back patting on results that show the best aspects of work life.

Promise that action will be taken in any way that is feasible on areas needing improvement. And be sure people know that these actions are

being taken *because* the survey pointed out their importance to the quality of work life at your firm.
 Plan to do a follow-up survey some months down the road to see whether your efforts have paid off. The decision to do this depends on the nature and extent of your survey results and the related actions.

Expected payoff

Is it worth going to all this trouble when you are already working long hours, meeting pressing deadlines, and things seem to be going about as well as could be expected given the fact that people will find *something* to complain about even in the best of situations? You must be the judge of that, but let me remind you of two things.

First, surface calm is no guarantee that things are really satisfactory at the CPA watering trough you call home. Many a smoldering resentment has burst into flame after years of compliant acceptance. Becoming aware of resentment before it explodes gives you a good chance of defusing the situation without undue damage.

Second, letting staff members know that you *care* what it is like for them to work at your firm pays bigger dividends per investment of time and energy than almost anything else you can do. When people feel cared about, they feel appreciated. When they feel appreciated, they work effectively and hard. When people work effectively and hard, success follows. And when the whole work force feels like a success story, people find genuine satisfaction in their jobs and in the quality of their work lives.

In a subsequent article I will write about the four corners of job satisfaction and the part each one plays in the overall quality of work life.

—by **John S. Compere, Ph.D.**,
Clinical Psychologist, Compere, Inc., P.O. Box 17149, Winston-Salem, NC 27116, tel. (919) 725-2159 or 768-5234

Examples of Attitude Survey Questions

Statements

	<u>Disagree strongly</u>					<u>Agree strongly</u>	
	1	2	3	4	5	6	7
I feel valued at my job.	1	2	3	4	5	6	7
The work I do is challenging.	1	2	3	4	5	6	7
People at our firm are friendly.	1	2	3	4	5	6	7

Topics

Salary

<u>Adequate</u>						<u>Inadequate</u>	
1	2	3	4	5	6	7	
<u>Performance-related</u>						<u>Performance-unrelated</u>	
1	2	3	4	5	6	7	

Physical space

<u>Superb</u>						<u>Sad</u>	
1	2	3	4	5	6	7	
<u>Comfortable</u>						<u>Uncomfortable</u>	
1	2	3	4	5	6	7	

Open-ended Questions

- What do you like most about working here?
- What do you see as our company's special advantage?
- When do you feel most like quitting?
- What do you think goes unnoticed at our office?

Attracting Students to the Profession

What is a good way to get students interested in careers in accounting? One method that the West Tennessee chapter of the Tennessee Society of CPAs found to be effective was to invite students to a special meeting and treat them to a dinner at a local restaurant. The December 1987 issue of the *Tennessee CPA* reports that as a result of these activities, the society now has forty new student members from different colleges in the Jackson area, and four new fellow members who have applied for membership.

Over sixty students attended the special student membership and career information meeting last

November. They heard a panel of society members respond to their questions about the future of the profession and explain career choices and ways for them to seek jobs in the Jackson area. The panel members talked to the students about the realities of their choosing and following through in an accounting career to eventually earn the distinction of being a CPA. The students also heard about the benefits of being members of the Tennessee society.

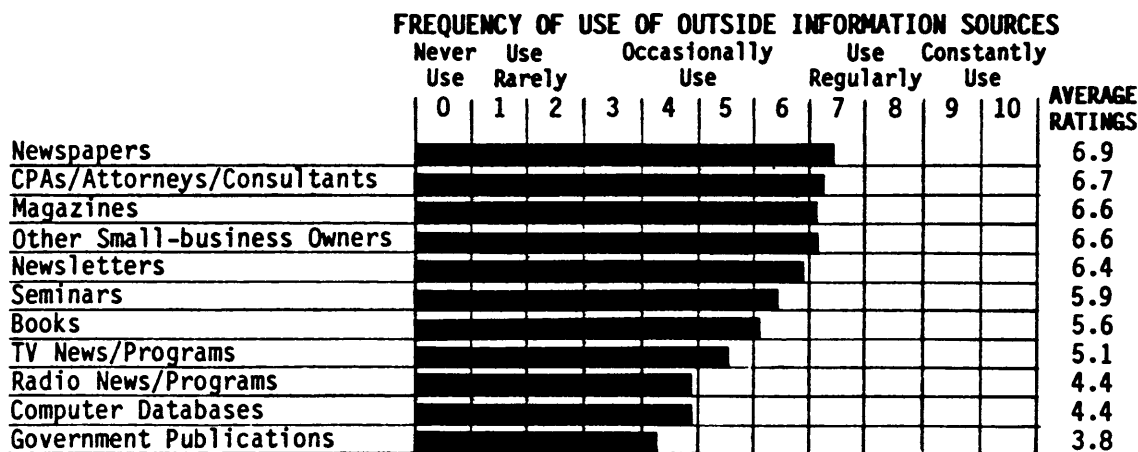
Kevin R. Hunter, president of the West Tennessee chapter, says that participation by the students exceeded all expectations. He adds, "We are pleased that so many decided to become members and look forward to their involvement in our group."

Small-Business Owners' Information Sources

A recent survey conducted by Cicco and Associates, Inc. of Murrysville, Pennsylvania, of small-business owners, shows that they rely on a wide assortment of information sources for their business decision making. In the "use regularly" category, newspapers are the most frequently used source, followed closely by professionals—CPAs/attorneys/consultants, magazines, and other small-business owners. The other seven information sources are

given "occasional use" ratings. (See exhibit.)

In terms of the intensity with which these sources are used, the following statistics show that over one-third of the small-business owners report that they "constantly use" newspapers. Magazines and other small-business owners tie for second most intense usage. Only government publications failed to receive a "constantly use" rating from at least 10 percent of those surveyed, and only computer data bases are reported as never being used by over 10 percent of the respondents.



Base: 211 small-business leaders from all 50 states.

Maximum sampling error: +0.2 of a full rating point. Survey dates: 11/18-12/11/87.

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	Data-Books	CPAs base	Govt Etc.	Publ	Maga- zine	News- lettr	News- paper	Other SmBus	Semi- Radio	nars	TV
"Constantly Use" (ratings of 9 or 10)	13.7%	12.3%	18.5%	1.9%	22.7%	18.0%	34.6%	22.7%	12.3%	11.4%	16.1%
"Never Use" (rating of 0)	1.4%	13.3%	0.9%	6.6%	0.5%	1.4%	0.9%	1.4%	7.6%	0.9%	4.3%

Taking Stock

Late April/early May is a good time to take stock of changes in professional standards, keep up with new ideas and developments, and find new solutions to old problems. The AICPA has some offerings during the period which can help you do just that.

Strategic Briefings on the New Statements on Auditing Standards. The auditing standards board has scheduled strategic briefings on the nine new expectation gap SASs in ten cities on six different dates—Los Angeles, CA April 22; New York, NY and Phoenix, AZ April 25; Columbus, OH and Dallas, TX April 26; Baltimore, MD April 27; Atlanta, GA and Kansas City, KS April 28; Chicago, IL and Miami, FL April 29. The team leaders will be ASB and senior AICPA staff involved in developing the new SASs.

Topics to be discussed include errors and irregularities, illegal acts, assessing audit risk, going concern, auditor's standard report, and communications to audit committees. The new standards will be available in May.

Building and Managing a Successful Tax Practice. This two-day workshop will be held on May 9–10 at the Westcourt in the Buttes, Tempe, Arizona. Enrollment is limited to the first 150 qualified applicants.

The workshop will adapt to meet the specific interests of participants to the maximum extent possible. Case studies, problem situations, and questions submitted in advance by participants will be integrated into the workshop material. The workshop leaders will also take questions from the floor and work with participants to develop answers and approaches.

Designed to increase the tax practice's contribution to the firm, the workshop will highlight profit management, the utilization of tax staff, marketing tools, risk management, and the coordination and control of the tax function.

Microcomputer Conference and Exhibition. This conference will be held on May 16–18 at the Atlanta Marriott Marquis, Atlanta, Georgia.

The sessions will cover the latest developments in microcomputers, an overview of tax planning and tax preparation software, marketing microcomputer services, evaluating and installing accounting software, desktop publishing, and NEW—a four-part session on the microcomputer and its uses for the user who needs an understanding beyond the



You Are Invited...

From the very first issue in November, 1977, the Practicing CPA has depended upon its readers—local practitioners—to provide the main source of material for publication. You are, therefore, invited to contact the editor about

- ☒ *Topics you would like to see covered, particularly those of interest to sole practitioners and small firms.*
- ☒ *Successful practice development ideas and specialties that can provide material for case studies.*
- ☒ *New methods, procedures, and forms you have developed that make managing an accounting practice easier.*

Letters to the editor are always welcome, space permitting, on matters within the Practicing CPA's frame of reference. If the publication can draw on your skills and experiences, it can be an effective medium for the exchange of much practical information.

RSVP Graham G. Goddard, Editor



"basics." A full range of accounting-oriented computer products can be viewed in the exhibit hall.

For further information about these events, or to register, call 1-800-AICPANY (in New York State 212-575-5696). ☒

Audit Forum Conference

The Seventh Biennial Joint Intergovernmental Audit Forum Conference will be held on May 22–25 at the Pointe at South Mountain, Phoenix, Arizona.

The goal of the intergovernmental forums is to achieve greater effectiveness in the audit process through the exchange of ideas among audit officials in government, public accounting, and academia.

For more information, contact Valerie Lau, Western Audit Forum, 1275 Market St., Suite 900, San Francisco, CA 94103, tel. (415) 556-5200. ☒

American and Canadian Accounting Software Agreement

An agreement to share each other's auditing and financial analysis software will give the AICPA distribution rights to the Canadian Institute of Chartered Accountants' (CICA) "Interactive Data Extraction and Analysis" software system, which is designed to help an auditor extract data from a variety of computer systems for various purposes. In return, CICA obtains distribution rights to the AICPA's "Audit Program Generator."

The Canadian software system is menu-driven, makes extensive use of windowing, allows easy access to computer-stored data, and facilitates the quick completion of audit and analysis routines. The program is written for a 640K IBM PC or compatible systems with hard disk drives running MS-DOS 2.0.

"Interactive Data Extraction and Analysis" (product number 016507) is available from the AICPA order department for \$695, with a 20 percent discount for AICPA members. For more information, contact John Graves in the technical information division at (212) 575-6391.

Partner Compensation *(Continued from page 4)*

this, but perfection will probably never be attained.

Not all partners are equal, nor will they necessarily be consistent in their performance or relationship to one another from year to year.

Rarely if ever does the easy way—dividing the bottom line equally among the partners—work.

The plan should be fair to all and attempt to encourage all partners to do whatever they do best.

Set aside some shirtsleeve work sessions for all the partners and start your partner compensation plan by listing the firm objectives and tying these objectives into the firm budget. Allow plenty of time and encourage open discussion among the participants. Use a pencil instead of a pen because there will be lots of changes, and don't forget the main reason you are doing this. It is to build a strong firm that can satisfy the partners. Note! It is the firm that comes first. Have patience and good luck!

—by **Morrey Shifman, CPA**, 2430 Saint Paris Pike, Springfield, Ohio, tel. (513) 390-1228

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