



Where Culture and Strategy Intersect

(And How to Avoid the Latter
Becoming Breakfast)

The audit group's guide for how to rethink resourcing to build a more flexible, efficient and cost-effective workforce ecosystem

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INTRODUCTION

Peter Drucker is credited with the (accurate) quote “Culture Eats Strategy for Breakfast.” Public Accounting firms have been wrestling with, seemingly forever, the single biggest impediment to driving a high-performance, client-service centric culture – turnover. Consistently, the profession has experienced turnover rates averaging 20-25%, resulting in challenges in meeting most every firm’s objectives regarding profitability, growth, market acceptance, brand, succession planning and, most importantly, outstanding client service - which is demanded by the marketplace for mere survival as a firm.

Firms have almost universally responded to structurally high turnover levels by increasing professional salaries, expanding benefits, growing human resource and recruiting functions – all of which have combined to only increase the cost of service delivery while largely having only a negligible impact on structural turnover within the profession. In search of easy responses, firms have repeatedly turned to the same levers in dealing with turnover: recruiting more lower level staff than actually required by the practice’s client service demands, attempting to flatten the “busy season” workload, “vesting” employee benefits requiring longer periods of employment, including non-solicitation clauses in client engagement letters, offering one-time “stay bonuses”, and the list goes on. However, NONE of these “solutions” address the key CULTURAL issues that drive sustained firm success – employee and partner engagement, client service passion, team function/dysfunction and a common drive to consistently deliver outstanding client service. A new generation of professionals represented largely by a millennial and Gen Z workforce requires a new way of thinking about professional resources and how those resources are deployed.

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**Culture Eats
Strategy for Breakfast.
Peter Drucker**

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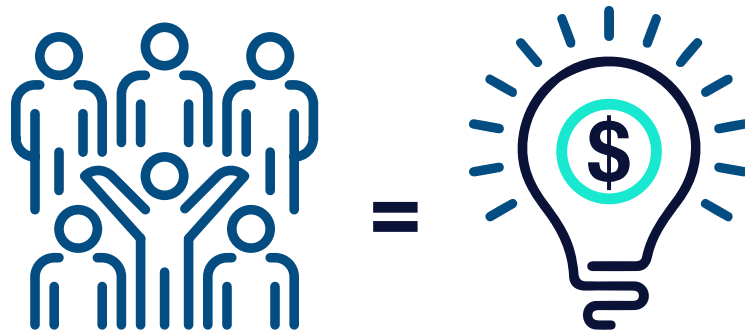
Breaking from the old model of “recruit and hire heavily and winnow down the entry level class via voluntary and involuntary attrition” requires thinking creatively about a variable staffing model that supports the firm objectives above. If firms were to adopt such a model – whereby ~ 85% of the known needs were staffed by full-time employees and the balance of needs were met by partnering with highly experience/skilled, industry specialized professionals, the benefits could be substantial and serve to drive the high-performance culture that Drucker often spoke about. Let’s examine some of the cultural AND strategic outcomes from such a model.





RETENTION OF TOP TALENT

Included in the historical turnover rate of 20-25% is the usual reality that the professionals making up those “alumni” are the lowest AND the highest performers, leaving the middle performers to service your firm’s most important clients. Why does top talent leave so frequently? The answers are myriad, but among the most common reasons is the reality that the top performers among our teams are so sought after by engagement teams, they become so heavily utilized that burnout becomes inevitable. Perhaps more importantly, because of the demands on their time, they are simply not afforded other opportunities within the firm such as non-billable leadership activities, civic engagement, practice development, etc. This generation of professional demands a constant set of new challenges and NOT simply assignment after assignment navigating the same auditing landscape with only the name of the client changing. A variable staffing model allows for the superstars among our staff to utilize and develop ALL of their skills while utilizing skilled consultants to supplement required client-facing audit activities of recurring engagements that simply cannot be and should not be outsourced to service centers in India or elsewhere in the Far East. The profession needs MORE client-facing presence and time, not LESS. The result would be higher retention rates of our highest performers.....





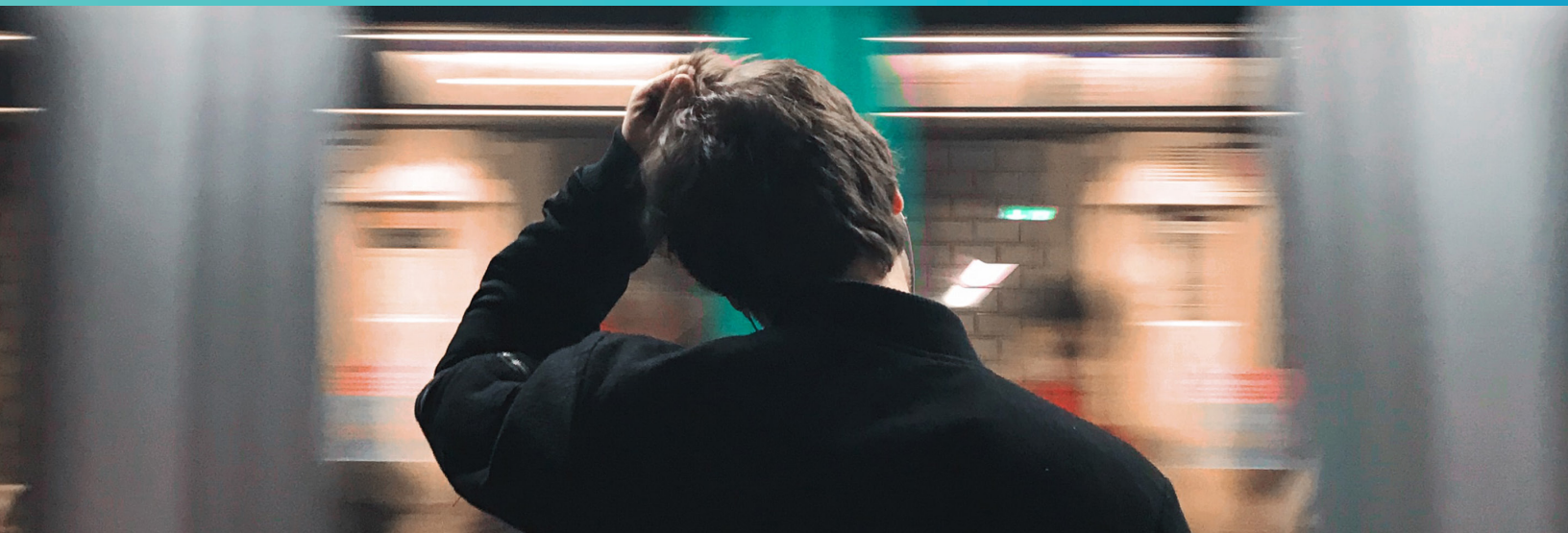
LEADERSHIP DEVELOPMENT/ SUCCESSION PLANNING

Seamless succession planning and leadership development has proven to be as challenging an issue as turnover for the profession. By retaining top performers in greater numbers, the cultural impact of possessing in-house, a steady stream of leaders within the firm can be felt throughout the entire organization. There is now a reason to stay, perhaps for an entire career, or at least the majority of one. The variable staffing model has put in motion a self-sustaining model of leadership development and allows the firm to look inward for leaders rather than go outside the firm to hire expensive, high-risk outsiders who often are a cultural mismatch for the firm. When firms have an effective, culturally matched leadership team, this team is often able to.....

DRIVE BRAND AND DIFFERENTIATION IN THE MARKETPLACE

Freeing the firm's management team from figuring out "how's the work going to get done?" or "how are we going to staff this great opportunity when/if we win?" or "how do we build up the industry specific qualifications to get this client project completed?" allows firm management and leadership to focus its attention on the even bigger picture – for example, "how do we become the firm of choice in our chosen market?" The variable staffing model allows for members of the firm at all levels to ALWAYS be of the mindset of practice development. "What services will my current and prospective clients want and value?" "How can we as firm position ourselves to deliver those services?" The tactical questions at the beginning of this paragraph will always impede the ability of firm professionals to focus appropriately on the much more strategic questions presented later. But let's not get overly strategic in the thought process around adopting a variable staffing model..... the lights have to be kept on, people have to keep getting paid, and firm reinvestment has to occur to sustain the practice..... therefore, in the short, medium and long-term, the variable staffing model can and does.....





DRIVE FIRM PROFITABILITY

Despite efforts to “flatten the curve (no, not THAT curve.....)” of busy season, firms continue to struggle with workload compression during audit and tax busy season. At my large international firm, we earned ~50% of our profits in the 25% of the year represented by period from January 15 through April 15. Utilization rates of 160% were not uncommon during those months, with rates less than $\frac{1}{4}$ of that during slower summer months. Incurring the hard and soft costs for each of those periods is suboptimal. Simply put, the quality of client service and the technical quality of audit and tax work cannot be, and is not, the same during the 75th hour of the workweek as the first hour of the workweek. Similarly, paying a lightly utilized cohort of FTEs during the non-busy season neither drives firm profitability, nor does it keep highly talented professionals motivated and engaged during those times. The variable workforce model, again, allows for temporary supplemental staffing resources during peak times, without the culture killing effects of the recurring post-busy season reduction in force. Unfortunately, this model of staffing up for the traditional busy season and “cutting the fat” after busy season has only perpetuated the challenge of building a healthy high performance culture for many firms. This brings us back to the ultimate driver of firm success over any relevant time horizon.....





DELIVERING OUTSTANDING CLIENT SERVICE

At the heart of any successful organization, is the commitment behind, and the ability to, deliver truly outstanding client service on a consistent basis that is stronger than your competitors in your industry. This is, unquestionably, the defining characteristic of a high-performance organization that is positioned for financial and non-financial success. A variable workforce model that supports optimal utilization of the firm's professional resources can be a critical element to that objective. It can help the firm proactively set in motion the daily interface between YOUR FIRM and your fee-paying (and REFERRING) client. From a cultural perspective (and profitability perspective!), wouldn't it be nice if your clients were consistently communicating with positively energized professionals who relished their career track at your firm and brought their talents, experience, and skills to your clients on a consistent basis? Embracing a variable workforce model could help permanently put an end to the miserable auditor bringing him/herself to your offices, or worse yet, your client's offices.





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