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ENCLOSED WITH THIS ISSUE

EXTRA!

Featuring results of the 2017 Accounting MOVE Project!

Firms Reinvent Succession Planning as Baby Boomers Prepare to Retire

With a record number of baby boomer partners and principals set to retire from accounting firms in the next few years, most firms are wrestling with the complex dynamics of transition. Some are reinventing succession planning from a handoff of power to a strategic shift.

Bonnie Russ, a shareholder with **Mahoney Ulbrich Christiansen & Russ**/St. Paul, Minn., is due to retire in 2020, and succession planning has already begun. MUCR's process outlines the transition: Two years before the expected retirement date, partners start working on exactly how their clients and responsibilities will be assigned to others. Although Russ' role may not be filled by just one person, she is transitioning client relationships to a variety of successors, and thus supporting client retention beyond her retirement. It's a chance to examine the client relationships and revenue—and to see how fresh eyes can both ensure the income stream for the newly retired partner and open new avenues of growth for the new relationship team.

The personal reflection inherent in succession planning is an especially open moment when many partners are receptive to new ideas that will be carried out by others, said consultant Sam Allred, founder of Upstream Academy, based in Helena, Mont.

Often, he said, succession planning intersects with the personal reflection common to older middle age, and leaders surprise themselves by releasing long-held definitions of personal success.

"You start to recognize more definitions of strength," Allred said. "It's part of the maturing of the profession, and partly the realization that today's qualifications for partnership are different. You start to realize that there's not just one type of talent that you need going forward."

At **Clark Nuber**/Bellevue, Wash., sabbaticals offer a chance for personal and career assessment while there's still time to steer the changes. After seven years' tenure, shareholders can take a three-month sabbatical.

"That's only possible if you have other partners who can take over," said Tom Sulewski, shareholder-in-charge of audit. Taking a sabbatical forces a partner to distribute work and champion a team-based model of client service. One result of the sabbaticals is a more collaborative approach across the board, he said.

"The old model was, 'If I had a lead and took three specialists from the firm out on a successful call, we would have to split the credit three ways,'" he said. That model did not put the interest of the firm or the prospective client first.

"The new model is, 'If I take three specialists out to a call, they'll split the work three ways,'" Sulewski said. That collaboration is demonstrated in the firm's approach to pursuing leads and proposals.

"The new model gives everybody sales credit for everything they touch. The more shareholders who are introduced to clients, the better, because it sets up more opportunities. Put the best team together to win the work for the firm. That's the priority," said Sulewski.

Hood & Strong/San Francisco didn't make it to its 100th anniversary by ignoring succession planning. It seeds expectations for the next generation of leaders more than a decade in advance, said Audit Partner Jennifer Dizon.

A few years ago, H&S created the mid-level title of director, equivalent to a nonequity partner, "specifically to facilitate the path to equity partner," she said. "It gives managers a chance to ease into that role, so that they participate in partner activities and meetings and have transparency into financial results before becoming full partners."

The interim step has helped retain more women, too, as it smooths the path to partnership from steps to a ramp. The assurance that the firm's continuation is picked up by its very best leaders is a buoy to retiring partners too, as they see the fruition of their long-time investment in both women and men, said Dizon.

Lisa Cines, former managing officer at **Aronson & Co.**/Rockville, Md., and chairman of the board of the **Maryland Association of CPAs**, is building programs designed to help MACPA members integrate succession planning with strategic planning. That challenge is becoming exponentially more complicated as firms face more threats to their traditional business models and must somehow fulfill their commitments to exiting partners while offering rewards to the next generation of partners.

Firms are realizing that they can't make their numbers unless they keep more women, so retaining female talent is pivotal, she said. (*See Extra edition, enclosed with this issue*.) The unarguable arithmetic is breaking down reluctance about programs designed to remove barriers to women's advancement.

A more holistic view of business development skills is also yielding results, said Cines. Instead of defining business development narrowly, such as sales skills, some firms are recasting business development as overall career development. That perspective is motivating those

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firms to invest earlier and more deeply in women than they have to date.

For instance, one manager Cines personally coached was reluctant to take public speaking engagements. Cines recalled the woman saying, "You'll never get me to do that."

"Now she's a partner, and she speaks nationally," explained Cines. "But her comment gave me a clue as to what we need to develop—a program that was comfortable for her rather than a program that pretends that everyone's equal and that we'll miraculously get equal results." ■

PAR NEWS DIGEST

KPMG announced that six individuals in its audit practice—including Scott Marcello, vice chair of the firm's audit practice—violated the firm's code of conduct and were "leaving the firm." Four other partners and an employee were among those leaving. The firm learned from an internal source in late February that an individual who had joined KPMG from the **PCAOB** subsequently received confidential information from a PCAOB employee and shared that information with other KPMG personnel, according to a KPMG news release. That information potentially undermined the integrity of the regulatory process, according to the firm. KPMG immediately reported the situation to the PCAOB and the SEC and retained outside counsel to investigate. The firm learned that the six KPMG individuals either had improper advance warnings of engagements set for PCAOB inspection or were aware that others had received such advance warnings and failed to report the situation in a timely manner. These events did not impact any of the firm's audit opinions or any client's financial statements, the firm reported. Lynne Doughtie, KPMG's chairman and CEO, said that the firm is "taking additional steps to ensure that such a situation should not happen again." Marcello was also the Americas leader for audit for KPMG International, a member of the firm's management committee, a former member of KPMG's U.S. board of directors, and had served as a member of KPMG's global financial services leadership team. Manuel Goncalves, KPMG's executive director, Communications, told CFO.com that "the firm took quick and decisive personnel action—separating six individuals from the firm. They did not resign." The New York Times called the news "another potential blow to KPMG's reputation after questions have been raised in recent years about why it failed to uncover illegal sales practices at Wells Fargo or potential corruption at FIFA, the governing international body of soccer." The newspaper went on to reference a letter sent to KPMG in October by U.S. Sen. Elizabeth Warren (D-Mass.) and four other senators, which told KPMG that its failure to uncover Wells Fargo's practices "raises questions about the quality of your audits." On the same day that the six individuals in question were separated from the firm, KPMG announced the appointment of Frank Casal as vice chair—audit, succeeding Marcello. During his 38 years with the firm, Casal has served as lead audit engagement partner on some of KPMG's largest publicly held financial services and industrial manufacturing clients, the firm reported. KPMG also announced the appointment of Jackie Daylor as national managing partner for audit quality and professional practice. Daylor is a member of KPMG's board of directors and the firm's Professional Practice, Ethics and Compliance Committee. Daylor also served on the firm's Legal, Risk and Regulatory Committee from 2009 to 2015. (*Sources: KPMG, CCH Daily, www.cfo.com, New York Times*.)

Whether one thinks that the 100-day anniversary of the presidency of Donald Trump marked a great success or something substantially less, there's no doubt that the public and the business community will benefit from knowing the factual details of the president's plans. Withum/New Brunswick, N.J., has launched a Trumponomics Think Tank on its website to track the economic impact of President Trump's initiatives. Members include Bill Hagaman, the firm's managing partner and CEO; Tony Nitti, tax partner and a forbes.com columnist covering tax policy and key court decisions; Dave Springsteen, tax partner and practice leader of the firm's National Tax Services Group; Tony Panico, partner and practice leader of the firm's Healthcare Reform Advisory Services; Jason Kunkel, Withum's certified business economist; Jim Ferrare, president of PWM Advisory Group, the firm's investment advisory affiliate; and Tony Sardis, president of Withum Insurance Advisory Services, the insurance affiliate of the firm. The think tank's commentaries to date have included analysis of Trump's proposed American Health Care Act, the initial failure of that proposal and the details of the subsequent MacArthur Amendment; and a review of the tax plan that Trump proposed on April 27. The latter detailed the impact of the tax proposal for both high income and lower income taxpayers, as well as for businesses. It also outlined other proposed changes, such as the elimination of estate taxes and the alternative minimum tax. No politics or opinions are included within the commentary. There is a fair chance that other firms will weigh in with their own think tanks, forums and studies. For example, **KPMG** has released an eight-page "discussion" on the topic, "U.S. Economic Update 'Trump-O-Nomics'—An exploration of the proposals," a March update of a document first issued in January. That document is authored by Constance Hunter, principal in charge, Office of the Chief Economist and Jennifer Dorfman, senior economic analyst.

Vault.com has released its 2018 rankings of public accounting firms. The 2018 Vault Accounting 50 includes many of its regulars: **PwC** topped the list, followed by **Deloitte** and **EY**, each holding the same positions as in last year's rankings. **KPMG** slipped past **Grant Thornton** into fourth position. **BDO USA** and Southfield, Mich.-based **Plante Moran** maintained the sixth- and seventh-place rankings, respectively. **Moss Adams**, based in Seattle, climbed from 11th to eighth, while **Crowe Horwath**/Chicago rose from 24th to ninth. **RSM US** dropped a couple of positions to 10th. Outside of the top 10, the biggest movers included San Francisco-based **Burr Pilger Mayer**, which climbed to 21st from 45th last year. A theme among the positive BPM employee comments related to the work environment: "This is the only firm which actually has a work-life balance. I have never been happier. The culture is very positive," one employee wrote, according to vault.com. On the down side, some expressed frustration regarding compensation and benefits. **PKF O'Connor Davies**/Harrison, N.Y., was up 19 spots to 22nd. One PKFOD employee review noted, "If you want to move up quickly, be given tremendous responsibility at an early stage in your career, and be a performer that is willing to work hard and be recognized, this is the firm for you." Negative employee comments referenced the need for better compensation, benefits and "perks." **Margolin, Winer & Evens**/Garden City, N.Y., was 27th this year after being unranked in last year's listing. The only other firm to enter the Vault 50 in this year's ranking was **Hein & Assoc.**/Denver at 50th. Vault.com also ranked firms according to its survey results in 18 "Best Accounting Firms to Work For" categories, in which respondents were asked to rate their own firms. Categories included, for example, benefits, compensation, work/life balance, culture, firm leadership, formal training, informal training, travel policies and client interaction. Plante Moran ranked first in 11 of the 18 categories and ranked second in four others. Others with top rankings in quality of life categories included **Friedman LLP**/New York and St. Louis-based **Brown Smith Wallace** (two categories each) and Moss Adams and Deloitte (one each). Vault.com also ranked "Best Accounting Firms for Diversity." BPM topped the survey in overall diversity, diversity for minorities and LGBT diversity. **Frank Rimerman + Co.**/San Francisco placed first in diversity for women. Other measures included "Most Prestigious Accounting Firm," as well as various technical categories, and PwC topped each of those rankings. For more details, visit *www.vault.com/company-rankings/accounting/*. ■

EXECUTIVE FORUM

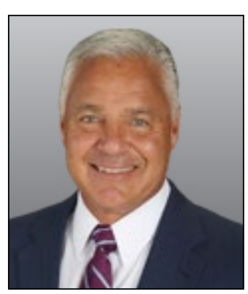
Leaders Detail Ways To Help Keep Women in the Advancement Pipeline

Firms throughout the nation are recognizing that the talent war—and changing demographics—increase demand for nontraditional best practices and a diverse workforce. Talented, well-trained women, in particular, tend to venture out of public accounting due to a number of factors, such as lack of mentoring and sponsorships; perceived limited opportunities for advancement; and work-life balance policies that don't meet their needs. This month, firm leaders explain how their firms strive to ensure solid career paths and a solid pipeline for advancement for women in the profession.

Brian C. Carr

Brian C. Carr, *co-CEO,* **Brady Ware & Co.**/*Dayton, Ohio (FY16 net revenue: $19.5 million; 28 partners, 144 total staff; four offices)*:

Brady Ware, like many professional services firms, found we were losing many talented women somewhere between staff and management. We also saw that about 60% of our workforce was women, but less than 15% made it to partner. Something was broken with how we approached the careers of our women employees. When running our firm, if something was broken in the tax practice, we'd find a way to fix it, so why shouldn't we apply a similar priority and address the issue of losing many talented women in our firm? I asked a new partner, Betty Collins, to start a dialogue with the women who work for us to find out how we could build a better environment in order to increase their opportunities. We discovered women were leaving because we hadn't built jobs that addressed the unique demands women face. Betty realized we needed to do two things: (1) Empower women to feel supported in their journey, whether or not it was to partner and (2) Understand that women have different seasons in their lives, each with unique demands that require different strategies to navigate them. To address these issues, we expanded our approach to alternative work schedules and allowed more flexibility to individuals who desired to work from home. We also encouraged women to speak up about what they needed to feel supported and to raise their hands when they're ready to move into leadership roles. We have worked to understand and accept that women approach problem-solving differently than men. Betty then surprised me by turning the women's initiative into an outward and market-facing movement. She understood on a personal level that women need to hear and read about how other women are doing things and to look outside the bubble of Brady Ware in order to grow. She knew that connecting them to the right activities could energize them in different ways. This focus also has another benefit in that it puts our women out in the community and helps them build a network of contacts. This had a tremendous positive impact for our firm in that women of the firm became better at bringing in new clients, and the firm began to be seen as a go-to firm for women-owned businesses. Building a women's initiative was an obvious solution. Since starting this initiative, we have begun to retain more of our talent pool, see women who had left the firm return, and we are more appealing to new talent looking for a more flexible career. We have more than doubled our women partners, with others identified to step up in the future. We've had similar success with our management team, and our women have experienced increased business development activity. This initiative has helped our women expand their career opportunities and maximize their contributions to the firm. Most importantly, we have increased flexibility to assist our women in balancing their careers with their personal lives.



Frank Longobardi

Frank Longobardi, *CEO,* **CohnReznick LLP**/*New York (FY17 net revenue: $616 million; 279 partners, 2,693 total staff; 29 offices)*:

Research shows that profitability, ROI and decision making all improve when women are counted among senior leadership. At CohnReznick, we believe that a gender-based diversity strategy has a permeating effect on our culture, talent pipeline and the firm's overall growth. We have two primary initiatives dedicated to the advancement of women: (1) To help retain and advance women and prepare them to be tomorrow's business leaders, CohnReznick launched its women's program in 2005. Today, WomenCAN: A Collaborative Advocacy Network for Women, provides access to mentors, roundtable discussions with firm partners, leadership development courses and other professional growth opportunities; and (2) The Executive Women's Forum (EWF), [which] engages our clients, employees, referral sources, industry associations and members of the broader community by creating meaningful events to build and deepen relationships. From panel discussions with top senior leaders to a women's golf event, the EWF enriches careers while expanding business opportunities. As a result of our commitment to women's advancement, year over year, the number of female partners at our firm is stable and trending upward as a percentage of the overall partner headcount. In addition, women's retention is now on par with that of men. Gender-balanced leadership makes our firm stronger and helps us serve our clients and communities better. We'll continue to nurture a workplace culture where women can and do advance and prioritize and fully support diversity and inclusion for all.

Seth McDaniel

Seth McDaniel, *managing partner,* **Frazier & Deeter/***Atlanta (FY16 net revenue: $74 million; 45 partners, 300 total staff; five offices)*:

Frazier & Deeter made a decision in the early years of the firm to be a family-friendly workplace, as well as a firm that invests in the ongoing development of our people. We began offering women options like flex time or part-time schedules more than 20 years ago, largely because we realized this would help us retain strong associates. This flexibility has helped us attract and retain mid-career women, who have then been able to become partners in the firm in greater numbers than the industry norm. We were ahead of the curve with this sort of policy, and now it has paid off with a stronger presence of women in the partner group. Regarding career development, Frazier & Deeter is working on evolving our culture to become a Deliberately Developmental Organization (DDO). Our firm was profiled in a Harvard Business Review book, "An Everyone Culture," about DDOs—organizations that unleash the potential of all employees and treat everyday work as the prime context for development. Realizing potential requires opportunities for individuals to discover what is holding them back in every aspect of their lives so they can then work to overcome those limitations with support and feedback from others around them. We have embraced the DDO principles because we believe growing all of our people is critical to our growth and sustainability as a firm. Our long-term goal is to embed development of self, others and the firm as part of the fabric of our firm. At this point, we've implemented some programs that are laying the groundwork. What we like about the DDO concept is that it tailors development to an individual's unique needs. We all know that in real life, one size does not fit all, and that is especially true about developing people. While this approach is not specific to women, we believe it certainly helps women (as well as men) grow in more meaningful ways and at a faster rate than might happen at another firm. It's a big investment for the firm, but we believe it's a strategic imperative and has a direct and significant impact on employee engagement, client service and the firm's long term success. We're delighted and honored to be viewed as a great firm for women.

Steve Travis

Steve Travis, *managing principal,* **KWC/***Alexandria, Va. (projected FY17 net revenue: $14.5 million; 15 partners, 80 total staff; two offices)*:

At KWC, we realize that our success as a public accounting firm is dependent upon the quality of our people: We are essentially a talent acquisition business. Instead of focusing on immediate recruiting needs, we try to align our hiring with our overall corporate culture and long-term growth goals. With women representing over 50% of both active accountants and graduating accounting students, we see the continued advancement of our female staff as an integral component of our long-term business model. By providing a unique platform for female professionals, we are, in essence, exploiting a labor market inefficiency to obtain top talent. Key differentiators for our firm include flexible workplace practices, mentoring programs and nontraditional career paths. Flexible workplace practices include alternate or reduced work schedules (in and outside of tax season); floating holidays; and the ability to work from virtually anywhere utilizing cloud computing, live chat and desktop sharing technologies. Being flexible in this regard has allowed us to retain key employees that have, due to personal situations, moved away from our geographic area. Many of our current remote employees are female, in large part because they have historically made up the majority of our staff members. Similarly, we have developed a strong mentoring program, especially among our female partners and staff, to ensure they are given the tools to succeed as they progress in their careers. We begin discussions about their future goals, including the steps toward a partner track with the firm, early in their careers. By assigning mentors with similar roles and interests, the staff member is able to obtain crucial insight into what it takes to progress within the firm. The mentoring program is paired with staff focus groups that help decide, through group consensus, the future direction of the operations, training and recruiting efforts of the firm. We also realize the necessary work-life balance among employees may differ. Thus, no one is precluded from advancement because they follow a nontraditional career path. For example, we have promoted part-time female staff members to partner. Innovative thinking in all aspects of career development has allowed us to retain and promote the best and the brightest staff members: There is no better indicator of our strength as a firm than the talents of our individual team members.


Chris Schmidt

Chris Schmidt, *chairman and CEO,* **Moss Adams/***Seattle (FY16 net revenue: $527 million; 284 partners, 2,589 total staff; 28 offices)*:

In response to the underrepresentation of women within the accounting profession, we launched Forum W in 2008 with the mission to attract, develop, retain and advance talented women at Moss Adams. To support Forum W's mission, we've developed office networks in each location to provide our women with tools, resources, networking opportunities and skill-building programs to ensure they have the knowledge and connections they need to advance when opportunities arise. Forum W focuses on four key areas that are vital in helping women succeed at our firm: (1) Dialogue: Listening to women regarding their career goals and experiences at Moss Adams; (2) Networking: Establishing a solid foundation of relationships both inside and outside the firm; (3) Mentoring: Connecting those who are developing with those who have already achieved; and (4) Advancement: Providing ample growth opportunities and encouraging the pursuit of leadership roles. Since its introduction, Forum W has become an integral part of the Moss Adams culture and has been instrumental in growing our percentage of female partners from 20% to 26%. As an extension to Forum W, we began a high-potential leadership development program, The Growth Series, for select senior managers. The program is focused on personal brand, leadership and business development. Additionally, we are a founding sponsor of the Accounting MOVE project—contributing to our industry to help understand how we can better develop and advance women. For us, there is a crystal clear business case for cultivating women's careers and addressing the gender imbalance that we see amongst our partnership. But our support and commitment to these programs goes beyond what's good for the business. The spirit of these initiatives is very much about valuing diversity, paying it forward and changing our industry from the inside out.

Randall Rupp

Randall Rupp, *CEO*, **Rehmann/** *Troy, Mich. (FY16 net revenue: $115 million; 132 owners and principals, 709 total staff; 17 offices)*:

Rehmann has intentionally and proactively focused on the development of our female associates for over a decade. We have a dedicated Rehmann's Women's Initiative Network (WIN) focusing on the development of our female associates and women's career advocacy across the firm to ensure effective career paths and a strong progression of women leaders. One element of this strategy is educational programming focused on key issues related to women's career advocacy and knowledge/skills that will help propel career advancement. Rehmann also offers two leadership development programs geared toward high-potential associates, typically at the manager, senior manager or principal levels. Nominations are solicited for these programs each year, and we ensure we have a diverse group of male and female associates with various backgrounds from different departments. Protégés in our leadership development programs are paired with sponsors selected to bring the protégé a different perspective on the firm, assist them in setting and attaining their leadership development goals and in navigating the organization. We have retained 77.3% of the women who have gone through these programs. In addition, firm leaders meet multiple times during the year to review their departmental talent pipelines. The focus of these discussions is to discuss all associates' progression, with a focus on identifying and discussing hyphenate firm associates. They work to ensure that the hyphenate are being given strong support, visibility opportunities, and are being placed in the appropriate leadership development programs. We can see that our women's career advocacy initiatives are making a difference as the 2016 Accounting MOVE survey showed the average proportion of women owners and principals is 23% across the firms surveyed. Rehmann is above average in this category at 28%. Our COO, Stacie Kwaiser, is a member of WIN and was recently recognized on DBusiness' "2016 Powered by Women" list. In 2016, 54% of Rehmann's new hires were female. Rehmann continues to live out our value of "Putting People First" by sponsoring numerous organizations, including the Susan G. Komen Michigan's Powerfully Pink Event, Mid-Michigan Children's Museum—Chix Who Mix; American Cancer Society Relay for Life; Wine Women & Shoes Luncheon (benefiting the Cancer Alliance of Naples, Fla.) and Grand Rapids [Mich.] Opportunities for Women (GROW) Seeds of Growth Luncheon. To ensure we are attracting and retaining the best and brightest, we have many work-life supports in place, including a flexible work environment, a formalized alternative work arrangement policy and the ability to work from home. ■

PEOPLE, FIRMS AND PROMOTIONS

Hamerman, Cohen & Burger, based in Fairfield, Conn., admitted **Sharon Brune**, **Shari Elias** and **Jessica McCauley** to partnership. Brune provides accounting services to a variety of clients. Elias is a client service partner concentrating in taxation. McCauley specializes in accounting and auditing.

Sitzberger, Hau & Co., based in Brookfield, Wis., named **Carl Marzolf** as its new president. He succeeds **Frederick Sitzberger**, who has taken on the newly created role of CEO.

Walz Group, based in Lititz, Pa., named **Lynn Fitzsimons** as its new president. She succeeds **Brett Tennis** in the position. Tennis will continue working with clients, in addition to taking responsibility for the firm's quality assurance and expanding his role on the business development team.

Warren Averett, based in Birmingham, Ala., admitted 10 new members. They are **James L. Cason III** (accounting advisory services/Birmingham); **David Crabtree** (assurance and business advisory/Atlanta); **Mark Hestla** (financial reporting consulting and tax planning/Cullman, Ala.); **Derek Johnson** (staffing and recruiting/Tampa, Fla.); **Ross LeBlanc** (tax planning and compliance/Fort Walton Beach, Fla.); **Joseph McNair** (asset management/Pensacola, Fla.); **Paul Perry** (leader of the Data Analysis Group/Birmingham); **Megan Randolph** (tax/Birmingham); **Chris Reyer** (family-owned business/Birmingham); and **Chris Smith** (audit/Birmingham).

WebsterRogers LLP, based in Florence, S.C., admitted **Jennifer L. Miller** to partnership. She works in the firm's audit group and is based in the Sumter, S.C. office. ■