CPA
Practice Advisor

the other person's shoes.

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Years ago a mentor told me that in negotiations, you should always put yourself in

to negotiate a mutually beneficial succession plan and commit to doing their part to make it work.

Here are the challenges in succession planning, from the eyes of younger and future partners:

When will the older partners retire?
This is asked by younger partners and staff alike. When they see partners who seem intent on dying at their desks, younger people worry about the future of the firm and where they fit in. The endless presence of older partners makes transition to the next generation very difficult.

Too many partners retiring at the same time.
This creates an onerous cash flow strain and equally important, requires the transition of too many clients and internal duties during a short period of time.

Buyout plans that are out of date.
Many firms created these plans 20 years ago. Since then, provisions such as goodwill valuation, notice and transition requirements have changed dramatically. Younger partners don’t want any part of an obsolete plan. Older partners need to “get over” stubbornly clinging to passé agreements that the younger partners agreed to years ago.

The folly of large buy-ins.
Years ago, high 6-digit buy-ins for new partners were common. Today’s young people don’t have that kind of money and wouldn’t pay it if they did. 90% of firms today provide for relatively nominal buy-ins – $75K to $150K, and have done a “disconnect” between ownership percentage and buy-in.

The sanctity of client relationships.
80% of first generation CPA firms never make it to the 2nd. One reason for this has

been the reluctance of partners to truly share their clients with other firm members.

partner twice: initially by over-compensating him during the "coasting" phase and again at retirement time.

Who will bring in business?
Many young partners acknowledge their weakness at bringing in business. They understand that this is critical to perpetuating the firm and wonder how they will survive without rainmaking, older partners.

Where are the future partners?
Earlier, I said that 80% of firms fail to reach the next generation. A reason for this is the difficulty most firms have in developing future leaders and partners (particularly acute for firms under $15M). Young partners can't bear the financial burden of buying out older partners alone; they need new partners to help with this and to take over the retirees' clients.

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Marc Rosenberg is a nationally known consultant, author and speaker on CPA firm management, strategy and partner issues. President of his own Chicago-based consulting firm, The Rosenberg Associates (http://rosenbergassoc.com), he is founder of the most authoritative annual survey of mid-sized CPA firm performance statistics in the country, The Rosenberg Survey. He has consulted with hundreds of firms throughout his 20+ year consulting career. He shares his expertise regularly on The Marc Rosenberg Blog.

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