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Ernie Villany • Jun. 01, 2022



When a frog is first placed in a pot of hot water, it must feel comfortable. A relaxing soak that loosens the muscles, lowers its stress level, and allows it to relax. For the most part, the frog remains blissfully unaware that the pot is slowly heating up. Soon, the temperature and pressure will become unbearable. And by the time the pot is boiling, it's sadly too late for the frog to do anything about it. The poor creature is

cooked by the heat and pressure, soon to end up a delicacy on someone's fancy

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according to the industry's status quo expectations. Small to mid-sized firms have reached a crossroads, with an employee retention problem that threatens the sustainability of our business model.

How Bad Is It?

This is due to a combination of factors. The long-term effects of major overhauls of the tax code on an annual basis for the past decade. An under-funded and understaffed IRS, along with other government agencies. The harsh reality of not being paid enough. Not having an organizational or staffing structure that fosters internal promotion and development. The combination of these issues, coupled by a pandemic that amplified mental health issues, forced scores of accounting professionals to hit the eject button and bail out. The erosion of the traditional career path for accountants is real.

As leaders, we're getting up there in age and we must be willing to confront the issues related to the sustainability of our practices. It's time to evolve, to be bold and change, even though it's a scary proposition. Many feel they have no financial motivation to take the associated risks. They simply refuse to justify significant financial commitments on solutions they don't understand, preferring instead to sock away profits ahead of retirement.

But there is a way forward, and it involves external solutions – outsourcing and workflow technology.

The Courage to Act

Our firm took a proactive approach and found a way forward. We located a competent outsourcing partner that now handles three-quarters of our repetitive

accounting tasks and implemented a workflow software suite that dramatically

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collective “brains” for the price of a tax return. Our core services always delivered consistent cash-flow, but we’ve now updated and streamlined our approach – leading to higher value, more rewarding client relationships.

Time to Act

The leadership of small to mid-sized accounting firms need to gather their teams and listen carefully. This is not a one size fits all situation and firm leaders must identify what works best for them. A collaborative conversation between managers and staff will reveal what version of the future works for their own firm. Bite the bullet and have difficult conversations. How will we increase retention and elevate our compensation model? Will we expand hiring initiatives? What metrics will we create to measure these decisions? How will we manage a better work-life balance for our company and team? What fringe benefits are we now willing to consider?

Employee retention was once a serious problem for us. Had it not been a significant issue, we would never have found our outsource partners, nor landed on a business model that allows us to scale our operation – even the elusive advisory services. But the experience and unintended consequences have now become game changers for us. Were it not for these departing staffers whose decisions were made in *their* own best interests, we would never have discovered the solutions that ultimately had *our* own best interests at heart.

Our story is a cautionary tale. As for the leadership of small to mid-sized CPA firms in this day and age, the water may feel warm and inviting at the moment. But there’s no excuse for waiting until it’s too late.

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