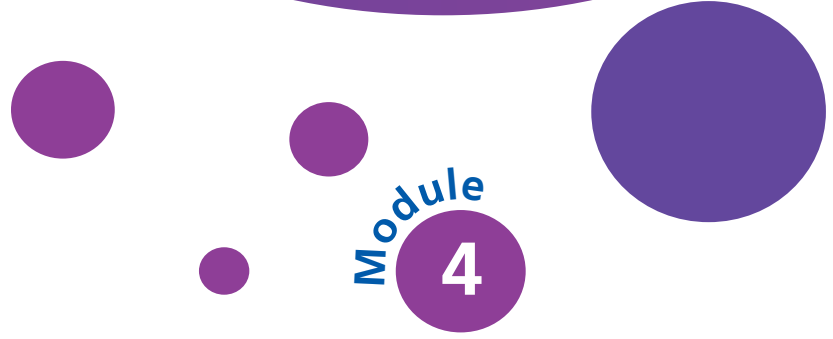# People Power:
Developing a
People Strategy

Module

4

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This *Guide to Practice Management for Small- and Medium-sized Practices* was prepared by the International Federation of Accountants (IFAC) with support from its Small and Medium Practices Committee. The committee represents the interests of professional accountants operating in small- and medium-sized practices and other professional accountants who provide services to small- and medium-sized entities.

This publication is available on the IFAC website. The approved text is published in the English language.

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- Supporting the development of high-quality international standards;
- Promoting the adoption and implementation of these standards;
- Building the capacity of professional accountancy organizations; and
- Speaking out on public interest issues.

IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. For further information, please email christopherarnold@ifac.org

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4.1   Introduction

This module explores staffing issues you will have to address as your firm grows. During this process, your management team's ability to attract, retain, motivate and lead your employees will be pivotal to your success. There are many management strategies you can use to ensure this period of growth goes smoothly. Factors to consider include the people management strategy of the firm and how leadership is manifested. Appropriate management of individual staff issues is vital to a harmonious workplace. Such issues include training and developing staff skills, and rewarding and recognizing your staff's contribution to the firm. It also includes dealing with the exits and transitioning of employees, as well as attracting and retaining graduates and qualified accountants from other firms. Some of these will become the future leaders of your practice. Your staff are vitally important to the success of your firm, because the degree to which your firm can provide a high level of professional service is determined by the quality and caliber of your people.

4.2   Your Firm and its People

Setting goals to develop your practice, without first exploring the availability of people with the appropriate skill sets for your business model, may cause unnecessary frustration and hardship. Your business planning and staffing strategies need to be linked.

Each firm is different in its business strategy, service offerings, partner values, culture, skills mix, location and client base. There is no single "formula" providing a percentage mix of the variables that will determine your success.

4.3   Factors Impacting People Management

4.3.1   Community Expectations

You and your employees are products of your community. Community standards and expectations have changed in the last 10 or 20 years. Today, community members are:

- Generally well educated, with a sound grasp of their rights and entitlements;

- Willing to express and claim those entitlements;

- Keen to make someone (whether an individual or a commercial organization) accept responsibility for mistakes, wanting to see firms or individuals accountable for their performance; and

- Insisting that business (in particular) accept and adopt higher standards of ethics and behavior.

Many of these community expectations are legislated, imposing obligations and costs on the employer that will impact employment policies.

The community is also in a state of constant change:

- Amendments to industrial relations legislation in many countries continuously change the dynamics of employment, for example by creating more flexibility in working conditions, or providing for equal opportunity in the workplace;

- The demographics of the population in many countries indicate that the community is gradually aging; and

- Social commentators show that people from different generations within the workforce have different expectations and attitudes.

The accounting profession is affected by these changes and will need to adapt to reflect the community's new expectations. There is more emphasis now on communicating with, and protecting the rights of, clients and employees, and devising systems and procedures to prevent mistakes.

4.3.2 Economic Changes

Prior to 2008, most worldwide economies had experienced many years of consistent and strong economic growth. This led to strong business profitability and optimism about future business performance.

Many leading world economists expect that economic changes precipitated by the collapse of the US banking infrastructure will continue for a number of years. This will have a strong impact on the types of services offered by accountants, the pricing policies utilized, and the requirement for specific accounting knowledge.

In such economic circumstances it is likely that more clients will benefit from holistic business advice, rather than compliance accounting, while other services such as financial forensics and fraud control measures might come to the fore.

Other factors likely to create challenges for the accounting profession are described below.

Shortage of qualified accountants: The accounting profession competes with many alternative career paths, and the supply of qualified accountants has not met demand in many markets. Skill gaps are being met in part by employing graduates from disciplines other than accounting, then conducting short-term intensive training in accounting skills.

Increasing gender balance: As more women enter the accountancy profession, employers need to amend their employment policies to attract and retain women in their firm and not waste the training invested because they are inflexible on work conditions.

Skilled migration targeted in specific industry sectors: This has obvious implications for the portability of qualifications, the language skills possessed by the migrants, and other social factors such as the impact on infrastructure and social services. Accounting is one skill set targeted in many markets.

Accounting and processing work outsourced overseas: Firms increasingly choose to process transactions and information offshore at a lower cost than that offered by the local workforce.

Slowing wage growth: The changing dynamics of supply and demand for accounting skills has resulted in subdued wage growth for some accounting personnel, compared with other segments of the profession in earlier years.

Retirement expectations of older workers: Many employees look to retire at an earlier age. While this may be desirable for personal reasons, it might not be sustainable when taking into account their accumulated pension plans and other savings. It also restricts the supply of qualified personnel eligible for employment. Policies to retain the knowledge these older employees have amassed are important for the future.

Barriers to employing older workers: Often people find it harder to gain employment once they reach their late forties and early fifties. As the Baby Boomer generation ages in many economies, the number of people in this age group will increase, so the attitude toward employing older workers will need to change.

Some of the factors listed are positives for the profession, and some are negatives that will reduce the supply of potential employees. It is crucial that you monitor these trends because they will determine the supply of, and demand for, accounting personnel. While you cannot influence all of these factors, there are proactive measures you can take to position yourself as an employer of choice.

4.4 Your People Management Strategy

4.4.1 The Mix of Employees

So far this module has analyzed possible workplace expectations, but how do you assess which type of employees you actually require?

The dynamics within accounting firms are changing. Different ownership structures have emerged, and firms are moving to a structure with more employees per partner. There is a gradual decline in the proportion of support employees, with qualified accounting personnel forming a larger proportion of the total staffing base. Firms are also adding new services to cater to various client requirements. It is therefore important to clarify the skills required to optimize the performance of your practice.

Skills mix identification

You need a blend of people and skills. A balanced accounting team will usually have a partner, a qualified accountant, and some administrative support. In addition, some firms will have experienced, though not qualified, staff; graduates with little experience; and additional secretarial and administrative support. Clearly it will take a new firm a little while to get to the stage where all these people are fully productive, but using this mix will allow you to provide cost-effective services to your clients.

To identify the required skills mix:

- Compile an organizational chart identifying the roles and positions required to service client requirements;

- For each role (such as senior accountant, junior accountant, or secretarial support) create a role description (see Appendices 4.2–4.4);

- Break this role description into the required qualifications, skills, knowledge, and experience (competencies) required to carry out the duties adequately;

- Do an audit of the positions filled using these role descriptions and your knowledge of your existing (and projected) work. Where are the gaps? Can you redefine the allocation of tasks into a more streamlined process? Can some of the roles or tasks be eliminated altogether? Can the workflow be streamlined, or could it be handled more efficiently if you were to design it from scratch today? This is called "process re-engineering," and is more likely to be necessary in a large organization than in a small, growing firm.

As a general rule, aim for work to be done by the lowest-cost person capable of doing it competently, and in the most efficient manner possible.

4.4.2   Clarifying Expectations

Employers and employees may have different expectations of the working relationship. For example, employers may expect that:

- Employees will approach their work in a positive manner, showing enthusiasm for their tasks and courtesy toward others.

- The productive, or fee-earning employees will generate fees of around two to four times their annual salary cost, depending on their experience and seniority. (Please note that these are broad guides only: each firm must determine its own performance targets.) Non-fee-earning personnel are expected to work their agreed number of hours, productively and efficiently and for the benefit of the firm.

- Employees will accept instructions and comply with them. This extends to compliance with the firm's procedures, policies and workflows. The employee may question instructions on occasion, perhaps to suggest a better approach, or if there is a legal or ethical reason why the instruction should not be implemented. Once this discussion is complete and a clear course of action is agreed upon, the employee is expected to do as instructed within a suitable time frame.

- Employees will demonstrate initiative in, for example, enhancing efficiency, finding new ways of delivering client service, or developing their own skills. Where necessary, the employee should obtain

any necessary approvals for a particular action beforehand. Employees will not abuse the access they are granted to the Internet and email and will preserve the confidentiality of client and firm information.

Employees may have the following, different expectations:

- An employer will offer a role that suits the employee's skills and experience.

- Employees will be properly remunerated and rewarded for performing their work to an adequate standard.

- Above-expected levels of performance will be recognized and rewarded in a suitable way.

- Employees will receive training as required to assist them to perform their role, and the employer will provide equipment and support.

- Fundamental rights such as respect and a safe working environment will be provided.

- Good communication will exist between employer and employee, so that any problems perceived by one party can be clearly identified and the other party has the opportunity to correct any perceived problem. This communication will be achieved via a transparent and fair process.

Many employees also want good prospects for promotion, or increased levels of responsibility. However, not all employees seek promotion, so this aspect should reflect the personal needs of each employee. This means you should discuss mutual expectations openly with your staff.

Individual firms and employees are likely to have additional expectations.

These expectations will often be documented by means of a Code of Conduct and included in the employment agreement. If you do not have these documented, you will find it a worthwhile exercise to complete.

4.4.3   Considering Generational Diversity

Demographers and marketers have in recent years come to assign people to age-based "generations." They claim to have identified distinctive attitudes and expectations as being predominant in each group. These are believed to reflect the particular era in which people grew up, including key historical events, cultural developments, social changes, prevailing values and lifestyle influences.

Veterans: born 1929–1945

- Are disciplined and respect law and order; and

- Like consistency and a standardized approach.

Baby Boomers: born 1946–1964

- Are optimistic, ambitious, loyal, and believed employment was guaranteed;

- Consider job status and symbols important; and

- Focus in the workplace on process and output, not implications and outcomes.

Generation X: born 1965–1979

- Often had both parents working;

- Are more resourceful, individualistic, self-reliant and irreverent;

- Focus in the workplace on relationships, outcomes, their rights and skills;

- Are not interested in long-term careers, corporate loyalty, or status symbols; and

- Are easy to recruit but hard to retain.

Generation Y (Millennials): born 1980–1995

- Expect greater workplace flexibility;

- Think differently from any other members of the workforce;

- Are similar to veterans in that they are optimistic, confident, and sociable, with strong morals and sense of civic duty; and

- Are comfortable with "diversity" and very much into "connectivity" (networks, technology).

Although people are far more diverse as individuals than the particular age group to which they belong, there appear to be general attitudes, expectations and "motivators" that are reflected in different generational groups.

4.4.4 Attracting Generations X and Y

To attract and retain employees from Generations X and Y, you may want to consider the following:

- Develop and promote your firm as a "learning organization."

- Engage your team in goal setting.

- Implement personal development plans for your staff.

- Utilize subscriptions, such as those for professional development tools or web-based learning, and make these available to your staff.

Job redesign

- Adopt more fluid job descriptions. In accounting, this could mean involving an employee in a broader range of work for a particular client, and giving them a more holistic involvement and relationship with the client.

Coach the less-experienced employees

- Generation X prospers with frequent guidance and coaching.

- Generation Y appreciates being mentored by the veterans.

Educate leaders of your organization

- Leaders must be true to their word and follow through on their commitments. Generations X and Y will not tolerate inauthentic leadership. Integrity, consistency and genuineness are essential characteristics of leaders.

- Enable work–life balance.

4.4.5 Recruitment

Once you identify the gaps in your staffing requirements, you will need to consider whether the gaps are definable into full-time roles, or whether you need to outsource or utilize part-time services in specialized areas.

Once you have established you requirements, you need to attract and recruit the appropriate people. Attracting top-quality talent is one of the biggest challenges facing accounting practices today.

4.4.5a Employer of Choice

The term "employer of choice" has typically been associated with recruitment and retention strategies for employees. They include company reputation, family-friendly work policies, employment awards and

conditions, and social and community responsibility. The combination of these factors adds (or takes away) impetus for a potential employee to associate him or herself with a particular company.

When the current employment market favors those seeking employment—say, because of an accounting skills shortage—the perception of an organization as an employer of choice becomes a strong distinguishing factor in which firm attracts qualified employees and which firm does not.

4.4.5b   Your Employment Offering

Your challenge is to position your firm as an employer of choice in order to attract and retain the right people. Ideally, create a package valued by your current staff as well as those you want to employ. It should cover:

- The firm culture: honesty, integrity, consistency, respect and involvement;

- Employment conditions and remuneration: allow some flexibility so that the overall outcome represents a fair set of conditions for a fair day's pay;

- Skill and career development through job design and flexible and challenging work; and

- Responsiveness to the individual needs of employees and partners: this may require tailoring the employment arrangements in a way that lets the firm deliver quality, value and timeliness without rigidly following a single set of rules of employment.

The nature of the package will be shaped by the skills and knowledge you require. For example, if you need someone with a vast amount of experience, it is likely that staffer will be a Baby Boomer who will only join your firm if you offer security, stability and some assurance about their future, such as partnership or enhanced pension plan options. If, however, you want someone with specialized skills but do not have enough work to keep them fully occupied, you may be looking for Generation Y: someone who likes variety and flexibility in their work and has less need for security. They are likely to be enticed by a promise of leading-edge and exciting contract work where they will gain valuable skills, a high degree of autonomy, and a good salary package allowing time for hobbies.

4.4.5c   Your Employment Agreement

An employment agreement sets out the terms of the employment arrangement between the firm and its staff. Typical areas the agreement covers include a description of the duties to be performed, the manner in which they are to be performed, the compensation to be paid, loyalty to the employer's interests, the confidentiality of client and firm information, the basis for discipline or termination, non-competitive activity, and the ownership of firm property and information. The agreement should also cover the basis of performance assessment, whether performance appraisals will be conducted and their timing. An employment agreement is an important document for the firm and establishes expectations between both parties right from the start.

4.4.5d   Your Promotional Plan

Your promotional plan is the approach you choose to use to attract potentially suitable employees to your organization.

How will you brand yourself in the market? Is your firm seen as a good place to work (as an "employer of choice"), or a place where people do not stay very long? This perception will impact the caliber of person who applies for a position in your office, and may limit your choices. Branding can be improved by being proactive in your local community, having your people consistently describe your firm as a genuinely good place to work, encouraging a free flow of information and offering opportunities for your people to develop their skills and do varied work.

What promotional method(s) will you adopt? There are many options, such as:

- Approaching people your employees know and recommend;

- Advertising on Internet job boards;

- Advertising in local print media such as newspapers and accounting magazines;

- Using specialist recruitment companies;

- Approaching local universities for graduates;

- Searching social networking sites such as LinkedIn and Facebook;

- Creating a "group" for your company on LinkedIn and/or Facebook, calling it something like "(XYZ Company) is hiring," and listing your latest jobs along with information on how to apply;

- Monitoring blog pages and accounting community discussion forums, noting opinion leaders and approaching them directly; and

- Ensuring that your company website is continually updated as new job opportunities become available. Two issues to keep in mind when deciding on your promotional plan are:

- Where can you feasibly attract candidates? Are you limited to your local region, your country (because of recognition of qualifications), or can you bring someone in from overseas?

- Do you want to tap only the market of candidates who are actively looking for work (active candidates), or do you want to try to entice someone to join you who is currently working elsewhere (passive candidates)?

4.4.5e   Your Selection Process

In most countries, employers are required to give equal opportunity to applicants, and to treat everyone equally throughout the selection process. To avoid any claims of unfair practices in local tribunals, it is wise to follow the same selection process for all candidates applying for a position.

This process should be determined prior to advertising a position, and could incorporate elements such as those outlined below.

4.4.5f   Background Checking

Confidentiality of client information, an increase in fraud activities, and greater awareness of money-laundering particularly in relation to funding terrorist activities, means that clients and governments are holding companies responsible for the actions of their employees. It is highly advisable to do some form of background screening on any potential candidates. In some cases this is a requirement of Professional Indemnity policies.

This traditionally incorporates two aspects:

Background checking: This includes gathering information on behavior in the past through seeking referee reports, criminal records, checking for bankruptcy, checking claims made on résumés, etc. Extrapolations are then made on the basis of past behavior as to how the candidate will behave in the future.

Psychometric testing: There are many forms of psychometric testing, and any test should be tailored to your firm's specific need. Psychometric testing gives a picture of the person's current personality and behavioral characteristics, which has proven to be a far more accurate method for determining future behavior than background checking alone.

While both these methods require an investment of time and money, the devastating effects of an unethical or subversive employee cannot be underestimated. If you inadvertently hire someone like this, it will cost your firm much more in the long run.

A sample checklist of employment conditions is included in the sample office manual Appendix 1.4.

4.4.5g   Interviewing

It is highly recommended that you have a fixed set of questions (within reason) to ask each applicant. Where possible, have a face-to-face interview, where you can more readily assess body language and get a more accurate "feel" for the person. If you cannot interview in person, you may wish to utilize facilities such as web-cam, rather than just a telephone interview.

Ideally, provide the candidate with a role description at the interview so they can understand the position they are applying for and be more specific in their comments.

Where possible, the same employees should interview each applicant. Since each interviewer will have a different approach or perspective, a consistent interviewing panel assists in ensuring consistency.

Make notes during the interview that can be referred to later in the decision-making process. They can also be produced as evidence should an applicant query your hiring decision.

4.4.6   Induction

Once you have selected the successful applicant, it is important for them to get to know your firm in more detail.

Induction (also known as orientation) may be regarded as the final phase of recruitment and selection. However, it is also the first phase of learning and development. It is the formal process of familiarizing new employees with the firm, their roles within it, and how the firm operates.

Some firms do not have a formal employee induction program. This is unfortunate, since there are a number of very practical and cost-effective benefits to a well-run program, even for smaller firms, including the following:

- The new employee forms a favorable impression of the practice, contributing to their overall enthusiasm for the job. In this way, it can be an important factor in reducing staff turnover and employee dissatisfaction.

- It lets you establish a good working relationship with the new employee through explaining their job in relation to others in the firm. It also allows the person in charge of the induction to explain the firm's rules and regulations, thus reducing future misunderstandings.

- Transitions from school or university/college are made easier for employees with limited work experience.

- The employee adapts to the job and work environment more quickly, thus increasing their confidence. This reduces disruption and increases productivity.

4.4.6a   Induction Program

The type of job and structure of the firm will determine the kind of induction program undertaken. In some organizations, it may simply take the form of a conversation with a partner, with more detail provided by a supervisor. In larger firms, it may involve conversations with the human resources manager, partners, and supervisor and include several days (perhaps weeks) of training.

Make a list of topics you will need to cover. Put them into a suitable sequence, and use this induction program again for each new employee, with occasional minor updates. Generally you will need to cover the following three main areas.

4.4.6b   An Introduction to the Firm

Provide a tour of the firm and give information about:

- Its history, vision, mission, structure, services, and clients;

- The lines of communication within the firm, both formal and informal;

- The industry;

- Working environment: policies, rules, and work practices;

- Sources of advice and assistance;

- Policies on smoking, alcohol, misconduct, holidays, and absences;

- Grievance procedures and other relevant policies;

- Where to find washrooms, lockers, parking, toilets, kitchen and fire escapes;

- Security systems such as fire drills, fire warden, location of extinguishers, and procedures in case of accident or emergency; and

- Safety information and occupational health.

4.4.6c   Defining the Individual's Terms of Employment

Provide information about:

- Relevant awards and enterprise agreements, systems of pay and relevant local regulations;

- Hours of work, breaks, and finishing time;

- Time-keeping and recording procedures; and

- Performance appraisal processes and competency requirements.

4.4.6d   Acquainting the Employee in Detail with the Requirements of the Job

- Provide them with role descriptions;

- Introduce workmates and other people they will need to deal with in their roles;

- Identify promotion opportunities;

- Outline training and development opportunities;

- Discuss details relevant to their jobs: what tools, equipment, and supplies will be used and how these can be obtained, as well as safety requirements;

- Explain where their job fits into the overall firm structure;

- Train them on the firm's software;

- Define supervisors' expectations of them; and

- Define peers' and clients' expectations of them.

Provide *directly relevant information* before proceeding with more general information. People want to know first about things that affect them immediately, such as the location of the toilets, where to park and how their pay is calculated.

After a few days of formal induction the program can become more flexible, with stages for such activities as learning about each individual service of the firm, or the learning and executing of each type of work.

A review of employment terms, workplace health and safety, and equal-opportunity discrimination and harassment policies should form part of a new employee induction program. The sample office manual in Appendix 1.4 provides an example of the content that should be discussed with new employees.

4.5   Leading Your Team

4.5.1   Setting an Example: "Tone at the Top"

Accountants are trained to be skilled in the management of information and systems. The moment you take on a leadership role though, you also accept responsibility for affecting the behavior of other people and for exerting a significant daily influence on their understanding of their jobs and awareness of their performance. This requires developing integrity, personal responsibility, personal vision and self-understanding. It means working with people who may have different backgrounds, work preferences or personal and professional strengths. Above all, it entails a willingness to be accountable and to expect accountability in return.

Another useful way of thinking of the distinction between "management" and "leadership" is:

- *Management* is working with processes to accomplish goals; and

- *Leadership* is working with people to accomplish agreed-upon results.

It is important to remember that processes are managed, while people are led. In their jobs, individuals to some extent will need to balance both aspects, the particular "blend" depending on overall job demands and circumstances. Team leaders should try to find the balance between the task, the person and the team.

Creating the right "tone at the top" is not only an important element of corporate governance, but also critical to the effective operations of audit firms, according to a paper issued by the IFAC Forum of Firms. The "Tone at the Top and Audit Quality" paper describes five areas in which management can address "tone at the top" issues: strategy, communication, job descriptions, performance appraisals, and monitoring. Examples are also provided to clarify further the types of policies and procedures being put in place, and the corresponding system of rewards and sanctions. *Tone at the Top and Audit Quality* can be downloaded free-of-charge from the IFAC website at http://web. ifac.org/publications.

Functional leadership model

The challenge for team leaders is to ensure that one element does not draw attention or too many resources away from the other two areas so that all three interlock evenly (as shown in Figure 4.1 below). At times you will need to allow for a short-term imbalance in order to rectify problems or focus resources on particular issues. However, if one element is allowed to "overshadow" the others for too long, then imbalance, conflict and dysfunction can occur.

Figure 4.1 The overlapping team, task and individual model
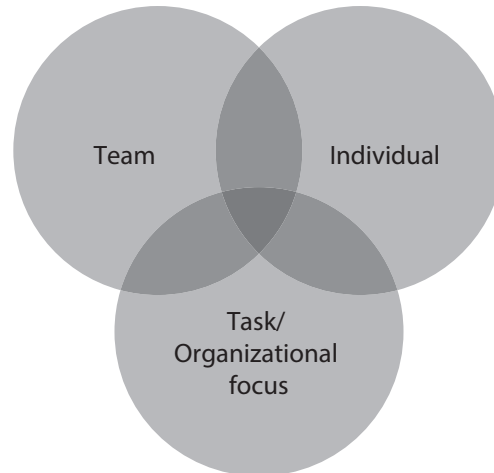
Essentially this model states that:

- Teams work best when they know the task they are expected to perform (or the outcome to achieve) and that there is a good likelihood of success;

- Team members have a basic need to work together as a team and be seen as achieving results; and

- Every *individual* in the team needs to feel that they are doing a good job and is a valued part of the team. Effective leaders pay attention to all three areas.

4.5.2   *What Employees Expect from Leaders*

People are remarkably consistent in reporting what they expect from their leaders.

Team members want leaders who are "honest"

This means:

- Leaders mean what they say;

- Employees know where they stand with the leader;

- Leaders do what they say and ensure their actions are consistent with their words;

- Leaders aren't afraid to admit they don't have all the answers; and

- Leaders engender trust.

Employees want leaders who are "competent"

This means:

- Leaders understand what is required to get the job done;

- Leaders have the people skills to engage the team effectively;

- Leaders communicate clearly so that employees know what is going on and whether they are doing a good job;

- Leaders understand the capabilities and interests of team members and can harness this within the team; and

- Leaders engender respect.

Employees want leaders who are "inspiring"

This means leaders:

- Are enthusiastic;

- Have a vision and can communicate it to others;

- Look forward as well as building on the past;

- Create an environment that helps to motivate employees;

- Focus people on long-term goals while celebrating achievement of short-term goals; and

- Engender commitment.

Employees want leaders who are "credible"

This means a leader who:

- Has a proven track record;

- Deals with people directly;

- Understands that credibility must be earned and can be lost very quickly; and

- Engenders confidence.

4.5.3   Building a High-Performing Team

It is helpful to understand how to develop a high-performing team culture.

What is a team? People generally share needs for affiliation and connection. An effective team usually evolves from a group of employees who have come to know each other well, are focused on a shared objective over time and know the capabilities of each member and each member's contributions to the success of the whole. This is commonly seen in, say, a sports team, a debating team or a well-functioning work team.

Members of a team share:

- Recognition and membership: being accepted and recognized as a valued member of a defined team;

- Identity: mutual awareness and respect, agreed symbols, fellow feeling;

- Open communication: free exchange of information, ideas, and views, and full interaction between members;

- A common goal: consciousness of a common cause, task, goal, ideal; a reason for being and staying together to achieve something; and

- Mutual accountability and interdependence.

Teams are a powerful vehicle for enhancing productivity, creativity and empowerment. They offer many benefits to a firm as it seeks to maintain and improve core business performance in a rapidly changing, unpredictable strategic and operational environment, including:

- Better decision-making;

- Increased quality;

- Higher productivity;

- Improved performance;

- Stronger communication and coordination;

- Greater flexibility both for individuals and the firm;

- Better service;

- Diverse skills and ideas;

- Higher job satisfaction and morale;

- Reduced operating costs;

- Fostering of creativity and innovative work practices;

- Increased synergy (the effectiveness of the whole is greater than the sum of individual efforts);

- Leaders released from detailed work to think strategically; and

- Succession.

4.5.3a   How to Form an Effective Work Team

- **Agree on clear and achievable goals**: A team works best when members clearly understand where they are going and why.

- **Set a clear plan**: Once the team has agreed upon a clear purpose, help them determine what advice, training, and other resources they may need. Develop an action plan that details who is going to do what, by what deadline, and what resources or support are required.

- **Define roles clearly:** Effective teams empower their members and expect each to contribute. Everyone needs to know what they are expected to do, and how performance will be measured. Be clear about which roles are shared. Clear job roles are an important foundation for effective feedback on performance.

- **Insist on clear communication**: Team members depend on each other to achieve shared outcomes. All need to keep the shared goal in mind, listen actively, ask questions and share relevant information in a timely manner.

- **Encourage team behaviors**: A supportive team climate encourages all to work closely together. The team leader needs to establish a collaborative team environment and to step in when team members display contrary behaviors.

- **Establish effective decision-making**: Decision-making should be open, transparent, and involve team members where possible, particularly on changes that impact them. It works better when team members understand the reasons for decisions.

- **Increase awareness of group processes/group dynamics**: Team members need a solid understanding of how the team works together and how individuals behave in teams. The team should conduct regular self-assessments to see what could be improved. This could be done on a weekly basis, or monthly, following the firms Practice Meeting.

- **Expect and encourage participation**: Most people are goal-directed, social beings, and teams provide opportunities to be involved in decision-making discussions, especially where outcomes are likely to affect them. Ensure all members have the opportunity to participate and be prepared to contribute their talents.

- **Establish ground rules**: Have the team agree on "ground rules" as early as possible. Have processes in place to reinforce the ground rules, and take appropriate action when they are not being followed.

- **Insist on the best available information**: Having good information makes it much easier to agree on, and get, effective solutions. Sound data also help to minimize divergences of opinion and disagreements. Team leaders should promote and model good information-gathering processes.

4.5.3b   Stages of Team Growth

Five stages in a team's formative process have been identified. While these are most apparent in a new team, any team can exhibit characteristics of the various stages whenever there is a significant change—for example, in membership, leadership, or in team goals or functions.

A team will not necessarily progress through each stage in a linear fashion. Change at any stage can force the team back to any of the earlier stages. The team leader needs to identify this process and respond appropriately to "get the team back on track."

Table 4.1 Stages of group formation and team growth

Stages	Feelings	Behaviors
Forming	Excitement, anticipation, optimism Initial, tentative attachment to the team Suspicion, fear, anxiety	Attempts to define the task, acceptable group behaviors and decision-making processes Abstract discussions of concepts and issues Discussions of symptoms not relevant to the task Complaints about organization and barriers to task
Storming	Resistance to the task and different approaches Sharp fluctuations in attitude	Arguing among members Defensiveness and competition Questioning wisdom of appointed leader Establishing unrealistic goals Perceived "pecking order" emerges Increased or unresolved tension and rivalry
Norming	Growing ability to criticize constructively Acceptance of membership in the team Relief: everything is going to work out!	An attempt to achieve harmony More friendliness, confiding, sharing Sense of team cohesion Establishing and maintaining rules and boundaries Emerging sense of direction and focus
Performing	Clearer insights into personal and group processes Understanding of each other's strengths and weaknesses Satisfaction with the team's progress Sense of shared achievement	Constructive self-change Ability to prevent or work through group problems Close attachment to the team Progress, energy, achievement
Adjourning/ (Mourning)	Sense of loss of common purpose Concern about disengagement Concern about withdrawing from group relationships	Output drops/low-level conflicts Individuals withdraw Separation "rituals" Interdependency drops

Adapted from: Tuckman 1965 and Tuckman & Jensen 1977[1]

4.5.3c   Leadership Styles

How can you arrange things so you get to the high-performing stage more quickly? The answer lies in your flexibility as a leader, as one style of operating does not suit all people or all situations.

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[1] Tuckman, Bruce W. and Jensen, Mary Ann C. *Stages of Small-Group Development Revisited.* Group & Organization Management 4(1977): 419–427.

Table 4.2 Leadership styles for effective teams

Leadership Style	How It Builds Resonance	Impact on Climate	When Appropriate
Visionary	Moves people toward shared dreams	Most strongly positive	When change requires a new vision, or when a clear direction is needed
Coaching	Connects what a person wants with the team's goals	Highly positive	To help a person contribute more effectively to the team
Affiliative	Creates harmony by connecting people to each other	Positive	To heal rifts in a team, motivate during stressful times, or strengthen connections
Democratic	Values people's input and gets commitment through participation	Positive	To build buy-in or consensus, or to get valuable input from team members
Pacesetting	Sets challenging and exciting goals	Frequently highly negative because poorly executed	To get high-quality results from a motivated and competent team
Commanding	Soothes fears by giving clear direction in an emergency	Often highly negative because misused	In a crisis, to kick-start a turnaround

Adapted from: Goleman, Boyatzis and McKee 2002 [2]

As you can see, different styles of leadership each have their uses.

For more information about personality types and tools, you may like to research the following, which are discussed only briefly.

- **Myers-Briggs Type Indicator (MBTI)** (developed by Katharine Cook Briggs and Isabel Briggs Myers; see www.myersbriggs.org) measures where someone gets energy (extraversion/introversion), how someone takes information in (sensing/intuition), what decision-making process is used (thinking/feeling), and how the individual organizes themselves in life (judging/perceiving).

- **DISC** (based on the work of William Moulton Marston) stands for Dominance—relating to control, power and assertiveness; Influence—relating to social situations and communication; Steadiness—relating to patience, persistence and thoughtfulness; and Conscientiousness—relating to structure and organization. From these, measures of assertiveness, passivity, openness and guardedness may be drawn.

- **The Herrmann Brain Dominance Instrument (HBDI)** (developed by William Hermann) is a type of cognitive style measure and model similar to the MBTI and DISC.

More recently, a concept of forms of intelligence other than intellectual has been gaining prominence. It is said that factors such as emotional capacity may also affect an individual's ability to perform.

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[2] Goleman, Daniel, Boyatzis, Richard and McKee, Annie. *Primal Leadership: Realizing the Power of Emotional Intelligence*. Boston, MA: Harvard Business School Press, 2002.

- **The theory of multiple intelligences** (developed by Howard Gardner) includes interpersonal intelligence (the capacity to understand the intentions, motivations and desires of other people) and intrapersonal intelligence (the capacity to understand oneself, to appreciate one's feelings, fears and motivations). In Gardner's view, traditional types of intelligence, such as IQ, fail to fully explain cognitive ability.

- **Emotional intelligence (EI)**, often measured as an Emotional Intelligence Quotient (EQ), measures someone's ability to read and manage their own emotions and those of others and groups. Daniel Goleman has outlined four emotional intelligences: self-awareness, self-management, social awareness, and relationship management. These are said to be learned rather than innate intelligences, and therefore a leader may develop and heighten these traits.

While some take to leadership naturally, many do not, so it is reassuring to know that many of its components can be learned over time. As a principal or partner in your practice, it is worth putting the required effort into this—as you will be rewarded by a proportional increase in productivity, and thus profitability.

4.5.4   Communication

Good communication within a firm is vital to avoid friction and enhance productivity. It ensures that information relating to a particular client or skill can be shared and that people are aware of any difficulties experienced elsewhere in the firm. By communicating well with the workforce, a partner can outline the firm's expectations clearly, discuss them, and have them accepted as reasonable by the firm's employees. Communication handled in this way will help avoid conflict later.

Communication is a key way to promote professional standards within the firm. All employees need to know where to find certain items, how to perform certain tasks, how to fill any gaps in their personal knowledge, and whom to ask for help when needed. This communication might be via email or memo, or through having a set of common work papers to standardize the way a task is completed, a procedures manual, or it may be achieved through staff meetings or training activities. "Face to face" is usually the best way to communicate.

4.5.4a   Interpersonal Communication Model

Effective communication should result in shared understanding.

As shown in the diagram below (Figure 4.2), how the message is understood will depend on how clear the communication process is between the sender and the receiver.

Whatever your reason for communicating, your receiver needs to:

- See some benefit in paying attention to your message;

- Be clear on what you intended to convey; and

- Have the opportunity to respond appropriately (to note your message, agree with it, get more information, do something or simply agree to disagree).

Figure 4.2 Effective communication

Message

Why?
What?
How?
What are my perceptions
and expectations?

Sender
Receiver

Is the environment right?
Is the timing right?
Is it the right person?
Am I using the right manner?

Receiver
Sender

Whom?
How receptive are they?
What is their preferred
communication style?
What is their situation?
What is their background?

Field of experience

Feedback

Field of experience
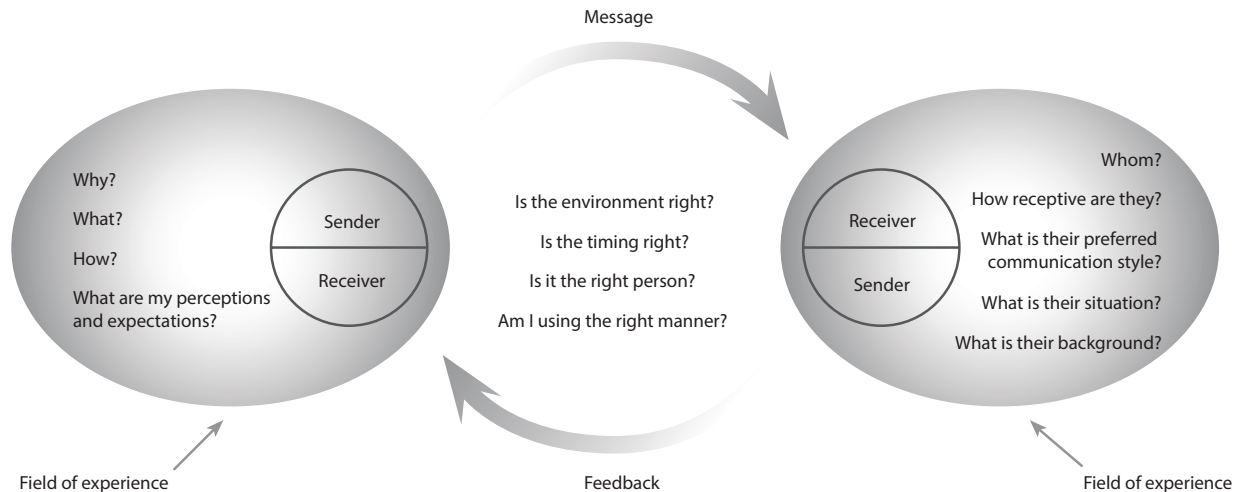
Effective communication occurs when the message is precise, and when the message passes through the communication channel between sender and receiver without any form of interference. The sender has two important roles: first, to convey the initial message, and second, to use feedback to ensure that the receiver has received and interpreted the message correctly. Feedback is achieved when the sender asks some question of the receiver to test the level of understanding. If the message has not been received correctly or completely, the sender may then restate and explain the message.

This process is obviously easier in meetings and telephone conversations than if the "channel" is an email, letter, memo, or web page. These situations do not generate immediate feedback, so you don't know if the message has been correctly received. As a general rule, the best outcome in any communication is to use multiple channels, such as a verbal description backed up by writing.

4.5.4b   Seven-Step Strategy for Practical Communication

1. **Preparing the message**

   - What is your key message?
   - Who is it intended for?
   - What outcome are you looking for?
   - How can you best get your message across?
   - When is the best time?
   - Where is the best place?
   - Are the main points clear?
   - Is there any ambiguity in your message?
   - Are the facts correct?
   - Is the necessary action clear?
   - Is all the necessary information included?

2. **Preparing yourself**

- Consider your own attitude and confidence levels.

- Draw on your assertiveness skills.

- Be aware of verbal/non-verbal congruence.

- Seek to create the environment that will bring out the best in you as you communicate.

3. **Gaining attention**

- Be direct and ask for attention.

- Use eye contact with confidence.

- Engage your listener's interest with a dramatic statement, an anecdote, or a straightforward question.

- Use vivid visual images or vocal intensity.

- Use emphatic body gestures or positioning.

- "Dress to impress"(personal appearance).

4. **Preparing the receiver**

- Make it clear what it is you wish to communicate or discuss.

- Point out the importance of your communication and/or the benefits to the listener.

- Check that they are willing for you to proceed.

5. **Sending the message**

- Use simple language, and emphasize the key points.

- Speak clearly and audibly, varying your voice pitch, tone and volume for emphasis or to convey emotion and meaning.

- Be ready to respond to signs of boredom or disinterest.

- Pause for questions or clarification.

- Summarize to help understanding.

- Talk "to" people, not "at" them.

- Change your approach if need be.

6. **Receiving and clarifying**

- Actively listen and show interest in the speaker.

- Do not switch off just because you disagree.

- Ask for clarification, restatement, or more explanation if you are not sure you understand.

- Try paraphrasing to check your understanding.

- Do not miss main points by getting blinded by detail.

- Concentrate on what is being said, not on your own opinions, biases or problems.

- Give a fair hearing to the other's point of view before responding.

7. **Closing**

- Agree on a course of action or ask for a reaction.

- Suggest a way or ways forward.

- Summarize what has been achieved so far.

- Arrange another meeting.

- Indicate that you have finished.

- Thank the person for his or her time and attention.

4.5.5   Delegation: The Key to Firm Leverage

Often in an accounting firm, the most senior people are the busiest in the organization. These are the people under the most pressure, who often work the longest hours, and who sometimes simply do not have the time to do all the things they would like to.

Telltale signs of difficulties include employees unable to access a partner to get a query answered, a backlog of jobs awaiting review, invoices raised but not sent, and client questions awaiting resolution. Partners are too busy doing client work to engage with the firm management.

Delegation is crucial to freeing up partner time in order to allow them to manage client relationships and to make the most efficient use of their time and talents. The trend is for each partner to have more employees who achieve higher levels of profitability, but clearly the more people a partner supervises, the less time they can spend directly doing work for clients. Delegation is the only way the work can be completed effectively.

4.5.5a   What is Delegation?

Delegation involves assigning tasks, duties, and projects to your employees, along with the responsibility, power, and authority necessary to accomplish those tasks and achieve the expected results.

Delegation allows your team to use its abilities to the fullest capacity. In addition, it enables you to position the right work at the most efficient responsibility level, helping both you and your team members to meet expected turnaround times. In the process, you expand the skills of those involved and improve the contribution to the firm. Finally, it allows you to focus on the big picture and on your most important tasks.

4.5.5b   Why Senior Employees Fail to Delegate

There are a number of reasons some partners and senior employees fail to delegate:

- Delegation means giving up some control, which they don't want to give up.

- They do not want to risk their relationships with the clients.

- They fear that quality control might be at risk if they do not do the work personally.

- They like what they are doing and get satisfaction from doing it.

- They think it is quicker and easier to do it themselves (it probably is, but this is short-term thinking, and not sustainable).

- They can do a better job than any of their employees (this may be the case initially, but can be overcome with training).

While well-intentioned, this thinking prevents a partner from achieving the best long-term results for the firm.

4.5.5c Keys to Successful Delegation

1. Determine the tasks or area of responsibility to be delegated. Delegate anything that:

- Is time-consuming;

- Is low priority;

- Is recurring or mechanical;

- Someone else could do either better than you or at a lower cost; and

- Will train and develop the skills of your employees. and then:

- Decide which employee should complete the task;

- Give clear job instructions;

- Set a deadline for the task;

- Set milestones to report back on;

- Set a deadline for completion; and

- Monitor progress of junior staff.

Remember, however, that there are certain things only you can do, decisions that only you can make and critical areas that only you can and should handle. One should approach delegation on a "cascading" basis. Areas of lower risk, requiring lesser levels of specialization, and where fee pressure is less likely to occur are the first places to consider for delegation.

Sole practitioners and partners should seek to drive the work down through the firm and retain for themselves the work that demands their level of expertise. The more you delegate and train, the more work your people will be able to take on. The delegation cycle should go from each level to the next. Ideally, the partners' time can eventually focus almost exclusively on client management, client cultivation, and management of the firm and team.

2. Decide which of your employees should complete the tasks

You know the capabilities of each member of your team. You will find it easier to delegate work to senior members of your team, whose work you have confidence in. However, when you are completing the workflow scheduling, decide which member of your team could do the job most effectively. If you find that no employee has the necessary skills, then you should implement the necessary training.

3. Give clear instructions

Clearly communicate the objective, time frame and outcome of the task, including how much initiative is expected and autonomy is allowed. Have systems and procedures in place to support the completion of a task in a consistent manner.

4. Ensure that you provide the necessary authority and tools

Ensure that your employees have the necessary authority and tools to do what is asked of them. When they complete tasks successfully, acknowledge that contribution to the success of the firm.

5. Communicate trust and confidence in people's ability

Stress the importance of the task, and express confidence in the person to whom you have delegated a task.

6.   Set milestones at key points

Even though you are delegating tasks and responsibilities, you still retain the ultimate accountability for the actions of your team. Consequently, you must allow time to check completed work, to correct any errors that have been made, and to answer any questions. Your employees will not have the same level of skill as you and may not see things from your viewpoint, so it is vital that you have a means of catching up with those you delegate to. This will protect the integrity of your firm's work.

4.6   Managing and Retaining Employees

Accounting firms often underestimate the cost of staff turnover. There are obvious costs of staff replacement, such as recruitment and training, but these are just the start of the cost equation. There is also possible disruption to productivity from a dissatisfied employee prior to their departure. This also applies to the remaining employees who need to pick up the work until a replacement is found. This increased pressure on remaining employees can lead to reduced capacity for new business growth. While a certain level of staff turnover is inevitable, a principal or manager wanting to maximize the firm's profitability will do their best to minimize staff turnover and retain key employees.

A number of factors influence staff retention rates; the most important of these are outlined below.

4.6.1   Motivation

Motivation is an inner drive or need that influences individual behavior, attitudes and responses. People may not be conscious of all their needs, yet these needs may still affect their performance in the workplace.

While people are motivated in different ways, there are underlying themes and commonalities that apply to everybody.

Maslow's "hierarchy of human needs"

Abraham Maslow identified a "hierarchy of human needs" in his 1943 paper, *A Theory of Human Motivation*. He argued that when people's needs were satisfied at one level, then they were no longer motivated by those needs. For instance, people are no longer driven by hunger once they are fed. On the other hand, when people are starving, all other needs are irrelevant and will not motivate them. His hierarchy is as follows:

Survival (physiological): These are the basic needs to sustain life: food, drink, shelter, bodily needs, and sex drive.

Security (safety): This reflects the need to be free from danger. In work terms, this can mean freedom from the fear of losing one's job or home. Most people need to feel that the world around them is orderly. Having a job, or at least a source of income, provides for this level of motivation.

Social: People have an underlying need to feel accepted, and to give and receive affection to some degree. This is usually expressed through belonging to a group and having friends. People who feel excluded, or without friends in a workplace are usually lonely and unhappy. This reflects a universal need for affiliation and being valued by others.

Self-esteem: Once people have fulfilled their social needs, they feel the need to be respected. This builds a sense of self-worth and self-confidence. People in all sorts of jobs like to feel that they do their jobs well and contribute to their organizations, and that other people respect them for it. This need relates to the need for self-respect, status, recognition and ego fulfillment.

Self-actualization: Maslow argued that this was the highest human need—the need to recognize one's full potential and realize that potential. Personal and professional development, taking on a very challenging job or winning a promotion might be manifestations of this need in the workplace.

Self-transcendence: This is the level at which the person attains and surpasses self-actualization and works beyond notions of "self" in favor of the collective good of others. There have been many examples of people who have lived selfless and generous lives.

Some may have stronger social needs than others, and not everyone has a strong desire to accomplish great things. In any case, partners and managers have to be aware that everyone has needs and that those needs can vary enormously according to personal circumstances.

Signs of poor motivation/morale

Indicators of poor motivation/morale in a team include:

- High absenteeism and employee turnover;

- Values conflicts/poor relationships; and

- Low job satisfaction, productivity, and achievement.

Be aware of these signs, and be prepared to address them directly with individual staff members or with the firm as a whole. Remember: either too much or too little work can be a source of tension, stress, dissatisfaction and low morale. Morale is influenced strongly by attitudes and behaviors of co-workers, supervisors/managers and team members, and assumptions in the workplace culture.

4.6.2   Staff Retention

Attracting, engaging, and retaining top-quality talent is one of the greatest challenges facing accounting firms today. Without appropriate strategies and practices around engagement and retention, a firm will just not be able to achieve sustainable high performance.

Simple strategies that can support staff retention include:

- **Know your staffing** and making a personal connection. Communicate and provide regular formal and informal feedback.

- **Mentor and develop staff**. If they are doing a good job, make sure you provide positive feedback. If they are not, provide constructive feedback followed up with mentoring or coaching.

- **Create an engaging firm culture** that acknowledges that staff are motivated by a range of factors, including money. Using verbal praise and alternative rewards, such as training, can motivate and create a positive and engaging work culture.

- **Use performance reviews** to define career pathways and explore development opportunities.

- **Establish stretch targets** and challenge team members by offering them greater levels of responsibility. Delegate special projects that can test their leadership abilities.

By creating a positive, engaging, and collaborative firm culture, it will make it harder for staff to leave. There is another side to this too. Remember that your clients like to engage with staff they know and have built a relationship with. Retaining good staff will improve the long-term success of your firm.

4.6.3   Keys to a Productive, Cohesive Work Environment

- The right mix of competencies and maturity (individual and whole team);

- A motivating environment;

- A good match between people and jobs, and a good balance within the team;

- Appropriate reward and recognition processes;

- Support systems and networks;

- Well-integrated recruitment, training, development, orientation and assessment systems;

- Treating people as individuals with unique strengths and preferences; and

- Recognition that personal style differences can exist between peers, and between supervisors/ managers and their own managers.

While the culture of a firm and the motivation of its employees have a direct correlation to performance levels, there are measures you can take to increase productivity.

4.6.4 Performance Management

Performance management is the use of inter-related strategies and activities to monitor and improve the performance of individuals, teams and the firm as a whole. It involves:

- Clarifying performance objectives (this could include tasks, outcomes, behaviors) and linking these with the firm's business plans;

- Periodic performance appraisal of individuals or teams against the achievement of these objectives;

- Feedback from this appraisal;

- Recognition or reward for performance, including performance pay, salary progression guided by performance, or non-pay reward systems;

- Team and individual development to build capabilities; and

- Coaching, or other action to deal with poor performance.

Performance management should be an ongoing activity, where timely feedback can be given to keep performance on track. Ongoing monitoring and dialogue feeds into a formal system of documenting the performance of an individual called performance appraisal. Often the outcome of the formal performance appraisal is linked to remuneration and recognition, so it requires a higher degree of robustness in the processes used to reach the outcomes, whereas ongoing performance management tends to be more informal and situational.

To be a good performance manager, ideally you will:

- Communicate a clear "context" for the individual's job and work;

- Agree upon clear objectives and expectations with the team and with each individual;

- Show clear relationships between the work of the individual, the team and the firm; provide guidance and support as needed, without being obtrusive;

- Give ongoing, timely and specific feedback;

- Be open to receiving and learning from constructive feedback; see performance management as a positive role;

- Focus on issues relating to performance, behavior and development, not personality clashes;

- Allow for differing stages of maturity of the employee, as well as any changing circumstances; and

- Encourage continuous learning, helping people develop their strengths and potential.

But even if you do the above, how do you know if an employee is performing adequately or not?

4.6.5 Productivity Versus Performance

There is a difference between "productivity" and "performance." Productivity can easily be measured by chargeable hours, but performance also needs to encompass factors such as the quality of the work, the ability to recover the time spent and the attitude with which the work was done. For example, you may have two employees who are both billing the same hours, and yet one employee requires little supervision and gets their work done correctly the first time, whereas the other employee may make many errors and require much senior employee time quality-controlling the work, thus increasing the cost to the firm. Similarly, an employee who has a morose or resentful outlook can have a negative impact on those working around them.

4.6.6 Calculating Productivity

4.6.6a Identifying Revenue Capacity

- Step 1: Identify the standard hours worked by your people.

- Step 2: Set charge rates.

- Step 3: Calculate capacity/revenue budget.

Identify the standard hours worked by the people in your firm, and set efficiency levels for them

Standard hours need to be calculated after an allowance for annual leave, sick leave and statutory holidays. Even though you might work longer hours than an average working week, it is important to leave a level of conservatism in your estimate.

Table 4.3 Standard hours calculator (example)

Criteria	Weeks
Weeks in year	52
Annual Leave	(4)
Public Holidays	(2)
Sick leave	(1)
Training (Continuing Professional Development)	(1)
Available weeks	44
Hours worked per week	37.5
Total Standard Hours	1,650

This approach determines the number of hours that are available for the firm, referred to as Standard Hours.

The starting point is the total number of weeks available in the year. Deduct from this the time that is not available, such as annual leave, public holidays, sick leave and staff training or continuing professional development. This is the number of weeks available.

Multiply this by the hours expected to be worked each week. This is the total standard hours per year.

The above table can be used to calculate the standard hours for your firm. Use it as a template and adjust for local variations. For instance, annual leave and public holidays are likely to differ from the example above and differ between countries, as will the standard hours worked per week.

Efficiency levels relate to the level of chargeable work within the available time frame. Since employees generally have some non-chargeable functions, such as completing timesheets, professional development and team meetings, Table 4.4 gives a guide to calculating these levels.

Table 4.4 Efficiency levels

Position	Efficiency Level
Partner	50–70%
Professional employees	70–80%
Support employees	Depends on duties

When setting efficiency targets it is important to consider that efficiency levels will depend upon the business model the firm uses and the type of work undertaken. For example, compliance work tends to demand higher efficiency rates, whereas consulting work tends to have lower efficiency, but commands higher charge-out rates.

4.6.6b   Set Charge Rates

Charge rates for each position will differ. Office location, market forces, and the salary and level of experience of each person influence rates. There is a commercial trade-off. You want these rates to be competitive and realistic so that you do not price yourself out of work, or spend too much time handling client complaints about excessive fees. But they also drive your profitability, so they should not be set too low.

Since charge rates need to reflect the seniority and experience of personnel, one approach is to set your rate for the partner(s), then cascade your rates down through the organization (see Table 4.5).

Table 4.5 Charge rates

Position	Charge Rate
Partner	100%
Manager	75–80%
Senior	55–60%
Graduate	40–50%
Support employees	50% or less depending on role

Another option is a detailed calculation of a multiplier that is applied to the wage cost of each person. To come up with a figure for each person, the multiplier takes into account the overheads of your firm, the likely working and chargeable hours, and your desired profit level.

4.6.6c   Calculate Capacity/Revenue Budget

From the information above, revenue capacity can be established. Table 4.6 shows how this is done for an individual.

Table 4.6 Individual revenue capacity

Staff Member	Standard Hours	x	Efficiency Level Per Hour	x	Charge Rate	=	Revenue Budget
John Smith	1,650	x	75%	x	$160	=	$198,000
Joel Bracken							
Maria Brownlee							

This process not only creates a budget for the firm, but also sets some productivity standards against which employees can be evaluated. Once you have established your annual budgets, break them down to a monthly basis and then measure actual time performance against the budget. If budgets are not being met, you need to start looking for the reasons.

4.6.6d   Monitoring Productivity

Time is a key resource for any accounting firm, so it is important that a firm manager monitor the use of time and employees' productivity.

1. Establish and communicate performance standards

Productivity cannot be monitored properly until performance standards are established. Standards are set at two levels. The first is the chargeable time percentage that employees are expected to achieve; the second is the time budgets for completion of individual pieces of work for clients.

These standards must be realistic and achievable. If they are too restrictive, employees may compromise on the quality of work simply in order to achieve the target. Alternatively, if the standards are too flexible, time may be wasted on unnecessary functions.

Where employees are mainly providing administrative and support functions, other standards may need to be established.

The firm's standards must be communicated to employees. What they are not aware of, they cannot strive to achieve.

2. Have employees maintain a continual record of time usage and fee billing

Most firms maintain timesheets in order to bill clients for work undertaken; however, these are also used for monitoring employees' productivity. Timesheets should indicate the client's name or code, the type of work being completed, and the time spent. This allows a partner or manager to monitor both the number of productive hours worked and the length of time taken on each task.

In order to accurately reflect the time spent on each task, timesheets must be updated regularly throughout the day. It is useful for employees to get into this habit so they can accurately record the details of what they were working on.

3. Check time summary and fee budget against agreed standards each month

Most practice management packages provide a report comparing productive hours against standards for each employee. This will indicate whether a particular employee has met budget for the month in question.

4. Identify discrepancies, and discuss these with the employee

Where significant variances appear, promptly discuss this with your employee to understand why the budgets are not being met. Perhaps the budgets are not realistic or achievable. Perhaps there are other

impediments to meeting the agreed standards, such as poorly functioning equipment. If the discrepancies are considered achievable and there are no other impediments, a training plan can be put in place to assist the employee in meeting the goals in the future.

5. Take necessary action to improve productivity

Talk alone will not fix a poor productivity situation; action is needed. This may be as simple as reducing reworks, instituting new standard systems such as working papers and procedures, repairing or replacing equipment that is hampering employees' efforts, or providing training.

4.6.7 Assessing performance

Performance can be identified through:

- Direct observation (productivity, attitudes, and behavior);

- Assessment of work outputs (quality, quantity, process, product, and turnaround time);

- Degree of adherence to agreed performance standards;

- Information from work monitoring systems, audits, reviews;

- Formal or informal discussions/feedback; and

- A report, or complaint by another employee, client, or other person.

Figure 4.3 Assessing performance
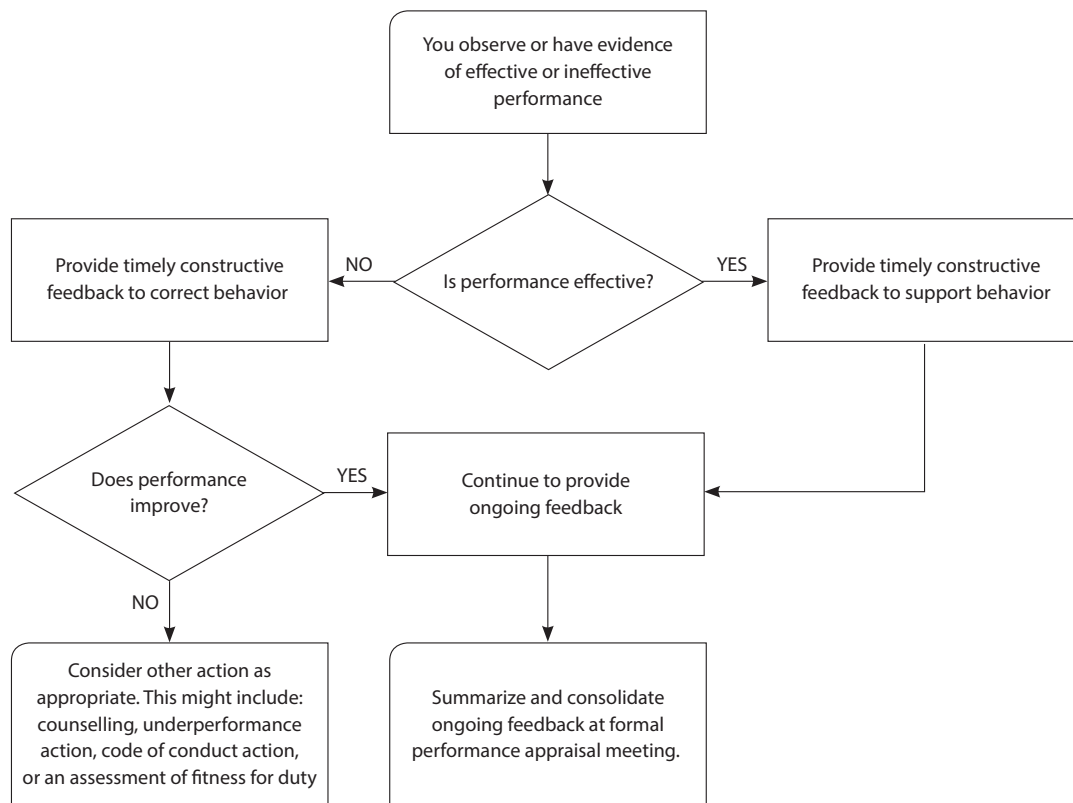
4.6.7a   Bias and Objectivity

It is important to be fair when doing performance appraisals. But in order to ensure fairness, it is essential to be aware of some of the most common forms of bias that may influence your assessment.

Table 4.7 Common assessment biases

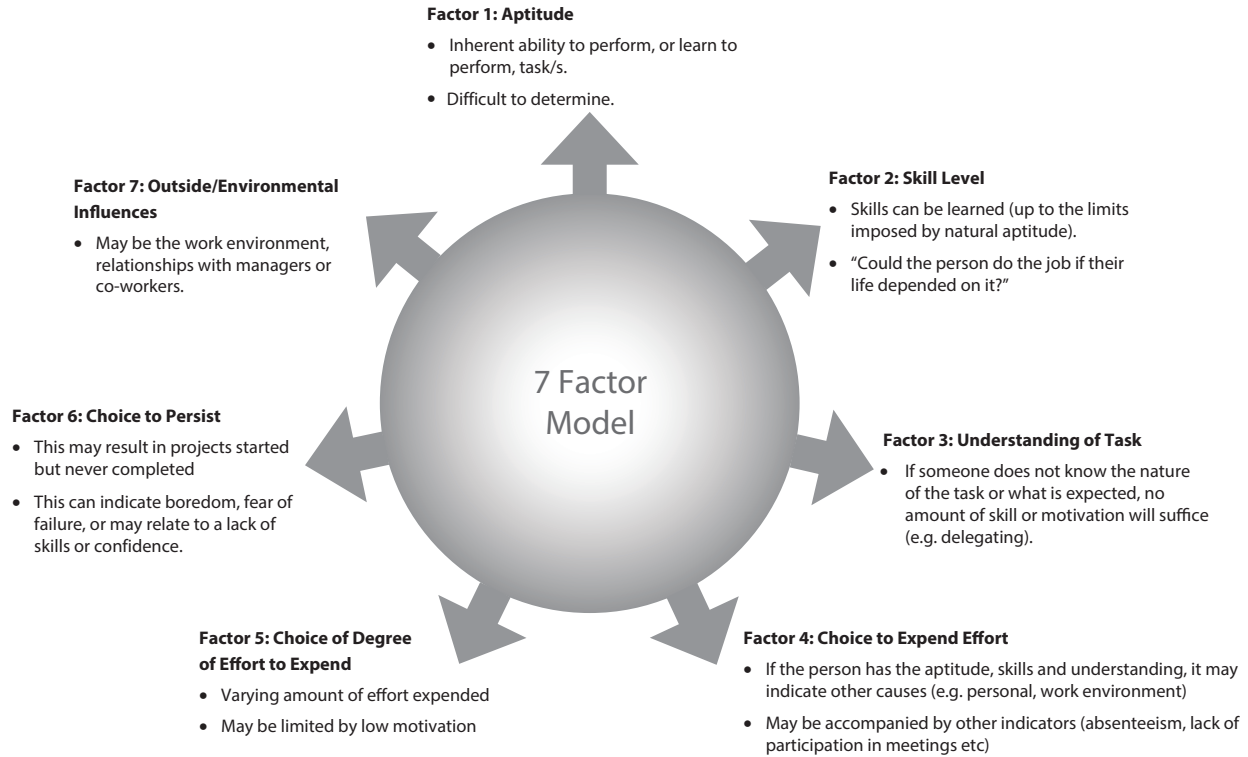| First Impressions	First impressions not balanced by "factoring in" subsequent evidence	The "Halo" or "Horns" Effect	Allowing good or bad performance in one or two areas of work to color assessment in other areas, resulting in overall assessment as high (halo) or low (horns)
Contrast Effects	Assessing people against others rather than strictly against job requirements	Central Tendency	Habit of assessing most people as "average": neither very high nor very low
Similarity/ Clone Factor	Tendency to assess others more highly if they are similar to oneself	Assumptions/Hearsay (the person is "lazy," "dishonest." etc.)	"Filling in the gaps" without direct evidence, or by believing what others tell you
Recency/ 'Prominence' bias	Tendency to assess people based mainly on recent behavior	Over-/Under-Attribution (Leniency or Severity Bias)	Assessing higher or lower than is actually warranted: the most common is "leniency"
Personal/ Personality Bias	Focusing on personality factors rather than behaviors, which can be changed	Opportunity Bias	Ignoring or overlooking factors beyond the employee's control that contribute to high or low performance; credit or blame can be wrongly assigned to the employee
Stereotypes/ Preconceptions	Over-focusing on one or two attributes, leading to unwarranted generalizations	False Attribution Errors	Tendency to attribute success or failure solely to individual effort and ability rather than examining the role that other factors (such as systemic factors) may have played
Direct/Indirect Discrimination	Assuming everyone should have the same work "style," instead of tying performance to measurable indicators of work achievement		

Figure 4.4 Assessing performance: Seven-factor model

Factor 1: Aptitude
- Inherent ability to perform, or learn to perform, task/s.
- Difficult to determine.

Factor 7: Outside/Environmental Influences
- May be the work environment, relationships with managers or co-workers.

Factor 2: Skill Level
- Skills can be learned (up to the limits imposed by natural aptitude).
- "Could the person do the job if their life depended on it?"

7 Factor Model

Factor 6: Choice to Persist
- This may result in projects started but never completed
- This can indicate boredom, fear of failure, or may relate to a lack of skills or confidence.

Factor 3: Understanding of Task
- If someone does not know the nature of the task or what is expected, no amount of skill or motivation will suffice (e.g. delegating).

Factor 5: Choice of Degree of Effort to Expend
- Varying amount of effort expended
- May be limited by low motivation

Factor 4: Choice to Expend Effort
- If the person has the aptitude, skills and understanding, it may indicate other causes (e.g. personal, work environment)
- May be accompanied by other indicators (absenteeism, lack of participation in meetings etc)

If a staff member is not performing according to expectations, there are several steps to follow. These are outlined below.

4.6.7b   Handling Underperformance

The first step is to understand the possible cause of underperformance. Acknowledge that performance can be less than expected due to:

- Changes in objectives, duties or work priorities;

- Unclear, or unrealistic job roles, responsibilities, or performance expectations;

- Lack of ongoing feedback, or feedback that has not properly addressed poor performance;

- Lack of skills or knowledge that has not been adequately addressed;

- Variable or poor motivation which is related to organizational or personal issues;

- Structural or other organizational changes (for example, new IT systems, changes in processes or policy);

- Deliberate misconduct;

- Poor decision-making processes leading to unintended consequences;

- Personal issues outside of work, such as family, health, finances, etc.; and

- A lack of resources (such as financial or systems) or support (such as team, peer, or managerial support).

The key is to determine which of these reasons may have caused the employee's underperformance, and to put appropriate measures in place to rectify. This may entail:

- Providing more frequent, informal constructive feedback on performance;

- Addressing their learning and development needs;

- Providing support, information, and coaching;

- Addressing system or physical resource issues;

- Adjusting the performance agreement if set too high originally;

- Changing job responsibilities to better suit the person's interests, skills, and aspirations; or

- Adopting a formal counseling process, which ultimately will lead to termination of employment if performance does not improve by a specified time.

It is most important to have open communication with the employee. Keep in mind the following:

- Never procrastinate. Address the issue when it arises, or employees will question whether you are serious about rectifying the problem.

- When talking to an employee about their poor performance, indicate why it is a problem, and then quickly move on to prevent it from recurring. This moves the focus from blame to improvement.

- Whenever possible, elicit the employee's suggestions about how to prevent a recurrence. Encourage the person to take responsibility and offer support to implement a solution.

- Focus comments on performance, not personality. Restrict comments to instances of inappropriate performance and avoid implying that the person is lazy, uncaring, or incompetent.

- Remember that to improve performance it is often necessary to eliminate fear. Inducing fear is more likely to reduce performance, loyalty, and effort.

- If you never recognize effective performance and do not praise those who perform well, you will not be effective in dealing with problem performance!

Remember that even the best employees will find a discussion about inappropriate performance unpleasant. Some will take it personally, so be prepared for some defensiveness. Proceed slowly. Allow them the chance to process internally and respond. Stay in control of yourself and the situation. Seek agreement on the outcomes.

4.6.7c   Performance Appraisal

This is the term often given to the formalized process of assessing performance. There are many ways to implement a performance appraisal system, and they will depend on variables such as:

- The size of the firm;

- The ratio of employees to partners—that is, the time efficiency needed;

- How familiar the partners and senior managers are with your performance appraisal process;

- The degree of technological sophistication in the organization (if running the appraisal system on-line); and

- How much money the partners are willing to invest in establishing the system. Regardless of the methods used, some general principles will be consistent.

At its simplest, performance appraisal should involve an assessment by the supervisor and the individual of the individual's performance against the performance indicators identified in their role description (see Appendices 4.2–4.4). Any discrepancies in perceived performance are then discussed until a common understanding is reached. This is recorded either electronically, or on paper.

Increasing levels of sophistication invariably come from data gathering. For example, should you wish to have perceptions of performance other than the supervisor's and the individual's, you may wish to consider a process called 360-degree feedback. This is where the person's staff, peers and supervisor all complete questionnaires providing feedback on the individual, which then provides the basis for the performance discussion.

Regardless of the complexity of the system you decide on, at minimum you will need to establish a performance agreement with each employee. See Appendix 4.6.

4.6.7d   A Performance Agreement

Key result areas (KRAs)

KRAs constitute the focal point of an agreement. They provide the main framework for formal feedback.

- They outline what an employee is expected to do, including activities, tasks, or special projects.

- They are written to reflect the employee's contribution in achieving the corporate goals of the firm.

- They acknowledge contribution to a team environment, or making the workplace a positive environment to work in, not just billings generated for the practice.

Performance measures

These measures describe, in broad terms, how the job should be done.

- They outline how well the employee is expected to perform the major activities in each KRA.

- They are the basis for evaluating how often these behaviors are exhibited.

Skills and knowledge (competencies)

Competencies are the combination of skills and knowledge that the employee needs in order to meet performance measures. Competencies are actually a formally agreed-on framework that groups skills and knowledge into "bundles" so that training can be designed in a consistent way. Using this consistent framework, the "competence" of one person can be measured against that of another person. This is because predetermined standards and evidence are documented, with consistent evaluation systems in place. External industry-specific bodies design these competencies. It is your choice to implement competencies in your firm, or simply to list the knowledge, skills, and attributes someone requires in order to perform satisfactorily.

Development required

- Outlines training and development to help employees meet their KRAs to the required standard;

- May address core or job-specific competencies, certification requirements (such as certified professional development programs) or general personal development;

- Identifies resources and support needed; and

- Includes formal training, on-the-job training, or project work.

Consider development options that also address further professional development, career planning, or change of assignment.

If you have used a role description suggested in the Appendices, designing a performance agreement will be straightforward, as you have already identified the primary responsibilities, performance measures, and the competencies (that is, skills and knowledge) required for the job.

Appendix 4.4 shows you an example of what this might look like for a junior accountant. The "development required" column is used to take notes on any development needs that arise from the discussion. These can then be implemented and monitored in the separate personal development plan (see Appendix 4.5). Developmental options will be further explored in Section 4.7.

There is much at stake for the employee from the performance appraisal process and the resultant discussion, so it is important that you approach it consistently and professionally. An outline of a best-practice format is provided below.

4.6.7e   The Performance Review Discussion: Seven-Step Structure

1.   Establish goals of the meeting

- Explain what to expect and how much time has been scheduled.

- Convey your expectation that this will be an open and honest discussion.

- Outline your plan for the session and find out if the employee wishes to include anything for discussion.

2.   Encourage dialogue

- Invite the employee to share their views first.

- Ask open questions to elicit information: "What do you think you have done particularly well?"; "What could you have done better?"; "Can you explain any obstacles that are preventing you doing your work?"; "One of your objectives was to… How do you feel that went?"

3.   Discuss significant achievements

Use the "Four-step reinforcement process":

- Be specific about outstanding behavior (to reinforce and encourage repetition): "The training I asked you to implement for new members of the team was outstanding! It gave them a clear picture of what we do and why."

- Express your feelings about the achievement (detail specific improvements): "I was impressed by how well you demonstrated fundamental training principles during the session. Your skills have really improved over the past few months!"

- Specify the behavior or activity you want to continue (reiterate what is working well): "Your strategy of assessing your team's training needs before conducting the training helped you achieve these great results. Keep doing that in future, as it gives you a great framework to focus on key information."

- State your confidence in the employee (convey further opportunities): "I knew you would do well with this project. I will be suggesting at the next management meeting that other teams consider having you deliver this training to them."

4.   Review primary responsibilities and performance measures

- Honestly explore with the employee what has not been achieved against KRAs, major activities, and performance measures, as well as what has. Ask them for their response, then listen attentively while they answer.

- Remember this is a two-way discussion and an opportunity to explore reasons why performance may not be reaching expected standards.

5.   Discuss unsatisfactory performance

Phase 1: Review expectations

- Focus on performance issues in terms of actions and results, not personality.

- Use directive questioning to encourage honest exploration of the issues: "Your reports contain all the necessary information, but often they are not forwarded to me on schedule. Why is this happening?"

Phase 2: Understand their response

- Listen carefully, paraphrase responses and encourage specific examples.

- Avoid blame and fault-seeking: emphasize that you want to look at improvement for the future.

- Use questions to encourage reflection: Employee: "Our output would be higher if we changed the procedures we use." [Listen and paraphrase what you hear] Manager: "You think that could improve our output ?"

Phase 3: Solve it together

- Engage in a problem-solving dialogue, offering support, but making it clear that it is ultimately the employee's responsibility: "What do you suggest as a fair solution?"; "What options do you see here?"; "How could you have done that better?"; "Some ways you could be even more effective are . . ..”; "A strategy I've seen used effectively would be for you to . . .."

Phase 4: Keep it realistic

- Be specific about what you expect and on what deadline: "Please keep me up to date with how you are progressing every week by 5 pm each Friday/end of shift during the next review period."

6.   Discuss future major activities and development goals

- Set realistic performance goals supported by an achievable development plan.

- Encourage the employee to set at least some of their goals: "So what would you be willing to commit to doing?" [Answer] "By what date?"; "An area I'd like to see you tackle is the difficulty we've had with … Let's set an objective and a time frame for solving it."

Document the agreement and the plan for achieving improvements.

7.   End on an upbeat note

- Summarize the discussion, and be positive about the future: "Let's restate what we agreed upon"; "I'm feeling good about what we discussed."

Note: Even if your employee has agreed to the KRAs and major activities, it is important to have them say so one last time. If you feel you need to check their level of comfort with what was agreed, ask, "Do you foresee any problems achieving what we have discussed?" Discuss questions and seek to resolve any concerns before the meeting ends and the employee signs the performance agreement.

4.7   Training and Development

Training and development are pivotal to your firm in many ways:

- It is how your employees gain the skills and knowledge necessary to carry out their duties.

- It provides the interest and mental stimulation often required to keep employees engaged and loyal to the firm.

- It increases the capacity of your firm to service its clients, often with flow-on financial benefits.

- It is a risk mitigation strategy.

4.7.1 Identifying Development Needs

Identifying development needs can occur at any time; however, development needs should be reviewed and formalized during the performance appraisal discussion with your employee. Base the discussion on identified gaps in competency compared with performance measures or certified professional development programs.

The need for new or upgraded skills can also arise when changes occur to legislation, policy, procedures, technology, and organizational structure.

Document the development requirements in a personal development plan. This plan should be a straightforward description of the steps to be taken in development activities. It should include:

- What development activities are required;

- The names of those who will assist the employee; and

- Target dates for completion of the plan's objectives. See the personal development plan in Appendix 4.5.

Opportunities for development

New skills and knowledge can be learned through:

- On-the-job training;

- Internal or external courses;

- Computer-based (online) learning;

- Action learning using projects (employee studies their own actions in order to improve performance);

- Personal coaching and mentoring, either by someone within the firm or an external coach;

- Vocational or tertiary extension development, such as masters or postgraduate study;

- Working toward and attaining formal assessment under industry professional certification programs;

- Understudying someone on the job;

- Attending conferences, workshops, and seminars;

- Job enrichment (more challenging projects);

- Job enlargement (widening range of learning opportunities on the job);

- Job rotation (moving to another part of the firm for a specified period of time);

- Videos, books, and journal articles;

- Reading documents such as manuals and legislation;

- Work-based projects such as the development of a new firm-management approach in a particular discipline;

- Delegation for development (as a real part of the job, not just a task);

- Delivering presentations to clients or other employees; and

- Representing the firm at conferences or on industry committees.

These methods can be used individually or in combination for a more effective outcome—for example, postgraduate studies with work provided in that field of study in the workplace, and coaching from a partner.

4.7.2 Development is an Investment

At times you will need to move away from the general principle of the most cost-effective way of servicing your clients in the interest of training and developing your employees. This may mean you work on a particular component of a client job with an inexperienced person, to start transferring your knowledge. In this situation, the time-recorded cost will be higher because you will spend time explaining and training, then assisting or monitoring the employee, then reviewing the end result. At the same time, your trainee will probably spend more time than an experienced employee doing the first few examples of this work.

This is likely to cause a "write-down" on the time recording system. This is the reduction of a bill to allow for training, rework, or other factors outside the client's control. Consider this write-down as an investment in the future of the firm as you develop your people. Remain balanced however, remembering that a dollar of write-down represents a dollar of profit invested.

Best practice standard

If you want a learning ethos to become part of your firm's culture, then training and development will be an ongoing part of it. There is always a new piece of work that someone in your practice has not yet been exposed to; there is always something that one person can teach another, for the benefit of your clients. If this is part of your culture, the exchange of information can happen freely. And it does not always need to flow from the principals to the employees.

Record the value of write-downs and, if possible, divide the dollar value into the different major controllable elements—for example:

- Training write-downs that will occur frequently and are an essential part of the development of your people and your firm;

- Rework write-downs that indicate mistakes, or inadequate training, so they can and should be eliminated; and

- Research write-downs, where a large amount of time is considered to be non-recoverable from an individual client.

In this way, the cost of each type of write-down can be examined, and the problem can be corrected at the source, with more training and better systems.

4.7.3 Remuneration

Remuneration has the potential to be a source of aggravation for both partners and employees if negotiations on its components and the rationale behind them are not clearly communicated and agreed upon. Here are some factors to consider.

- **What are your expectations of the individual employee?** Have you communicated those expectations clearly? Are you referring to a given level of output, or are you focused on measuring time? How important to the perceived success of the employee will it be for them to, for example, achieve or exceed the annual fee budget? Can the output from this role be easily measured

(for example, in fees generated or chargeable hours worked), or does it require more subjective evaluation? Has the employee accepted your expectation as reasonable? Unless this basic ground is accepted and understood, the discussion will be unsatisfying for both employer and employee.

- **What hours do you expect the employee to work?** Is it acceptable for the employee to work conscientiously for 35 or 38 hours per week only, or do you want them to work more hours? If you expect them to work longer, this should be recognized either through a higher base wage or through some type of variable remuneration that reflects the additional effort.

- **Have you assisted the employee in every reasonable way?** In the case of an employee going through a salary review, ask yourself whether you have provided suitable training, coaching, advice and assistance, and have they been provided with the equipment necessary to do their job effectively. Or are there obstacles in the way of their achievement?

- **What is the market rate for this position?** This might be the local rate, particularly for firms in a rural or coastal region, where the pool of alternative employees is limited to a specific town or area. Or, it could be a wider rate, such as a city rate, even though your firm might be based in the suburbs. Use the various salary surveys conducted for the accounting profession as another set of input; employment agencies might also be able to assist. What special factors would lead you to pay above these market rates to an individual, or a group of people?

- **What non-financial benefits will you offer?** This might include some flexibility in taking leave, or allowing an employee to work some hours on a more flexible basis. It could mean allowing the employee the opportunity to sacrifice part of their salary as a way of increasing its after tax net value to the individual. It could mean building in additional training or professional development activities, or supporting the employee through, their professional certification program. Often these non-financial benefits have minimal cost to your firm, yet they significantly increase the value of the employment relationship to the employee.

- **Decide on the frequency of salary review.** This could be annually, or in line with the consumer price index.

Best practice standard

Get agreement as to a reasonable remuneration expectation for each person. Agree on the job and the measurement criteria used. Check local sources and salary surveys for current pay rates.

Ensure that the remuneration package consists not only of the salary component, but also of non-monetary factors such as training, mentoring, development, flexibility, and a variety of work, so that the employee can bundle up a range of benefits or arrangements that they value.

For the financial component, focus on the delivery of a result to your firm relative to any additional salary. This helps the employee be aware that the extra financial reward is tied to some additional productivity or performance. Bonuses might play a part in the overall remuneration package. These are most effective when they are linked to performance above the minimum acceptable level. For example, if you expect a person to generate 1,200 chargeable hours per annum with no more than 10% write-offs, then you might pay a bonus of $20 per chargeable hour beyond 1,200 hours. In this way, the base salary covers the acceptable level of performance, and the bonus rewards the performance above this level. This provides a real incentive to overachieve.

Be careful that your remuneration policy does not drive undesirable behaviors. For example, remuneration for increased chargeable time may discourage delegation, training of junior staff or contribution to improvement in the firm's systems and procedures.

Ultimately it will be a negotiation between you and the potential employee, with some give and take in relation to the components and their weighting.

Remember that the performance management process starts with this initial negotiation; from it comes agreement about expectations and the resulting remuneration.

4.8 Rewards and Recognition

There is an important distinction between the terms "recognition" and "reward." How reward and recognition are handled must, of course, be culturally appropriate—in some countries singling out one particular employee can be seen as an indictment of the rest of the team.

4.8.1 Rewards

A *reward* provides something in return for a completed task or project, usually remuneration or compensation for services provided—for example, when service exceeds expected requirements. Sometimes a performance bonus may be given to reward the person for extra effort or an excellent outcome.

4.8.2 Providing Recognition

Recognition acknowledges and honors effective and/or exceptional performance. It focuses on genuine, personal appreciation of an employee's accomplishment. It can be provided as part of normal feedback processes or in a more formal one-time award or ceremony. As Maslow identified, people have a basic need for recognition. This encourages them to perform at consistently high levels. A simple "thank you" for good work from the sole practitioner or a partner can boost morale and improve people's willingness to sustain good performance over time.

Recognition strategies provide benefits through:

- Raising a person's self-esteem;

- Improving individual and team performance;

- Promoting and reinforcing desired actions and behaviors; and

- Helping create a high-performance work culture.

All of these contribute to increased productivity, and thus profitability.

Barriers to providing recognition

Barriers to providing appropriate rewards and recognition include:

- A lack of skills or confidence to do it properly;

- Personal beliefs that recognition strategies are tokenistic elitism, and they do not assist in improving performance;

- Bad past experiences in giving or receiving recognition;

- An unwillingness to single out one employee over another;

- A lack of knowledge about the range of strategies available and what others might value; and

- A lack of time or resources to do it well.

These barriers can be overcome if they are recognized and strategies are put in place to address them.

Table 4.8 Informal recognition strategies

Written/Verbal	Job-Related	Symbols and Honors
• Thank-you letter, card • Positive job reference • Email message (copied to others) • Informal verbal feedback • Affirming performance feedback • Public praise (for example, at team meetings) • Sharing accomplishments (for example, at team meetings)	• Additional development opportunities (for example, attend conferences) • Learning resources (for example, management books, videos) • More challenging assignments • Cross-training opportunities • Higher proportion of more enjoyable work, fewer tasks that are less enjoyable • Opportunity to represent the team at an important meeting • More involvement in setting goals, generating ideas and making decisions	• Provide certificates or plaques • Take the person out to lunch • Hold a presentation ceremony at a breakfast or afternoon tea • Give them a gift voucher for something related to a personal interest • Donate money to their favorite charity

Formal recognition strategies include nominating your employee for a professional body or industry award, or creating formal company rewards such as highest billing hours or outstanding project awards (for a team).

Managers should only use formal recognition strategies to acknowledge top performance. To ensure that they have meaning:

- Promote criteria widely so they are well understood by all employees;

- Be transparent about the reasons for using the formal awards;

- Match the award to the contribution and outcomes of individuals or teams;

- If reward to an individual is non-monetary, allow the person to select the reward;

- Provide informal recognition to complement the formal processes; and

- Provide formal recognition as soon as practicable after the event. For those formal awards that are offered once a year, provide informal recognition at the time.

Ensure that recognition is delivered in a personal, sincere and honest manner. Match the ceremony to the importance of the award and to meet the personal preference of those being recognized.

4.9   Exiting/Transitioning Employees

4.9.1   Termination

Unfortunately, no matter how diligent your employment screening process is, sometimes an employee will not work out as expected. In these cases it is fairest for all parties to address this openly and promptly in order to minimize the risk to the firm.

The regulatory framework in relation to termination changes from time to time, and varies across countries. However, most guidelines prevent employees from being treated in a harsh, unjust, or unfair way. You will need to show that you have followed due process in reaching the conclusion that the employee is unsuitable, and that you have documentation to support this. This may be in the form of records of billable hours agreed, position descriptions and performance measures, file notes on performance records of counseling discussions and copies of performance appraisal outcomes.

Even if this evidence is not formally required in your jurisdiction, it is best practice to keep records such as these for your internal reference and record.

The Employment Agreement is an important document to refer to when you terminate staff, as the legal obligations of the parties should be outlined. You must ensure you meet your contractual and statutory obligations to your staff member, and you may need to remind them of meeting theirs. Such matters may include the confidentiality of client and firm information, non-competitive activity and property or information owned by the firm.

While there are some employees you may want to remove from your firm, there will be others you will want to keep on for as long as possible.

4.9.2   Retaining Older Workers

In many countries, the Baby Boomers comprise a large percentage of the skilled workforce and are starting to retire. There are not enough younger employees to take their places once they retire, and this is without taking into account the lost knowledge and expertise that will walk out the door with them.

Many firms are investigating ways to keep these employees in the workplace longer, as there are often benefits for both parties. For example:

- Older workers might be permitted to reduce the number of days or months that they work each year and earn proportionately less in wages. This can have the personal benefit of preparing them for their eventual full retirement, while keeping their social networks and professional skills current. This also lets them be available to coach and mentor younger staff.

- In a firm that has peaks and valleys in workload, older employees provide an ideal contract solution while still providing a high-quality, professional service to clients.

- Job sharing can be attractive to this group. Some financial institutions are specifically recruiting older workers for frontline service roles.

4.9.3   Exit Surveys

When employees leave of their own volition, it helps the firm to understand the reasons behind this decision so that it can continuously improve its work environment. The two main ways of gathering this information are discussion with the employee, asking his or her reasons for leaving, or through a standardized survey.

Bear in mind that the employee may not always feel comfortable telling you the real reasons they are leaving. That's because it may have an adverse impact on their career options within the wider industry or limit their opportunity to come back to your firm at some time in the future. For this reason, in large organizations, anonymous surveys are usually used. Obviously in a small firm this is impossible, as there is not the level of employee turnover to provide anonymity.

Remember this: unless you ask questions, you will not gather any information that will improve your firm. At the very minimum, it shows the employee that you care about staff views and seek to provide a good working environment for those that remain.

4.10   Conclusion

This module focused on developing one of your greatest assets, the people within your firm. One of the most important ways to do this is to develop your people management strategy. The module discussed the key components of this, such as the importance of clarifying expectations, and also considered the impact of generational diversity. Another important element covered was identifying the skills mix required for your practice and how to go about recruiting and training your team to fulfill these needs.

The key areas you should take into account when recruiting new employees, including your selection process, interviewing and induction were discussed too. A very important area directly impacting a firm's success is leadership, and the module shows how to apply key leadership principles in small- and medium-sized practices.

Module 4 also explored how to build and develop teams, emphasizing the importance of managing and retaining staff. This led to a fuller understanding of productivity and of implementing the right measures for motivating and rewarding your team. A number of checklists and personal development tools are provided in the Appendices, which will be useful for implementing much of the material discussed in the module.

As this is such an important area for all firms, it is well worth taking the time to fully understand the essential messages contained in the module and how best to apply them within your firm.

4.11   Further Reading and IFAC Resources

The IFAC Global Knowledge Gateway is a digital hub where professional accountants can easily access thought leadership and resources from IFAC, member organizations, and other notable groups and individuals.

The Gateway Practice Management section includes additional articles, videos, and resources to complement this module. We encourage you to review the content, provide feedback, engage with contributors, and share your own insights on contemporary practice issues.

Appendix 4.1 Functional Leadership Checklist

Task	✓	Team	✓	Individual	✓
As a leader, you: • Agree team goals with your partners/board; • Are clear on your authority and delegations; • Understand what you and the team are accountable for; • Have a team plan to achieve agreed goals; • Take time to plan and set priorities; • Are clear about what each task is and what it entails; • Communicate how the success of each task will be measured; • Assess the resources and skills required; • Delegate work effectively; • Distribute workload fairly and appropriately; • Monitor and evaluate performance; and • Model high standards of behavior.		As a leader, you: • Explain goals to your team and agree on priorities; • Let team members know what you expect (outcomes and standards); • Encourage team involvement in decision-making; • Seek suggestions and input from the team; • Keep the team informed of any changes and how this affects them; • Spend time on "team maintenance"; • Make sure team members observe health and safety principles; • Model appreciation of diversity; • Apply rules and standards equitably; • Deal promptly with team conflict; • Represent your team positively to your partners; and • Build a positive team climate by being present and involved.		As a leader, you: • Ensure each individual knows their job role and how it fits into the "bigger picture"; • Gain agreement from employees on tasks, priorities and standards; • Provide the equipment, resources and information needed; • Get to know each employee (strengths, weaknesses and potential); • Use delegation as a development tool; • Coach, train and develop individuals; • Build a strong working relationship with each individual; • Give frequent, constructive feedback; • Recognize and reward good work; • Deal promptly and fairly with individual concerns; and • Understand what motivates each individual and use this knowledge wisely.	

Appendix 4.2 Senior Accountant/Manager Role Description

<table>
<tr><td colspan="2" align="center">Senior Accountant Role Description</td></tr>
<tr><td>Division: Accounting</td><td>Team: Tax</td></tr>
<tr><td>Reports to: Partner/Principal</td><td>Roles reporting to this one: None</td></tr>
<tr><td>Hours: 8.30 am–5.00 pm (one-hour lunch)
38 hours/week (and reasonable overtime as required)</td><td>Remuneration: $(XXXX), plus (XXXX) incentives and annual salary review based on performance</td></tr>
<tr><td colspan="2">Strategic Direction Summary: Contributes to the organization by delivering such high-quality service that clients see (Company X) as their accounting firm of choice.</td></tr>
<tr><td colspan="2">Position Summary: Be responsible for client portfolio, including tax accounting, business advice and other service areas as delegated by principal/partner. Ensure accuracy and completeness of work with attention to detail, while at the same time maintaining productivity and team performance.
Suitable for accountants with five (plus) years' experience.</td></tr>
<tr><td colspan="2">Performance Appraisal: Three-month probation review, and then annually from commencement.</td></tr>
<tr><td colspan="2"><i>Key Accountabilities</i></td></tr>
</table>

Key Result Area	Major Activities	Performance Measure
Accounting	• Attend to queries and final review work done by team.	• Ensure accurate and timely completion of jobs by team.
Monthly Trial Balance	• Attend to queries and final review work done by team.	• Ensure accurate and timely completion of jobs by team.
Taxation	• Finalize end-of-year trial balance, including all adjustments, end of year entries for depreciation, provisions, accruals and prepayments. • Prepare working papers for tax returns for individuals and businesses. • Prepare draft financial statements. • Prepare income tax returns. • Attend to queries and final review work done by team. • Attend to client queries and communication.	• Ensure work papers, checklists and internal processes have been completed accurately and in a timely manner. • Ensure accurate and timely completion of jobs by team. • Ensure client satisfaction. • Ensure compliance with tax laws and regulations. • Ensure timely lodgements of all jobs with regulators.

Senior Accountant Role Description		
VAT/Sales Tax* Compliance	• Review VAT/sales tax reconciliations, based on computer records against client records. • Prepare VAT/sales tax returns.	• Work papers and checklists completed accurately and in a timely manner.
Management of Team Performance	• Clearly explain to team members their role, accountabilities, and support provided by practice. • Maintain a positive team dynamic. • Identify any negative team dynamic issues before they impact on performance. • Put appropriate strategies in place to restore a positive team dynamic. • Provide ongoing feedback to team members on their performance and work standard. • Undertake formal performance appraisal process annually, including identifying development requirements.	• All team members are clear on what is expected of them and where to obtain resources/support. • All members of team are completing work to a high standard on time. • Team members provide positive feedback that they enjoy working in the team, and for the firm. • All team members receive ongoing feedback about their performance and work standard. • All team members are formally appraised annually. • All team members have current personal development plans, and are supported in completing their plan's activities.
Liaise with clients, principal/partner, firm manager, other accountants and support employees. Supervise accounting team		
* VAT stands for value-added tax.		

Skills and Knowledge (Competencies)	
Essential	**Desirable**
• Sound accounting and taxation skills and knowledge • Sound computer literacy: ability to navigate around a computer and access email, Internet, cloud-based applications • Medium level understanding of Microsoft suite of products • Sound understanding of accounting software programs • Ability to supervise team	• Eye for detail and accuracy • Sound understanding of the accounting industry

Personal Attributes	
Essential	**Desirable**
• Good communication skills, both written and oral, and in particular a professional and pleasant phone manner • Ability to work as a member of a team • Initiative • Ability to juggle multiple priorities • Willingness to learn • Attention to detail • Businesslike personal presentation • Responsible for self and team performance against predetermined standards	• Positive, proactive demeanor
Education, Training and Development	
Essential	**Desirable**
• Degree in accounting or business • Five years' minimum experience in professional accounting firm • Sound understanding of income tax and VAT/sales tax provisions together with other statutory regulations and requirements	

Appendix 4.3 Assistant Accountant Role Description

Assistant Accountant Role Description	
Division: Accounting	**Team**: Tax
Reports to: Tax Manager, who is ultimately responsible to the Partner/Principal	**Roles reporting to this one**: None
Hours: 8.30–5 pm (one-hour lunch) 38 hours/week (and reasonable overtime as required)	**Remuneration**: $(XXXX), plus (XXXX) incentives and annual salary review based on performance
Strategic Direction Summary: Contributes to the organization by delivering such high-quality service that clients see (Company X) as their accounting firm of choice.	
Position Summary: Be responsible for client work for tax accounting areas as delegated by manager. Ensure accuracy and completeness of work with attention to detail, while at the same time maintaining productivity. Suitable for accountants with two to three years' experience.	
Performance Appraisal: Three-month probation review, and then annually from commencement.	
Key Accountabilities	

Key Result Area	Major Activities	Performance Measure
Bookkeeping	• Review work done by junior accountant	• Ensure accurate and timely completion of jobs.
	• Review general journal and general ledger, including sales ledger and purchase ledger.	• Ensure accurate and timely completion of jobs.
Monthly Trial Balance	• Review reconciliation of bank accounts, sales and purchase ledgers. • Calculate and post end-of-month entries for depreciation, provisions, accruals and prepayments.	• Completed accurately and in a timely manner.
Taxation	• Finalize end-of-year trial balance, including all adjustments, end of year entries for depreciation, provisions, accruals and prepayments. • Prepare working papers for tax returns for individuals and businesses. • Prepare draft financial statements. • Prepare income tax returns.	• Work papers and checklists completed accurately and in a timely manner.

Assistant Accountant Role Description		
VAT/Sales Tax Compliance	• Review VAT/sales tax reconciliations, based on computer records against client records. • Prepare VAT/sales tax returns.	• Work papers and checklists completed accurately and in a timely manner.
Management of Team Performance	• Clearly explain to junior accountants answering to you their roles, accountabilities, and support provided by practice. • Maintain a positive team dynamic. • Identify any negative team dynamic issues before they impact on performance. • Put appropriate strategies in place to restore a positive team dynamic. • Provide ongoing feedback to team members on their performance and work standard. • Undertake formal performance appraisal process annually, including identifying development requirements.	• All team members are clear on what is expected of them and where to obtain resources/support. • All members of team are completing work to a high standard on time. • Team members provide positive feedback that they enjoy working in the team, and for the firm. • All team members receive ongoing feedback about their performance and work standard. • All team members are formally appraised annually. • All team members have current personal development plans, and are supported in completing their plan's activities.
Liaise with clients, team manager, other accountants and support employees. Supervise junior accountant.		

Skills and Knowledge (Competencies)	
Essential	**Desirable**
• Sound bookkeeping and accounting skills • Sound computer literacy: ability to navigate around a computer and access email, Internet • Medium level understanding of Microsoft suite of products • Sound understanding of Accounting Software programs	• Eye for detail and accuracy • Sound understanding of the accounting industry • Ability to supervise junior and support employees

Assistant Accountant Role Description	
Personal Attributes	
Essential	**Desirable**
• Good communication skills, both written and oral, and in particular a professional and pleasant phone manner • Ability to work as a member of a team • Initiative • Ability to juggle multiple priorities • Willingness to learn • Attention to detail • Businesslike personal presentation	• Positive, proactive demeanor
Education, Training and Development	
Essential	**Desirable**
• Degree in accounting or business • Two to three years' minimum experience in professional accounting firm or commercial environment • Understanding of basic income tax and VAT/sales tax provisions	• Training or experience in income tax and VAT/sales tax

Appendix 4.4 Junior Accountant Role Description

Junior Accountant Role Description	
Division: Accounting	**Team**: Tax
Reports to: Tax Manager, who is ultimately responsible to the Partner/Principal	**Roles reporting to this one**: None
Hours: 8.30–5.00 pm (one-hour lunch) 38 hours/week (and reasonable overtime as required)	**Remuneration**: $(XXXX), plus (XXXX) incentives and annual salary review based on performance
Strategic Direction Summary: Contributes to the organization by delivering such high-quality service that clients see (Company X) as their accounting firm of choice.	
Position Summary: Be responsible for client work for bookkeeping and tax accounting areas as delegated by manager. To ensure accuracy and completeness of work with attention to detail, while at the same time maintaining productivity. Suitable for fresh graduates.	
Performance Appraisal: Three-month probation review, and then annually from commencement.	

Key Accountabilities		
Key Result Area	**Major Activities**	**Performance Measure**
Bookkeeping	• Data entry of bank details, income and expenses.	• Records kept up to date on weekly basis. • Accuracy and completeness.
	• Maintain general journal and general ledger, including sales ledger and purchase ledger.	• Records kept up to date on weekly basis. • Accuracy and completeness.
Monthly Trial Balance	• Reconcile bank accounts, sales and purchase ledgers.	• Reconciliation reports completed accurately and in a timely manner.
Taxation	• Prepare working papers for basic tax returns for individuals and businesses.	• Work papers and checklists completed accurately and in a timely manner.
	• Prepare VAT reconciliations, based on computer records against client records.	• Work papers and checklists completed accurately and in a timely manner.
Liaise with clients, team manager, other accountants and support employees. Supervise junior accountant.		

Junior Accountant Role Description	
Skills and Knowledge (Competencies)	
Essential	**Desirable**
• Basic bookkeeping and accounting skills • Reasonable computer literacy, i.e., ability to navigate around a computer and access email, Internet • Basic/medium level understanding of Microsoft suite of products • Basic level of understanding of accounting software programs	• Eye for detail and accuracy • Basic understanding of the accounting industry
Personal Attributes	
Essential	**Desirable**
• Good communication skills, both written and oral • Ability to work as a member of a team • Initiative • Willingness to learn • Attention to detail • Businesslike personal presentation	• Positive, proactive demeanor
Education, Training and Development	
Essential	**Desirable**
• Degree in accounting or business, or approved certificate in accounting	• Training or experience in income tax and VAT/sales tax

Appendix 4.5 Personal Development Plan   **Covers the period ____/____/____ to ____/____/**

For _____**(person's name)**

Key Result Area	Major Activity Requiring Some Development	What Development Activity will Enhance Your Effectiveness?	Who will Support You?	Indicate a Priority	Date Completed	Signed by Both Parties (After Development Activity Completed)
The following are provided as examples only, and are by no means exhaustive.						
Team Performance	Appraise performance.	Undertaking course in how to undergo an effective performance appraisal process.	Direct supervisor	4		
Team Performance	Maintain positive team culture.	Take part in workshop on how to develop a high-performing team.	Direct supervisor	2		
Taxation	Remain current on tax legislation.	Attend professional association update programs.	Direct supervisor	3		
Taxation	Remain current on any changes to tax compliance requirements.	Read up-to-date materials and journals.	Direct supervisor	1		

Appendix 4.6 Performance Agreement   **Covers the period ____/____/____ to ____/____/**

For _____**(person's name)**

Senior Accountant/Manager (Example)

(Fill out the first three columns from the role description at the beginning of the twelve-month period, and ensure the employee understands and agrees with what is expected of them. At the end of the twelve-month period, review each item and agree on a level of performance with employee, filling in the remaining two columns.

If you want to add another degree of sophistication to the process, you can identify competencies required to meet the performance measures, and thus insert a column between "performance measure" and "meets requirement.")

Key Result Area	Major Activities	Performance Measure	Meets Requirement (Can be Yes/No, or % Degree of Meeting)	What is Required to Maintain or Improve Performance?
Accounting	Attend to queries and final review work done by team.	Ensure accurate and timely completion of jobs by team.	Yes, 80% of time	Increase focus on team progress to ensure 100% on-time completion. Attend to team member questions on the spot if possible.
Monthly Trial Balance	Attend to queries and final review work done by team.	Ensure accurate and timely completion of jobs by team.	Yes	Nil
Taxation	Finalize end-of-year trial balance, including all adjustments, end-of-year entries for depreciation, provisions, accruals, and prepayments. Prepare working papers for tax returns for individuals and businesses. Prepare draft financial statements. Prepare income tax returns. Attend to queries and final review work done by team. Attend to client queries and communication.	Ensure work papers, checklists, and internal processes have been completed accurately and in a timely manner. Ensure accurate and timely completion of jobs by team. Ensure client satisfaction. Ensure compliance with tax laws and regulations. Ensure timely lodgments of all jobs with regulators.	Yes, 60% Calculations in working papers using outdated tax legislation. Clients commenting that there is a three-day turnaround on responding to their queries.	Update tax legislation knowledge. Respond to client queries the same day.

Key Result Area	Major Activities	Performance Measure	Meets Requirement (Can be Yes/No, or % Degree of Meeting)	What is Required to Maintain or Improve Performance?
VAT/ Sales Tax Compliance	Review VAT/sales tax reconciliations, based on computer records against client records. Prepare VAT/sales tax returns.	Work papers and checklists completed accurately and in a timely manner.	Yes	Continue to read up-to-date and journal material.
Management of team performance	Clearly explain to team members their role, accountabilities, and support provided by the firm. Maintain a positive team dynamic. Identify any negative team dynamic issues before they impact on performance. Put appropriate strategies in place to restore a positive team dynamic. Provide ongoing feedback to team members on their performance and work standard. Undertake formal performance appraisal process annually, including identifying development requirements.	All team members are clear on what is expected of them and where to obtain resources/support. All members of team are completing work to a high standard on time. Team members provide positive feedback that they enjoy working in the team and for the firm. All team members receive ongoing feedback about their performance and work standard. All team members are formally appraised annually. All team members have current personal development plans, and are supported in completing the plan's activities.	No Strong dissatisfaction expressed by some team members, with two employees leaving in last twelve months.	Learn how to build a high-performing team. Learn how to conduct a formal performance appraisal process, including providing effective feedback.

Supervisor Signature and Date _____ _____/ _____/ _____/

Employee Signature and Date _____ _____/ _____/ _____/