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MANAGING AN OFFICE — A BROAD AND COMPLEX JOB

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the Canadian partners of
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Covering the subject of managing an office in a talk to Canadian partners has led me into a most interesting exercise—setting down in writing my thoughts on the subject. This is something I had never done before in detail. Perhaps my remarks will offer an idea or two to those who are now in charge of an office. And for those partners who are not now in charge of a practice office, I offer these comments as one man's idea of the breadth and complexity of the job.

Let me make two statements at the outset. First, no one is 100 percent efficient as the head of an office. Second, managing the small office is no less difficult than managing a large one.

If I were to summarize the basic functions of managing a practice office, of whatever size, it seems to me that they break down into the following four groups: serving clients, attracting clients, serving the Firm, and serving the profession. Our specific activities as managers can all be grouped under one or another of these four headings.

SERVING CLIENTS

The primary responsibility of each Head of Office is to arrange for a high level of service to clients, in accordance with each client's unique needs, as related to our scope of practice. It is understood that each office cannot be all things to all people at any given moment. Accordingly, the word "arrange" is appropriate, because teamwork is mandatory in a variety of situations.

The basic necessities for serving clients in the broad areas of the practice are:

1. An assessment of client needs
2. Providing capable personnel, at local levels, as appropriate
3. Mobilization of Firm support where local capabilities need to be supplemented
4. Providing physical facilities and related services

Now, what are the responsibilities of the Head of Office in fulfilling each of these basic necessities?

- **Assessment of Client Needs.** The Head of Office, in his combined capacity as administrator and practicing public accountant, acting personally and by delegation, is responsible for assuring that client needs are well understood on a continuing basis in relation to our broad scope of practice. As a prerequisite to this objective, the Head of Office is responsible for providing reference information, training and counseling to the management group to the end that all are familiar with what that scope of practice is, including audit, SEC, small business, tax and MAS areas, and that all are articulate with clients and others.

The assessment of needs in a client situation is a diagnostic process of broader scope than the audit and attest function. Accordingly, it requires that the local office policies promote and monitor key internal administrative practices along the following lines:

1. Provide adequate time budgets at the client level so that management personnel:
 - Maintain frequent contact throughout the year at client locations
 - Hold meaningful discussions with all client top executives
 - Submit constructive suggestions beyond the scope of internal control matters
 - Anticipate potential problem areas for early attention
2. Assure the effective use of interim work programs to assess client needs without undue time pressures
3. Adjudicate all billing problems to encourage sound professional accomplishment
4. Require maximum time in the client's office, particularly as such time relates to management personnel

Given the key prerequisites of an informed management and staff with the time for diagnostics, the Head of Office needs to be assured that clients are aware of key problem areas as they relate to the broad scope of our services, and the capabilities of the Firm to assist as required. In carrying out the tasks of identifying important problems and assuring ourselves that the client is aware of them, it is understood that other professional organizations overlap our scope of services and that the client is also staffed to identify and solve problems internally.

- **Providing Personnel.** The Head of Office is responsible for providing local personnel at all levels, and assuring their appropriate assignment. He directs a personnel program designed to maintain both the quantity and quality of professionals as required by client needs, Firm planning, and the economics of the practice.

The personnel program involves the following basic tasks:

1. Recruiting, selection and hiring
2. Training
3. Assignments
4. Appraisal
5. Promotion, demotion and discharge
6. Counseling
7. Salary and bonus award administration
8. Recommendations for special considerations, such as transfer, early retirement, and the like

Considerable assistance and direction is provided from Executive and other offices in carrying out the needs of the personnel function. It is incumbent upon the Head of Office to muster the resources outside of the local office in the most practical way, to augment and supplement local programs, and to develop local policies and practices to insure attaining the following objectives:

1. A realistic current assessment of the strengths and weaknesses of each member of the management and professional staff
2. A training program sufficient to maintain technical excellence, and to supplement individual weaknesses when considered practically correctable
3. A counseling program to assist individuals in self development and career objectives
4. A positive approach to encouraging those who are not suited for long-term growth with the Firm to seek careers elsewhere
5. Appropriate compensation and billing rates
6. An understanding that Executive Office should be consulted on personnel problems and situations that cannot be solved locally
7. A planned program of proposed actions to assure that the ineffective are neither hurting morale nor standing in the way of others

- **Arranging Firm Support.** It is neither feasible nor desirable that a practice office be totally self sufficient. To try to make it so would be impractical economically as well as from the standpoint of our human resources. The varying needs of clients and others require specialization and an array of talent that is practical only on a regional or national basis. Therefore, it is the responsibility of the Head of Office to (1) request assistance on technical and practice development matters and on administrative matters as needed, and (2) provide similar assistance to other offices where local talents and experience can be supportive.

To carry out the above responsibilities the Head of Office needs to encourage teamwork to the end that partners and employees develop and pursue interests and specialties useful to others. In this connection he also needs to arrange the corollary communication so that others are aware of their skills. Further, he should encourage effective support and use of national programs such as industry specialty approaches, merger and acquisition service, technical packages and the like.

- **Providing Facilities.** The Head of Office, in coordination with the Executive Office and economic constraints, is responsible for providing facilities of various kinds. These physical and administrative services include:
 - Offices and furniture compatible with the size of the practice and the image of the Firm
 - Secretarial and clerical support, including providing reports for clients
 - A library and technical files suitable to local needs
 - Special equipment, such as time-sharing terminals, to improve technical efficiency
 - Arrangements for use of other local facilities, such as libraries and computer time

He is also responsible for communicating policies and practices locally to the end that facilities are properly used and the staff easily indoctrinated in administrative procedures.

ATTRACTING CLIENTS

Attracting clients is a result of doing many things right. It is so important to the vitality and success of the Firm that it is covered separately here because other areas of responsibility interrelate considerably.

Local clients are attracted to the Firm in three primary ways:

1. Through the national reputation of the Firm. Being a national firm means automatic inclusion in many practice furtherance opportunities, regardless of other matters, because people look to the leaders for assistance.
2. Local reputation, particularly as relates to "secondary marketing" on the part of clients, attorneys, bankers, and others in the business community.
3. Personal acquaintanceships and respect for partners and employees.

The extent of responsibility of the Head of Office in attracting clients varies considerably in a specific situation. In general, however, he is responsible for the development of sufficient management resources, sensitive to practice development, to carry out an organized and appropriate plan of action relating to marketing and assessment of the competition.

Such a plan necessarily involves the active participation of all key personnel of the local office, working in conjunction with the total capabilities of the Firm, consistent with local opportunities in both client and non-client situations.

- **Organizing Marketing.** The Head of Office is responsible for analyzing and explaining the marketing characteristics of the practice office and for organizing and maintaining a continuing plan for practice development. In terms of understanding characteristics, basic statistics should be maintained on past performance as they relate to:

1. Source of opportunities
2. Reasons for opportunities
3. Opportunities lost
4. New engagements taken
5. Why the Firm was or was not selected

In terms of understanding the market, basic information relating to local conditions should be documented as to:

1. Industries to be stressed
2. Companies not presently audited
3. The competition

In terms of our scope of services, it is required that the Head of Office assess the current and potential balance of types of services performed in terms of the relative volume of work, such as:

1. Regularly recurring attest functions
2. Special non-recurring work, such as SEC filings
3. Small business
4. Tax
5. MAS

In terms of special situations, it is required that local communication and training be provided for staff and, where desirable, for clients on such matters as:

1. New tax laws and regulations
2. Pronouncements of the profession
3. New federal programs, such as price control regulations and similar matters of general impact and interest to a wide variety of clients

It is also the responsibility of the Head of Office to assess current marketing-oriented skills of the people in his office, so as to assign practice development efforts to those most likely to succeed.

A necessary prerequisite to marketing activity is the provision of sufficient information locally to carry out specific practice development tasks. It is also the responsibility of the Head of Office to develop and document a series of practice development plans and to make personnel assignments designed to focus attention and resources on those matters considered to be most productive in the short and long range, and to monitor the plans on a continuing basis.

- **Assessment of Competition.** It is the responsibility of the Head of Office to identify and assess local competition and to report on this assessment annually in the Annual Operating Plan. A basic objective of the Firm is never to be the smallest of the national firms in a given location and continually to improve our relative posture.

The assessment of competition includes accounting firms and management consulting firms competing with us in MAS. Competition is assessed, as a minimum, on the following basic factors:

- Size of staff
- Scope of services
- Extent of use by Firm clients

Where appropriate and reliable, it is useful to assess the strength of the competition as relates to quality of services. This is often determinable by a

review of reports, proposal letters when available, and other types of information, such as special programs or participation in local activities, as well as the record of other firms in attracting and retaining clients.

In carrying out the above activities, the Head of Office will provide files and procedures for collecting and documenting the required information.

SERVING THE FIRM AND THE PROFESSION

Serving the Firm, like attracting clients, is dependent upon a wide variety of mutually entwined activities. Four responsibilities stand out in particular, and are included under this caption, since they have strong impact on other offices:

1. Developing and evaluating people
2. Directing local planning
3. Organizing public relations, which also relates to serving the community in the areas of public service, charitable and educational activities, and in trade associations
4. Projecting the Firm image

In addition, the need to look ahead with insight to improve our resources and our scope of activities at local levels requires formalized planning locally, and the related determination of which problems are solvable locally and which require the cooperation and assistance of others in the Firm.

- **Developing People.** Developing people for expanded responsibilities is the most important single function of the Head of Office in a professional organization. It is unfortunate that the costs of developing people are not easily quantified in dollars and cents. This, however, does not detract from its importance.

The Firm understands that a Head of Office, at a particular point, may be constrained by a shortage of management personnel due to an inherited situation, recent developments or lack of past success. The Firm is best served when each office is in a position to assign or export talent for key assignments beyond the immediate needs of the local practice office.

It is the responsibility of each Head of Office, in connection with formulating the Annual Plan and in conference with Executive Office personnel as relates to the needs of others, to develop and maintain a personnel program designed to accommodate the Firm as well as local office needs.

- **Directing Local Planning.** The Head of Office has the primary responsibility for assessing the strengths and weaknesses of the practice office he serves, and for communicating this assessment to Executive Office. The primary reference document is the Annual Plan or forecast.

In developing this Annual Plan, all functions and responsibilities at the local level require review and evaluation with proposed corrective measures identified, appropriate to the resources available. Where local resources are limited, requirements for assistance need clarification for Executive Office response.

It is the further responsibility of the Head of Office to develop and publish personnel assignments to accomplish local programs of continuing or special significance.

- **Organizing Public Relations.** It is the responsibility of the Head of Office to balance the needs of the community, the interests of our personnel and the benefits to the Firm to the end that time, talent, and funds are contributed to:

Community affairs

Charitable and educational institutions

Industry and trade associations

It is implicit in the term “public relations” that our efforts in these affairs are in fact communicated outside the Firm so as to provide a sense of personal accomplishment to the personnel involved, attract clients and attract professionals to the staff.

In administering public relations activities, preplanning is essential to:

- Provide an overview of desirable activities and related priorities
- Match individual interests with public relations opportunities
- Permit concentration over a period of years so as to encourage individuals to develop stature and prominence in their particular public relations assignments
- Avoid dissipation of effort in assuming a broader scope of activity than time, personal interests or funds allow
- Eliminate or redirect participation as desirable

In addition to cooperating with several Firm-wide industry group programs, local area industry and trade associations provide an excellent forum for public relations, as well as a means of developing speaking opportunities and articles for publication.

PERSONAL ATTRIBUTES

The personal attributes of a Head of Office are summarized under the following general categories:

1. Managerial capacity
2. Technical skills
3. Ability to judge people
4. Key personality factors

- **Managerial Capacity.** It is mandatory that the Head of Office be skilled in the delegation of responsibilities, taking into consideration the strengths and weaknesses of individuals involved. A further managerial necessity is the ability to select, plan, organize, communicate and carry out the variety of programs required for a balanced effort in the various aspects of practice office administration.
- **Technical Skills.** The Head of Office, in his managerial capacity, must have sufficient technical skills to identify technical problems for assignment and solution, and to maintain the respect of those he leads.
- **Ability To Judge People.** Insight into people is a necessary prerequisite for a successful Head of Office. This insight needs to be sufficiently cultivated so that he is able to predict the approximate performance of others in carrying out delegated tasks.

Insight into self is as important, so that the Head of Office can make up for his own shortcomings by developing others as complementary members of the team to assure a balanced effort.

- **Key Personality Factors.** The demands of management require:
 1. Emotional maturity
 2. The ability to trust and be trusted
 3. Drive
 4. Communication skills
 5. Social presence

IMPORTANCE OF CREATIVITY

In closing these remarks, I will refer to a subject I consider an extremely

vital one—creativity. The most important person in our midst, I believe, is the creative person. I have observed that to the orderly, organized person the creative one is often a gadfly, for he or she departs from the past, questions, poses new approaches and, in general, disturbs the known processes.

But make no mistake about it—he is the creator of change. He is one who sees to it that the Firm's image does not become stale and out of date, but remains fresh and out in front. Creativity is as precious as a rare gem, and a creative person is of inestimable value to his organization. To use the old cliché, he is worth his weight in gold!

But have you ever considered the roadblocks our society and its system place in the way of the so-called original thinker? When a child starts to school he soon learns “to do as he is told” or else to suffer the consequences. If he wanders into a device of his own preference, he is “put in his place.” He is graded to a great extent on his ability to reflect the answers that were given to him. He soon learns that the reward goes to him who “does not rock the boat.” High school and college are not much different.

It would not be news to you that creativity thrives in the arts. We must follow this lead, and encourage it to its limit in our business environment. In his book, *What Is Modern Painting*, Willard Wright, an outstanding American art critic, puts it this way:

Our minds call for a more forceful emotion than the simple imitation of life can give. We require problems, inspirations, incentive to thoughts. The simple melody of many of the old masters can no longer interest us because of its very simplicity.

The artists have responded. Modern art is expanding and flourishing.

But how about accounting, tax, MAS, auditing — our fields? How does creativity rate in our bailiwick? May I ask each of you to look at your own areas of responsibility. Create a climate that encourages creative thinking. Acknowledge the successes of your subordinates generously, and meet with understanding the attempts that fail. Your people will blossom forth—their ideas will flourish and multiply—and, I assure you, the effectiveness of your endeavors will sharply increase.

And for yourself (we must be realistic), recognize that your creative efforts will not always be met with open arms. Be understanding of these situations. But don't stop trying when you meet with a setback.

Let me try to summarize these thoughts. What is the job of a manager, simply stated? I think it is this: to create a climate in which other persons can do their jobs. And the most forceful contribution a manager can make is to see that such a climate is one in which a prime consideration is the encouragement of creativity. •