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Succession Planning for Your Accounting Firm

ALEXANDRIA, VA., September 11, 2013 – Arranging to transfer ownership of your accounting practice is one of the most complex business decisions you'll ever face.

A recent survey by the National Society of Accountants (<http://www.nsacct.org/>) revealed that less than a third (28%) of firms have a succession plan. Practitioners should think about succession planning as early as possible and draw up a plan to transition client relationships to an internal successor or an outside firm.

One of the best ways to transmit one's legacy after retiring is to sell to the team members, partners, and partners-to-be. In this scenario, understanding how addressing the needs of both sides of the firm—the “family” inside and the family member who is exiting—is crucial in making the future of the firm more successful. Successful succession means creating a more attractive and profitable environment for everyone, not just the retiring or exiting professionals. With “firm as family” in mind, everyone has a better chance of finding ways to bridge the needs and wants of both sides, improving the chances of a win for all—including the clients.

Mark Fowler, in his succession article “Both Sides Now” in the National Society of Accountants magazine *Main Street Practitioner* of May-June 2013, (<http://mainstreetpractitioner.nsacct.org/Vizion5/viewer.aspx?issueID=9&pageID=12>), sees the key stages of succession planning as:

1. Recruiting, developing, mentoring and grooming the right team members.
2. Constantly developing services that existing and future clients need and appreciate.
3. Developing a formal sales and business development program to help ensure the continuity of the business.

4. Shifting more and more from a practice mindset to a firm perspective.

Whether a partner/owner is retiring, the firm is downsizing, or the business is being sold, merged, or allied with another firm, ownership transfer is going to occur. There are a number of buyers to consider:

1. The firm itself: The company can purchase the shares of the exiting owner.
2. The other partners and partners-to-be: These individuals can purchase ownership shares.
3. The external strategic buyer: This buyer is looking for locations, talent, niches, and technology to enhance their business.
4. The external revenue-oriented buyer: The singular focus of this buyer may be adding revenue. This type of sale often means rapid cost-cutting and very short transition periods.

No matter who the buyer is, new owners have their own goals and objectives, which could include enhanced profitability, an expanded client base and additional services, more appreciative clients and higher quality team members, and increased value out of the firm. The succession plan should include ways team members can accept and embrace these objectives.

Among other succession tips from NSA:

- Train individual talent and other team members in all areas of client history and general information, unique client characteristics and needs, and skills and technical information that will be required.
- Develop a working relationship between clients and team members — not just those with direct responsibilities to clients, but support personnel as well.
- Transfer in an orderly way any administrative duties the exiting professional, partner, manager, principal, or other key team members may have.
- Develop a much more robust administrative platform to begin to handle more duties that were handled by exiting partners or other revenue-generating professionals. It's not unusual to shift personnel from office manager position to firm administrator or from firm administrator to COO in order to more effectively handle the needs of the whole firm.
- Enhance the sales and marketing skills of all team members, including creating a business development process within the firm to help assure continued growth, new clients, and expanded revenue bases for existing clients.

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