

Seminar on Practice management J B Nagar CPE Study Circle of WIRC

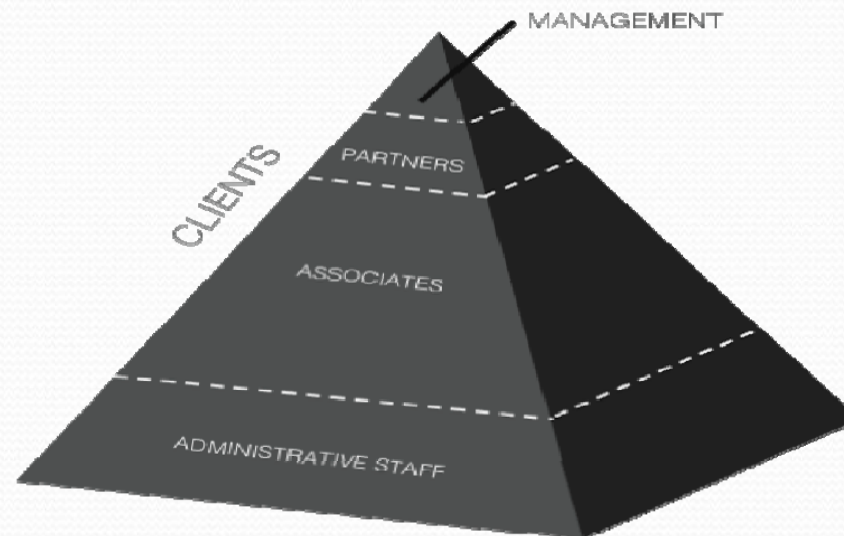
Structuring a professional firm and Talent
Management

13th December 2014
CA Shariq Contractor

Structure of a Professional Practice Firm

(Certain Guiding principles)

PYRAMID MODEL



The Core Questions

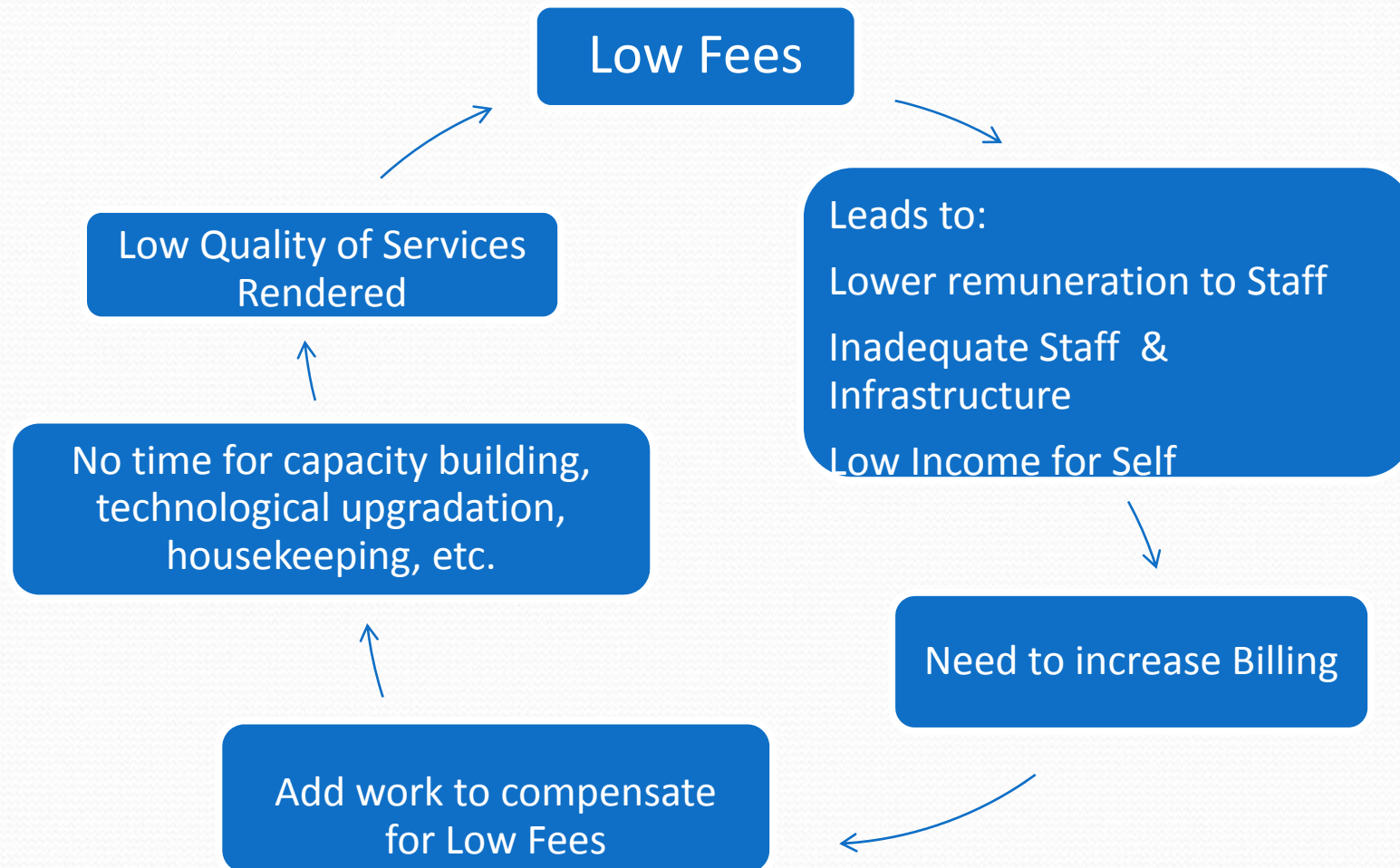
Why do we exist?

Why are we making those efforts?

How do others see us?

How do we see ourselves 5 years down?

The Vicious Circle



Challenges in CA practice

- Retain client base – especially those clients growing big
- Recruit/retain quality staff
- Risk management
- Need to upgrade knowledge
- Maintaining quality of service
- Managing operating and infrastructure costs

Organizational Philosophy

- What is the fundamental guiding factor for the organization
- Is it shared amongst partners and communicated to the staff
- Is there clarity on organizational ethics

Ethics

- Binds the organization
- Establishes the work culture
- Brings clarity of purpose
- Provides guidelines to tackle tricky/exceptional situations

Managing Risk

- Risk can be minimized not eliminated
- Liability under Terms of engagement
- Professional indemnity insurance cover
- Establish Quality Standards
- Streamline processes and procedures
- Hot review of sensitive files

Organisational Structure

- Hierarchical Vs. Flat
- Specialization Vs. Rotation
- Dedicated staff Vs. Floating Staff
- Customer Centric Vs. Specialization Centric



Profit Sharing

- Offering partnership for talent retention
- Fixed and variable share in remuneration
- Fixed and variable share in profits
- Share in Goodwill
- Share in Immoveable Property

Decision making Authority

- Collective or vested in designated partners
- Can some partners have “veto” powers
- Strategy Committee to involve select partners
- Small groups for development of each practice area

Firm Goodwill

- Should goodwill belong to the partners
- Compensation to retiring partner
- Circumstances under which such compensation is revoked
- Should share of retiring partner be “bought” by the continuing partners

Succession Planning

- Performance appraisal of partners
- Parameters of such appraisal
- Mentoring of junior partners to take up leadership
- Role to be played by senior partners
- Fixing a retirement age

LLP



CNK & Associates LLP

Why LLP ?

- Limited Liability
- No restriction on no. of partners
- Much more flexible than a corporate structure

LLP a one way street

- Firm can be converted to LLP but not vice versa
- No specific tax exemption on conversion
- Lack of financial secrecy

Comparison of LLP with Firm

Description	LLP	Firm
Legal entity	Separate Legal entity	Not a separate legal entity
Liability of members	Limited Liability	Unlimited Liability
Maximum Members	No cap	50
MAT	Not Applicable, however now AMT would apply	Not Applicable, however now AMT would apply
Registration	Under LLP Act, 2008	Optional, but preferred
Perpetual Succession	Yes	No
Ownership of Assets	LLP can own assets in its own name	Assets must be in name of partners



Talent Retention

CA Firms compete in two distinct areas in the Market Places

- Compete for:
 - ✓ Client
 - ✓ Staff
- The ability to attract, develop, retain & deploy staff will be the single biggest determinant of competitive success in the coming decade

Invest in Human Resources

- Monetary rewards
- Work environment
- Job security
- Scope for growth & career path
- Training and Development

Beware of Under Delegation

- Lack of skill building
- Adverse impact on morale, motivation, satisfaction and excitement
- Under investment in the future
- Reluctance of partners in coaching & supervision

Performance Appraisal

- Institute a formal system of performance appraisal
- Create a feedback loop , 360° Appraisal
- Salary increments should be linked with performance & productivity
- How to determine productivity
- Introduce performance incentive – reward the star performers

Invest in Training

- Technical staff making in house presentations
- Training sessions jointly with other organizations
- Invite outside faculty
- Encourage and sponsor staff for outside training programmes
- On the job training

Investment in technology

- Systems to track work
- Reduced chance of clerical errors
- Standardisation of routine work
- Downward delegation
- Is maintaining time sheet passé

Work environment

- Nurturing – stimulating – non-threatening
- Allows staff to maintain their uniqueness and creativity
- Systems are the means to achieve the end and not an end in itself
- Reward performance and provide support and guidance to those willing to learn

Integration

- Understanding between partners
- Orientation programme for the new staff
- Consciously planning the audit team
- Building systems and creating culture for improving staff interaction and communication
- Staff get together and picnics

Retain & Manage Talent

- Recognize, Manage & retain Talent
- Offer career path
- Accept that staff turnover is a reality

Role of Partners and their Relationship Interse



The Pre-requisite

- Commonality of thinking amongst partners
- All issues cannot be visualized upfront
- Open communication is the key to resolving unanticipated problems



Working with Equals

- Loss of independence & flexibility
- Need to compromise and accommodate
- Clash of personalities
- Partner appraisal

Role of Partners

- Supervisory
- Managerial
- Leadership

Role Model

- Technical competence
- Inter personal skills
- Good Motivator
- Rain Maker
- Ability to delegate
- Creating the second line of leadership

Think Strategically

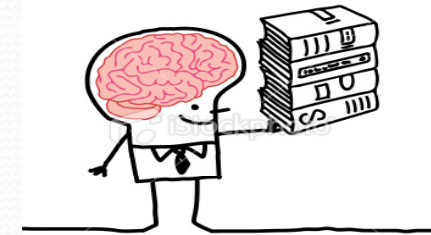


Branding

- Standardisation in presentation, delivery and processes
- Perception management
- Public presence

Categorization of Professional Practice

- Brains (**Expertise**) practice: Hire us because we are smart.
- Grey Hair (**Experience**) practice: Hire us because we have been through this before
- Procedural (**Efficiency**) practice: Hire us because we know how to do this and can deliver it efficiently



Quality of Work Vs. Quality of Service

Goods are consumed but services are experienced

Satisfaction = Perception - Expectation

Finally

- If everything is coming towards you, it only means you are driving in the wrong lane
- Every truth has four corners: as a facilitator I give you one corner, and it is for you to find the other three.

Confucius