

A Capstone Conversation With



Tom Hood
Executive Director and CEO
Maryland Association of CPAs



CAPSTONE MARKETING

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Hello, this is [Jean Caragher](#), President of [Capstone Marketing](#). I am excited to be talking today with [Tom Hood](#), the Executive Director and CEO of the [Maryland Association of CPAs](#).

Tom is a nationally recognized author, speaker, and consultant. He was named the fourth most influential leader in the CPA profession in Accounting Today's 2012 List of the Top 100 Most Influential People, his eighth time on the list. [Accounting Today](#) described Tom as, "Relentlessly forward thinking. Hood is a constant force dragging the profession, yes, with some kicking and screaming, into the future."

Tom has received many other awards, including being named to the Top 25 Thought Leaders in Public Accounting by [CPA Practice Advisor](#), the Top 25 Thought Leaders in Public Accounting Technology by CPA Technology Advisor, and one of the Top 25 Online Influencers in Talent Management by [HR Examiner](#).

These awards and recognitions reflect Tom's leadership in helping CPAs shape their future through his work at the Maryland Association of CPA's and the [Business Learning Institute](#), a center for the development of leadership and strategic thinking skills for CPA's. Tom, we finally met last month at the CCH Users Conference in San Diego. I appreciate your time today for our Capstone Conversation.

Tom Hood: It is great to be joining you, Jean, and I am a big fan of your work and the work you do together with [Rick Telberg](#); so we're mutual admirers.

Jean Caragher: Thank you very much. It's a love fest, here, between all of us. Tom when I was at the CCH Users Conference, you gave an excellent presentation called "Building the High Performance CPA Firm." You had a big crowd in there and everyone was really paying attention to what you had to say. You mentioned four things that were necessary to build a high performing firm and they were 1) engagement, 2) alignment, 3) commitment, and 4) accountability. I would like for us to talk today a little about each of those things, starting with "engagement" because you mentioned that most people are not engaged because their work is not inspiring them to do their best. How do you inspire people to do their best?

Tom Hood: It's funny because the "engagement" stats are not just in the profession, but they are everywhere. I think the average partner or someone at the manager level would tell you the issue of inspiring, what I like to call, an "ADD workforce," today, with all the distractions and the pace of change, it is as if we all have attention deficit



disorder and that goes from the top of the organization to the very entry-level position. Everyone's got their iPhones, Blackberries, laptops, or other devices going all the time, so this idea of inspiration is the answer or the antidote to this idea of the ADD work force. At the end of the day, you can lay out an environment that is inspiring and you can engage people. However, it's what I like to call the "return on attention" that we are talking about here. So how do you do that? It means that you have to engage people in the work that they are doing, and often that starts at the very top of the organization with its strategy.

It was interesting, at two of the major sessions we did at CCH, I used an interactive device to get some stats from the group. Almost half of the group did not have a strategic plan, 46%. Then, when we got to, "Are your partners all on the same page?" only 40% said, "yes." Then, when we said, "Does your team or staff understand your strategy?" only 20% said, "yes" and 39% said, "maybe."

Jean Caragher: Which is basically, "no."

Tom Hood: Right. Then I asked, "Is your vision and strategy inspiring?" and only 6% strongly agreed, 34% agreed, 41% were not sure, and 20% strongly disagreed. So that's really where I start. If you aren't making your work place inspiring starting with the, what I like to say "why idea," which comes from [Simon Sinek](#). It really does get to the "why." Here is what I call the generic CPA firm vision statement, which is, "get more clients and make more money." That's not an inspiring vision statement, and in fact, that's usually not the "why."

Jean Caragher: You are absolutely dovetailing into issues that I have done research on and, of course, in helping CPA firms with their marketing planning and business development, it does start with that vision and why you are in business because you need to get all of your people on the same page and excited about what you want to achieve together. If the team does not know and is not in agreement or alignment, as you would say, about what that is, you are really on a road to nowhere because there is no common end game, so to speak.

Tom Hood: That's right. What you just said really does get to the next piece, which is, "alignment." So "engagement" says, first, "How am I engaging my people at all levels in the firm?" What we hear from, like in this secession we did which included quite a bit of partners and almost a quarter of the firms were greater than a hundred people, therefore, it was a nice evenly split up group from small practices of one to twenty, up to greater than a hundred. So consistently, across that, what they said was their biggest problem...

So let me give you a couple of the sound bites that came from them on answering the questions while we were in the room..."Operating is a shared vision versus a shared service firm," which is book of business based. "Operate as one firm mentality," and



“getting everyone on the same page.” There was just comment after comment about getting their partners in alignment.

When I was out there at that conference, a good friend of mine was out there from a large firm in Georgia. He said he got sick of going to CCH Conferences and seeing all this great stuff, and then going back home and having all his partners basically not be willing to go there. So he took all eleven of his partners with him to this conference so that they could see it firsthand. That’s symbolic of the challenge because things are changing faster now, and that means it’s more urgent than ever to get people on the same page and keep them on the same page.

Jean Caragher: And I would say that it’s more urgent than ever for firms to have this strong leadership that is willing to do the hard work to make that happen.

Tom Hood: Absolutely. So “engagement” says, “Do I have a strategic planning process?” and I like to say, “process,” rather than the episodic, “let’s do one every five years.” It should be an ongoing process of sight and insight - “What do I see happening in the world around us with our clients and in our market?” and the insight is “So what’s it mean to us?” Then that gets to, “What should we create from what we now know?” That should be literally happening as major things change or at least annually. That’s the “engagement” part - “I need to engage my partners in a planning process so that we understand our “why” and we develop strategies that are responsive to the changing marketplace, responsive to our customers, and in line with our vision and our purpose.”

Jean Caragher: I think this gets to a point, you talked about getting partner consensus that they either have to like it, love it, or live with it. I thought that was brilliant.

Tom Hood: Good. That’s what we use when we do strategic planning. We call it the “no bitch rule” because if you set that up as your rule, then when they leave the meeting, they can’t go back and say, “Oh no, that was full of stuff there. I didn’t agree with it.” Because they at least said they could live with it. Which then says, you are not going to go out and poo-poo it, or no-no it, after the fact.

Jean Caragher: So they are not going to be the obstacle for their other partners and team members to be successful.

Tom Hood: Exactly. Then this is what happens all the time - they have these meetings, a couple of people dominate it and say this is what we are going to do, other people don’t say anything, which everyone takes as approval. But when they walk out of there, they start complaining about it.

Jean Caragher: Right. They don’t have the courage to actually speak up; this is conflict avoidance.



Tom Hood: It happens. Then they go out and try to actually rile up more people to join them in their quest to block whatever is going on.

Jean Caragher: So as a managing partner, how do you work with a partner like that?

Tom Hood: By using those rules. If you set those rules up and say, “These are the rules” and everyone agrees to those rules, then you say, right up front, “That means you have to speak up if you really can’t live with something we are talking about and we will wrestle it until we all agree and get there. But then once we’re done, you can’t go out of here and change that story for the rest of the staff or other partners.”

Jean Caragher: If they do, then the managing partner needs to be willing to have those difficult conversations with that partner or other consequences, if you will.

Tom Hood: Absolutely. That’s the start of the “alignment” process. My favorite quote I love to start a lot of these planning sessions off with is when they talked to Napoleon Bonaparte about why he was such a successful General, he said, “Well it’s actually quite simple. The first thing I do before I go into battle is I get all my men facing the same direction.” That’s what we mean by “engagement” and “alignment.”

“Engagement” is engaging them in a strategic conversation, so that you can get the best of all their thinking about what’s happening with the customer, the market, trends, and issues; those kinds of things.

The “alignment” is, “I can then get a consensus around that and then I can take that strategy and start to articulate it.” I am a big fan of a one-page strategy-plan. Then use that strategy to line further down your organization, so that strategy should then inform and align with the divisional or the departmental practice strategies, tax, audit or consulting. It should align by office, if you have multi offices. At the end of the day, it should go all the way down to a line of sight so that the receptionist can actually articulate her key objectives and how they might tie in and support the firm’s strategy. When everyone can understand the strategy and point to how they help it, then you have made the right level of alignment.

Jean Caragher: Right, because you have got all your people engaged and involved and understanding where the firm is going, why it is doing that, and how it is going to do that.

Tom Hood: Exactly, and that leads to “commitment.” That’s where, I like to call it the “discretionary effort,” when you get both their head and their heart because let’s face it, “What really wins games?” It’s the passion.

Jean Caragher: Right.



Tom Hood: It's the discretionary effort that people give you because they are committed to what you are doing.

Jean Caragher: This is, in a way, creating raving fans out of your own people.

Tom Hood: Absolutely, there's always this constant dialogue in the profession about customer service, that is, "Where does great customer service come from?" All the research, this goes all the way back to Harvard, but [David Maister](#) and all these gurus in the profession for years say it all gets to, "if you really take care of your people right, if they are trained right, and they are engaged in how and what and why you exist, then they are going to deliver great service." That's the secret to great service.

Jean Caragher: Right.

Tom Hood: Somehow we lose sight of that easily. Therefore, if you can get to this notion of driving everyone into the "why" and "how" and "what" you are focusing on strategically, that alignment will drive this whole next level of commitment. That's where "accountability" comes from because people know what is expected of them and you don't have to micromanage them. They'll actually do it willingly because they are part of it.

Jean Caragher: That "accountability" word has always been such a big one in our profession.

Tom Hood: Yeah, "My partners are not accountable... Well, why not? Well, I can't fire them because they are partners." See, that's where all this goes. You need to engage them and get them inspired and connected; that's some of the missing ingredients. One other thing about "alignment" that's important, because not only is it about aligning people understanding their role, but to your point, all the marketing and creative stuff that you are doing to try to help them get recognized, build their brand, that should be aligned to the strategy as well. Then there is training. This is the other one, the kind of third leg of the stool, is lining up, what I call, the "return on people." So now you have engaged them and got them connected, now you need to give them the skills that they need to do their jobs, which gets to the whole notion of a strategic learning plan that kind of focuses on, "Well if this is my strategy, then what am I doing to make sure I'm training my people in those key areas?"

Jean Caragher: It absolutely is because when I looked at that engagement and inspiring them, that is absolutely related to marketing and business development because if your people are working on challenging and exciting clients, they are going to be more engaged.

Tom Hood: Absolutely.



Jean Caragher: Also, the marketing component is part of that strategic plan and that vision, and the growth of the firm, and how that's going to happen, what you are going to do, what is your brand, what training are we going to give our people to help them be more proficient marketers and business developers, and that obviously relates to client service as well; it all comes full circle.

Tom Hood: The great companies get that stuff right. I call it a systematic and strategic approach. I know what's important, my people know it's important, they all know how they fit into our strategy; that's the strategic part. Then it's systematic. Now I drive all my systems, my people systems, my marketing systems, and my selling systems. All those systems need to support the strategy.

Jean Caragher: But there is a specific way to do things and giving your people the training to do that so you have that consistency.

Tom Hood: Yeah, exactly right.

Jean Caragher: What are some of the best practices you have seen with CPA firms related to accountability? What are firms really doing right?

Tom Hood: Some of the best ones I have seen have all these matrixes and scorecards and all kinds of stuff, and those are good, but sometimes it's like improving your golf swing - if you've got 10 things you are trying to work on, it's not easy to improve along all those dimensions. I like to say, "It's as simple as top fives." Literally, what I have seen that's working really well is a review system. It's not just at the partner level, but cascaded all the way down. Essentially, it takes the, "Okay, if this is our strategy and these are our values, there are two components to it: One is, you set your goals in alignment with the firm goals, that is, here is the firm's strategy, here's the six things we think are important. Now you are head of the tax division, so your tax division should be in alignment with the firm. What are those top fives? Then, if you are the tax partner, "What is your top fives?" Remember in grade school when they used to teach you a language and they would have a little 8x11 sheet and it was like a T account, so on the left side would be pictures like a cow and a dog, and on the right side would be their names all jumbled.

Jean Caragher: You will have to match them up.

Tom Hood: You will have to draw a line through those and, literally, that's how we do our strategy plan on a page. We say, "Here are the five major strategies of the firm. Here is the purpose, vision, values, and here are the five major strategies for the next couple of years." We list them down, one through five. Then, if you are the tax division, you put your top five there and you draw a line where there is a connection. Now it shouldn't be one-for-one because there is going to be some goals that are at the sub-level that are different than the top level, but there better be at least two that you could



say this is connected to the firm's growth strategy, and this is connected to the firm's talent development and retention strategy.

So imagine five goals at the top, five goals at the tax level, and five goals at the partner level, and then the people are doing the same thing. So if I am an audit senior, I am going to say, "What are my top five goals this year?", and, again, at least a couple should point to the audit division team that ultimately will find a way all the way up to the firm level.

Jean Caragher: Right.

Tom Hood: People need to understand that. That's number one. Number two is, then evaluating people on values. This is where I know some CPAs really get stretched because I compare it to Zappos. I don't know if you have heard the stories about Zappos. I got a chance to visit out there and spend some time with one of their culture people. The value issue, and this gets back to culture, so if you ask a firm, "Do they have a good culture?" many of them will say, "yes." Many firms have culture by partner or culture by office or culture by practice.

Jean Caragher: You are absolutely right.

Tom Hood: You have seen it. You can experience it.

Jean Caragher: I have absolutely seen it.

Tom Hood: We are doing the [AICPA's Leadership Academy](#), so we've done a bunch of leadership training for manager level CPA's all across the country, and consistently these folks are frustrated and confused because they are working in firms that have many cultures. When you are trying to get people inspired, if you confuse them about how they need to behave and which values they need to bring forth and they're different, that's a pretty challenging environment. So really understanding this idea of "what are your firm key values and principles and what are the kind of norms of behavior that we expect here?" and then evaluating people on how they are doing against those values, this is the area that seems to be completely non-existent. Now, I've seen some firms beginning to implement it, as they've done really good articulations of what their strategy is and what their vision is. However, my point is, if I go back to the original stat we started with, 46% of the firms in those sessions out in San Diego did not have a strategic plan at all.

I would suggest that their performance could dramatically improve if they would get alignment, which then gives you a consistent culture. The whole point of this alignment exercise, back to strategy, is that's the beginning of creating a consistent culture.



Jean Caragher: Is this a process that can be undertaken by younger partners or without senior leadership in a firm?

Tom Hood: As long as they have senior leadership buy-in. So the answer is, “yes.” We’ve seen where this is starting to happen. Young partners or even managers who are given permission could begin to create that because it’s really between the manager, the next level employees, the staff, and the seniors. Those happen to be, mostly, members of the millennial generation; most managers are Gen-Xer’s. This is that whole generational thing that you are hearing about. They get inspired and give you their effort when they believe they are working for something that matters.

Jean Caragher: And they are the future of their firms.

Tom Hood: No question. So my point would be, “Yes,” if you were a managing partner and you could empower your managers, manager team, and maybe even a couple of young partners to take on that kind of effort, I believe you can make some significant improvement there. So this whole idea of performance management, it is not going to ever get much better. You can add all the systems on top of it that you want, but if you don’t have a consistent culture, you are not going to be able to get any kind of consistent evaluation. What I hear all the time from young professionals is, “Imagine what it is like when I have to know Jean’s personality and her quirks and Tom’s personality and his quirks and they are two very different people, so they expect and make me work completely differently when I am assigned to their jobs.”

Jean Caragher: Right.

Tom Hood: How could you ever be inspired and motivated around a job like that? And, “Oh by the way, when Jean goes and gets another client and has a whole other set team and assigns me to another partner, now I have to learn a whole another set of behaviors that I am expected to do.”

Jean Caragher: And we wonder why they leave the accounting profession. It was just in the news that the best time to leave public accounting is between three and six years of experience.

Tom Hood: That’s it because “I am going crazy trying to understand the different cultures and how I should succeed.” If you are trying to worry about your career, how do you begin to be successful? You have to think through all these different nuances, “Well how has Jean worked against that, how has Tom worked against this.” So I think when it comes to performance management, people are going to be chasing that forever when it is a lot simpler.



Jean Caragher: In focusing in on these areas that we have been talking about, the “engagement,” the “alignment,” the “commitment,” the “accountability,” and having that strategic plan that is aligned...

Tom Hood: Throughout all the other things you do throughout your organization.

Jean Caragher: Right, exactly. Tom this is awesome, I just have two last questions for you. Based on everything that we have talked about here today, what is your best piece of advice for current firm leadership?

Tom Hood: Find your “why” and get a strategic plan and begin to align that through your organization.

Jean Caragher: Then, what is your best piece of advice for future firm leadership?

Tom Hood: It would probably be the same. If you’re a future firm leader and you have already done that, then what I would say is, “Your job would be to take it and move it throughout the organization.” The best practices that I have seen, and I have been with a couple of firms, is one of my Maryland firms with 150 people and multiple offices, the other one is a smaller firm with about 45 people but growing rapidly. Both firms engage every one of their people in their strategy plan.

Jean Caragher: So you are getting that extra buy-in and inspiration because you are being asked for your input from the start.

Tom Hood: Yes, the best quote I know is, “In order to get buy-in, people have to weigh-in.”

Jean Caragher: That’s a good one.

Tom Hood: The older established leaders, for the most part, are not quite ready to involve that next level. They would like to stay at the partner level. The younger partner or the one coming into leadership, often, is maybe a little more tuned into the notion of connecting and collaborating. They would be the ones more open to having that be. However, if you haven’t ever done it before and you haven’t done it with your partners at the first step, then you wouldn’t want to open it up to everyone else until you make sure those folks are on the same page. But first step, get all your partners aligned. Then second step, see if you can make that circle bigger and involve more people in your team. You would be amazed at the ideas and energy that comes out of your staff, even the admin staff, the receptionist, and the folks supporting the different teams in your firm. It can make a huge difference and they all have some great ideas and then they get inspired.



Jean Caragher: Absolutely, and that's where we started our conversation today, wasn't it? Being inspired.

Tom Hood: You're right.

Jean Caragher: We have been talking today with Tom Hood, the Executive Director and CEO of the Maryland Association of CPA's. Tom, thank you so much for your time.

Tom Hood: Jean, thank you very much and I look forward to seeing you in the future.

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