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Executive Sponsorship Accelerates Succession and Women's Success

CPA firm leaders often wonder how they can detect more potential female stars; they also frequently tell Accounting MOVE Project team members that their mode of identifying talent is, "They remind me of me!"

Cloning isn't succession planning. Organizational psychologists say that promoting people who remind us of ourselves prevents firms from evolving along with market and staff expectations.

Executive sponsorship is the 'silver bullet' that opens leaders' eyes to genuinely new talent. When a respected colleague advocates for a rising star, partners have a chance to cultivate new talent – talent that looks like the future.

PAR is proud to partner with the Accounting MOVE Project to help disseminate this information to the public accounting profession. Wolters Kluwer, publisher of *PAR*, neither pays nor receives any fees associated with this survey and did not participate in data collection. Participating firms pay a small fee to Chicago-based Wilson-Taylor Associates, Inc. for individualized benchmark reports associated with this survey. *PAR* publishes MOVE results as a complementary supplement to its readers. The MOVE Project is sponsored by the organizations noted below. MOVE results are based on surveys and interviews with 47 participating firms comprising 26,000 employees, conducted from November 2015 through March 2016. ■

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2016 Accounting MOVE Project Overview

Sponsorships: The Most Powerful Tool that Firms Overlook

Many CPA firm partners agree that the profession can't afford to continue losing mid-career talent – especially women. To replace retiring baby boomers, serve today's clients and fulfill tomorrow's promises, firms must keep more women in their leadership pipelines.

Among the myriad factors that weaken or strengthen women's commitment to continue at public accounting firms, one stands out: Executive sponsorship. Executive sponsorship is very nearly a silver bullet – a single strategy, already in play at most firms, that addresses many of the factors that shape women's determination to stay or depart.

"Simply 'leveling the playing field' isn't enough. In fact, this has turned out to be a passive approach that I feel doesn't fully advance the diversity CPA firms need to actually address underlying friction points that detach women from their CPA careers," said William Balhoff, CEO of **Postlethwaite & Netterville,** based in Baton Rouge, La., and former chairman of the **AICPA**. The 'level playing field,' or asking the same thing of everybody, "only works so far," he said. "If we're going to compete, we have to be proactive."

Executive sponsorship might be the most powerful factor that firm leaders underestimate.

Many firms have formal programs or cultures of executive sponsorship. Typically, leaders rely on the judgment of other leaders to recommend and advocate for rising stars. Meanwhile, rising leaders need direction and focus for their ambitions.

A *mentor* walks beside you.

An *executive sponsor* walks a step ahead of you – and opens doors for you.

Executive sponsorship bridges staff aspirations with firms' succession plans. Most firms encourage sponsors and candidates to find each other when the candidates are at the manager or senior manager level; some firms believe that earlier introductions stoke loyalty and aspiration.

Through sponsorship, candidates are directed, encouraged and supported to win promotions and key assignments.

Through sponsorship, firm leaders see how candidates rise to career and professional growth challenges – and thus, how they are likely to perform as partners and senior leaders.

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"It's vital for firms to have a succession plan. But more than that, you must have the next wave of leaders who are going to take your firm to the next level," said Doug Pallota, partner at **OUM & Co.,** based in San Francisco. "I think it's really hard to get to that place without a sponsorship-type program. Yes, you might get there with a little bit of luck with the right people. But our experience is that having a sponsorship program dramatically increases the odds that you will have the new leaders ready to go when the time comes."

A key component of a successful sponsorship program is building in accountability for the sponsor. **LBMC** (formerly **Lattimore Black Morgan & Cain**), based in Brentwood, Tenn., evaluates its partners, senior managers and managers on their effectiveness as coaches. For some, those skills roll up to sponsorhip roles. Other firms, such as **Jones & Roth**, based in Eugene, Ore., do not have formal, documented accountability, but each partner must report on the employees they sponsor twice a year to other partners and are then critiqued by their peers on their performance.

Jennifer McNeal, a newly minted audit partner at Minneapolis-based **Lurie**, credits the sponsorship of the firm's managing partner and another partner as a critical factor in achieving partnership while she started a family.

She signaled her interest in partnership during her involvement with Lurie's Emerging Leaders program, which is intended to infuse millennials with knowledge about firm operations and vision. "My timeline changed when I had a baby," said McNeal. With guidance from the two sponsors, she organized her plan into incremental milestones – director, then partner in training, then partner.

"We have identified several potential leaders of our firm, and most importantly, we have told them that we see their potential as future leaders, and they're already participating in some of the decisions they'll inherit," said McNeal. ■

Public Accounting Report

The Pipeline of Women—2016 MOVE Project Metrics

All MOVE Accounting and Consulting Firms

Women Employees and Managers as a Proportion of ALL Employees & Managers (%)	2016	2015	2014	2013	2012
Women Full-Time U.S. Employees	51	51	51	51	51
Women New Hires	50	51	48	50	51
Women Professionals	47	47	45	45	44
Women on Management Committee	21	23	19	20	24
Women Partners & Principals	23	22	19	19	17
Women Directors	46	30	41	43	27
Women Senior Managers	47	47	44	44	40
Women Managers	49	50	51	51	52
Women Career Professionals (*MOVE uses the AICPA definition: a professional at the senior or manager level who will work in the current role for the indefinite future.*)	52	57	54	48	62
Women Supervisors/Senior Staff	49	52	48	48	49
Women Associates	52	52	48	53	52

Source: 2016 Accounting MOVE Project/Wilson-Taylor Associates, Inc.

Sponsorship Models that Work

There are several approaches to sponsorships, each with proven track records of success when compatible with a firm's culture. Following are several examples:

Organic: Candidates find and recruit their own sponsors, potentially establishing natural relationships that last a lifetime. But, some candidates don't realize how sponsorship works or how to find out – and are overlooked.

> **Freed Maxick,** based in Buffalo, N.Y., sets up an organic evolution with its mentoring process, with a culture that expects directors and senior staff to make meaningful strategic relationships with younger staff. "It evolves and you can see it happen," — Janice Moceri, professional development officer.

Introduced: Each sponsor and candidate is offered several potential matches. Mutual choices become matches. Coaches, mentors or talent development and human resources typically manage the matching process.

> At **Burr Pilger Mayer**/San Francisco, every candidate who is being considered for partner has an internal coach who facilitates introductions to two sponsors: one within the candidate's practice area and another elsewhere within the firm.

""It's essential for women to understand how sponsorship works, especially at mid-career, when they are sorting through so many options." *— Jen Wyne, director, human resources, Seattle-based Moss Adams*

Board of Directors: Each professional builds a small panel of advisors, each representing a different experience, specialty, or network. Candidates become acquainted with several models of career success. But many people are asked to be on multiple personal boards, taxing time and energy.

> "You need to have an engineered approach to make sure it happens. It may not be a perfect fit, and you need to be responsible for that, so you need a personal 'board of directors' to also advise that protégé. The board of directors is identified with both the sponsor and the protégé," said Stacie Kwaiser, COO at **Rehmann**/Saginaw, Mich.

"Sponsorship pairs well-connected senior leaders who are willing to invest in candidates with motivated candidates whose wins will bring success to themselves, the sponsor and the whole firm for years to come." *— Risa Lavine, chief of staff, New York-based CohnReznick*

Matched: Leaders assign candidate-sponsor matches based on recommendations, assessment tests and training needs. The structured nature of this model demands much of staff but also integrates sponsorship with overall talent development.

> **Kositzka, Wicks and Co.**, based in Alexandria, Va., formalized its sponsorship program last year using the matched model to help employees achieve their career goals and to create accountability among partners for growing the next generation of leaders. ■

Executive Sponsors Open Doors

With sponsors, female candidates aren't overlooked

When a candidate raises her hand for a critical promotion or opportunity, the mentor can link her with a sponsor who has the right connections.

Most firms use one of four proven models for connecting candidates with sponsors.

Together, the sponsor and candidate zero in on a target.

The sponsor advocates for the candidate with other firm leaders.

The sponsor helps the candidate close the deal and reach the target.

Mentors walk alongside candidates, providing insight and guidance.

Coaches work with candidates on specific leadership and business development skills.

Sponsors are senior leaders who step in at pivotal moments to advocate for candidates to win specific opportunities or positions.

WHO ARE SPONSORS?

- Well-connected firm partners and senior leaders.
- Industry and community influencers.
- Sponsors' and managers' roles sometimes are distinct and sometimes overlap.

SPONSORS AND CANDIDATES BOTH BENEFIT

- Candidates invest in sponsors who can detect and direct critical career steps.
- Sponsors cultivate talent and open new paths to promotion, fulfilling firm succession and diversity goals.
- Sponsors invest in candidates whose success builds the sponsor's credibility and influence.

SPONSORSHIP MODELS

Organic: Candidates and sponsors find each other, often through introductions made by supervisors, and through firm events.

Introduced: Programs or staff leaders facilitate introductions.

Personal Board of Directors: Each candidate assembles a 'board' of sponsors with diverse strengths and makes requests of them accordingly.

Matched: Talent and HR staff pair sponsors and candidates based on observations, recommendations, and development goals.

All models can be measured by tracking the mix of candidates and their subsequent career moves. Firms also track how effective sponsors are at advocating for candidates.

THE TARGET COULD BE A:

- Promotion.
- Strategically important responsibility or role.
- Lateral move that better positions the candidate.
- Focused preparation for leadership.

Does Gender Deliver Greater Valuation?

Are firms with more women partners worth more? Definitely, but not in traditional terms.

The more women partners, the better the cultural fit. The better the cultural fit, the greater the chances of extracting the expected value from an acquired firm, according to firms that have recently acquired other firms. These facts dovetail with new research that finds that higher proportions of women in corporate leadership yield better financial performance.

It's not an academic question. As baby boomer partners eye retirement, many consider selling their firms, in part or whole. Revenue-based equations are the most important factor in estimating the market value of a firm. But other factors are rising in importance. Firm leaders anticipate broad trends that include culture, gender and social responsibility in valuation calculations will soon affect CPA firm mergers and acquisitions.

Several recent studies make the case that a high proportion of women in leadership build greater corporate value.

- MSCI ESG Research calculates that companies with significant proportions of women in top leadership roles deliver a 10.1% greater return on equity.
- The presence of just one woman director on a company's board can translate to more carefully calibrated offers to merger targets. Companies with women board members offer about 15% less for acquisitions, according to a study by the University of British Columbia's Sauder School of Business.
- A Credit Suisse analysis found that in the post-recession slow-growth economy, companies with at least one woman on their boards outperformed those with no women on their boards. Women board members appear to drive better performance when markets are faltering and bring in stronger return on equity.

These findings resonate with Chris Sing, a principal with **Rehmann**, based in Saginaw, Mich. She joined the firm in 2011 when Rehmann acquired **Wright Griffin Davis & Co.**/Ann Arbor, Mich. Women comprised three of Wright Griffin Davis' seven owners, and at the time, women comprised 10% of Rehmann's 49 owners. (Today, 22% of Rehmann's owners are women.)

"The fact that there were three women owners was a plus. It came up in every conversation" during the merger process, recalls Sing. "It was part of our story."

And post-merger, women partners can accelerate a firm's reputation as it introduces itself to new clients and re-introduces itself to current clients, said Kelly Welter, managing partner at **Serl Keefer Welter**/Las Vegas. After all, many corporations are also trying to advance women employees, so gaining more women leaders better reflects clients' values.

The female factor : An emerging dynamic

CPA firm merger and acquisition consultants agree that long-term culture determines whether the acquiring firm will truly get what it paid for. Key aspects of the Wright Davis culture – its customized career paths and work-life innovations – reflected Rehmann's aspirations. That the Wright Davis culture had a high proportion of women owners was a good indicator that the blended firms would be more than the sum of their parts, said Sing. "You have to understand what the full value picture is," she said.

Large firms rarely zero in on gender statistics during a merger, but for some small, women-owned firms, it's a defining factor, said Joel Sinkin, president of New York-based **Transition Advisors**. "Firms that are 100% woman-owned are very insistent on women being involved," he said.

Numbers alone don't paint the whole picture. The **Rosenberg Assoc.**, based in Wilmette, Ill., calculated that at firms with at least 25% women partners, the average net income for all partners is lower than at firms with fewer than 25% female partners. This is partly because men tend to gravitate toward roles that bring in new business and manage large client bases, resulting in larger compensation, according to CEO Marc Rosenberg. Meanwhile, women leaders often take on roles that support long-term growth (such as talent development), but those contributions often are not completely reflected in the compensation structure. Therefore, firms with a larger percentage of female partners, in aggregate, post lower income per partner.

That's why the profession needs to consider the whole story, said Jennifer Wilson, who heads **Convergence Coaching**, based in Omaha, Neb. "A firm without women leaders is likely to have some underlying issues and competitive disadvantages," said Wilson.

Firm leaders interviewed for the **Accounting MOVE Project** reiterate the same point: retaining women is a major challenge for the profession. Firms successfully advancing women have a strong story about how they are making headway with this vexing talent development problem that affects all firms' succession plans. High — and rising — proportions of women partners indicate that those firm have cultures, programs, and momentum that the acquiring firm can fuel for the benefit of the combined organization.

Gender advantages

When **K•Coe Isom**, based in Salina, Kan., was created in January 2015 by the merger of **Kennedy and Coe** and **Matson and Isom**, cultural fit was a primary factor, said Principal Christina Ricke. During negotiations, functional topics such as billing models and complementary practice areas claimed the most attention. In retrospect, though, discussions about the firms' aligned approaches to advancing women was an early positive sign that opened the door to additional discussion about cultural fit, she said.

Ricke and Sing agree that a firm's approach to women is a prism for how it invests in its talent pipeline. "When you have a merged firm with a good proportion of female owners, you have a good proportion of female role models," said Sing. "Women see that it is possible and profitable to succeed." ■

2016 MOVE Project Highlights

CPA firms are accelerating practices and aspects of culture that particularly affect women. Here are highlights from the 2016 Accounting MOVE Project.

Money, Pay Equity and Pay Decision Policies and Practices

- 39% of MOVE firms conduct pay equity surveys.
- 39% of MOVE firms conduct pay equity surveys by department and by region.

Progressive pay practices and policies became a powerful opportunity for employer branding in 2015, thanks to high-profile celebrities advocating for pay equity and a few large companies revealing their pay gaps. Firms such as Chicago-based **Baker Tilly** that have historically had proactive pay policies won reputation-building media mentions that positioned them as advocates for women.

Opportunities for Leadership

- 35% of MOVE firms rotate mid-level women into client-facing roles.
- 26% of MOVE firms train managers to identify high-potential associates.

Winning women's initiatives are positioned as go-to-market strategies: When women win, the whole firm wins. As firms add new lines of business, they also open new career paths that retain mid-level women. **Sikich**, based in Naperville, Ill., has several businesses under its umbrella, including technology consulting and public relations companies. Rising staff gain cross-functional leadership experiences while staying within the firm. Some firms, such as **Brown Smith Wallace**/St. Louis, include associates and senior associates early and often in leadership development, mentorship and business development programs to help them envision and prepare for their careers in public accounting.

Vital Supports for Work-Life

- 65% of MOVE firms offer formal flexwork.
- 52% of MOVE firms train managers in how to use virtual technology and collaborate virtually.

Dixon Hughes Goodman, based in Charlotte, N.C., **RubinBrown**/St. Louis, and Springfield, Mo.-based **BKD** are meticulous about differentiating their women's initiatives, which focus on propelling women to partnership with programs geared toward assisting employees with business development at all life and career stages.

Entrepreneurship and Business Development

- 71% of MOVE firms offer business development training.
- 39% of MOVE firms market specifically to entrepreneurs.

The 'performance manager' model at **Clark Nuber**, based in Bellevue, Wash., blends sponsorship with business development coaching by successful senior leaders. "The performance manager system has been more informal in the past and now is more formal to help people build on their strengths," said Rob Wheeler, CEO. "We don't have a cookie-cutter approach to what it takes to be successful." ■

"Career advocacy is one of the cornerstones within the firm's five-year strategic plan. The workforce is changing. Firms that don't embrace programs supporting the advancement of women and equal access to leadership development within their firms risk the loss of talented CPAs – both women and men." — *Thomas E. Hollerback, president & CEO, Yeo & Yeo CPAs & Business Consultants/Saginaw, Mich.*