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## Desired Qualities of Leaders Within Today's Accounting Firm

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In the October 1987 *CPA Journal*, David McThomas, former executive director of the International Group of Accounting Firms, presented research on the most important attributes that a managing partner of a CPA firm should possess ("Leadership and the Attributes of Managing Partners"). This study was particularly intriguing, given that accounting is a very specialized industry whose professionals must exhibit a great amount of technical ability in their craft. What we have found throughout the profession is an abundance of training on technical aspects, with very little focus on developing the skills to run the firm from a leadership perspective.

George Forsythe, a practicing accountant and partner with Wells, Coleman & Company in Richmond, Virginia, expanded upon this challenge within the accounting profession in an interview with the authors of this article:

There is an abundance of technical training for accountants with regard to our profession. What we struggle to find are resources that help our up-and-coming managers and partners focus on those soft, practice management skills. As we develop our next generation of leaders, we want to make sure that we are developing those traits and behaviors that allow them to be more effective not only in their own craft but also as leaders who empower others.

In his research, McThomas developed a list of 15 attributes and asked respondents to rank which 10 were most important for the leaders of a CPA firm to possess. Results were then broken down by firm size, which was measured by gross fees. His findings suggested that "the leadership style found to be most effective in dealing with CPAs is partic-



ipative leadership." McThomas's research was conducted in an effort to fill what he considered to be a void in effective research on leadership traits within business. He posited, "Our best graduate schools produce many who want to counsel the leader but few who really can lead. Perhaps the most important reason leadership isn't taught is because it lacks operational definitions and descriptions."

Since McThomas's article, the study of leadership has evolved into a well-established discipline that continues to grow today. The authors believe that both the field of leadership studies and the business

landscape have seen such dramatic changes in the 20-plus years since McThomas's findings that follow-on research to his original findings was warranted.

The current study that is the focus of this article attempts to do four things: The first objective is to capture those leadership attributes and behaviors that resonate with leaders and followers which may help leaders mold their behavior to be more effective. Second, this article supplements McThomas's original findings on the established leadership theories within the academic literature. Third, this article synthesizes McThomas's findings to

identify whether there are any attributes that seem to stand the test of time. Fourth, the article translates the research findings into practical applications to help address the critical issue of developing more effective leaders within accounting organizations.

### Leadership Styles

McThomas's efforts focused on the traits that leaders possess, as opposed to the behaviors of leaders. This is an important distinction, as the trait-oriented theories of leadership operate on the assumption that leaders are born, not developed. In contrast, the focus on leadership behaviors provides an avenue for leaders to be molded through the development of certain behaviors and skills. As leadership theory has moved over the past few decades from a focus on specific traits to a focus on leadership behaviors, two recent theories have garnered a great deal of focus:

- Transformational/transactional leadership and
- Servant leadership.

### Transformational Leadership

Building on J.M. Burns's theory of transforming leadership (*Leadership*, Harper & Row, 1978), Bernard M.

Bass developed the theory of transformational and transactional leadership. Transformational and transactional leadership are very different styles of leadership, but it is important to understand that they are not mutually exclusive and can be complementary, if employed correctly. Furthermore, an individual can have and develop skills required to be both a transactional and transformational leader.

Transformational leaders—

- stimulate interest among colleagues and followers to view their work from new perspectives,
- generate awareness of the mission or vision of the team and organization,
- lead colleagues and followers to higher levels of ability and potential, and
- motivate colleagues and followers to look beyond their own interests to those that will benefit the group.

Transformational leadership is focused on creating a shared vision and motivating followers to sacrifice themselves for the greater good of the organization. This leadership style seeks to engage the follower's creativity and loyalty, thus earning a higher level of commitment and effort from the follower.

Transformational behaviors, also known as the "four *I*s" include the following:

- Idealized influence. The leader shares a vision and sense of mission with the followers and proposes radical, innovative solutions to critical problems. The leader has the followers' respect, faith, and trust. The followers want to identify with the leader. The leader shows determination and conviction.

- Intellectual stimulation. The leader encourages new ways of looking at old methods and problems. The leader emphasizes the use of intelligence and creativity. The leader provokes rethinking and reexamination of assumptions on which possibilities, capabilities, and strategies are based.

- Individualized consideration. The leader gives personal attention to followers and makes each feel valued and important. The leader coaches and advises each follower in personal development.

- Inspirational motivation. The leader increases the optimism and enthusiasm of followers. The leader communicates with fluency and confidence, using simple language and appealing symbols and metaphors.

When effectively employed, transformational leadership creates an environment in which every stakeholder is physically, spiritually, and emotionally invested in a shared vision. Followers are fully aware of the importance their role plays in the success of the organization. They also appreciate the importance of the other roles around them, resulting in a willingness to exert efforts above and beyond minimum expectations.

### Transactional Leadership

Transactional leadership occurs when a leader rewards or disciplines a follower depending on the adequacy of the follower's performance. Transactional leadership is focused on the specific activities and actions that will realize the vision or goal.

Transactional behaviors include the following:

- Contingent reward. The leader gives followers a clear understanding of what needs to be done and what is expected of them, then arranges to exchange rewards in the form of praise, pay increases, bonuses, and commendations.

- Active management by exception. The leader monitors performance and takes corrective action when mistakes or failures are detected.

**EXHIBIT 1**  
Leadership Style Responses

Which best describes your personal style of leadership?	
Transactional	34%
Transformational	37%
Servant	29%
Which style of leadership would you be most responsive to?	
Transactional	14%
Transformational	64%
Servant	23%
Which best describes your immediate supervisor?	
Transactional	62%
Transformational	15%
Servant	14%
Which best describes the leader of your firm?	
Transactional	56%
Transformational	26%
Servant	18%

■ Passive management by exception. The leader intervenes only if standards are not met or if something goes wrong.

Transactional leadership is more closely aligned with traditional models and tactics employed in management theory. The tasks and end goal are of more importance than the development, loyalty, and consideration of followers.

Transactional and transformational leadership are not mutually exclusive constructs. Much of the literature suggests that the two styles reside on a continuum, and, given certain circumstances, a leader may act more transactional or more transformational. A leader can also employ bits of both styles to achieve a desired outcome.

### Servant Leadership

Servant leadership, as introduced by Robert K. Greenleaf (*Servant Leadership: A Journey Into the Nature of Legitimate Power and Greatness*, Paulist Press, 1977), operates from the position that a person is drawn to serve and through this attitude of service naturally assumes leadership roles. In this capacity, servant leaders encourage collaboration, trust, foresight, listening, and the ethical use of power. Larry C. Spears posits that there are 10 specific attributes of servant leadership: 1) listening, 2) empathy, 3) healing, 4) awareness, 5) persuasion, 6) conceptualization, 7) foresight, 8) stewardship, 9) commitment to the growth of people, and 10) building community ("Tracing the Growing Impact of Servant Leadership," *Insights on Leadership: Service, Stewardship, Spirit, and Servant-Leadership*, Wiley, 1998).

### Current Study

The current study gauged which leadership behaviors respondents were thought most important for leaders in a CPA firm to exhibit. From those individual behaviors, one can infer which style of leadership is most appealing across the ranks within CPA firms. Like McThomas's work, the attempt was made to distinguish perceived differences in relation to firm size, as measured by annual gross fees. This study also captured data on how one's gender and position within the organization impacted the desired leadership style of firm leaders.

The study divided organizational position into three categories: staff, manager, and partner. It listed leadership behaviors associated with transformational, transac-

tional, and servant leadership, and respondents were asked to rate which behaviors were most important for firm leaders to display. In addition, respondents were provided definitions of each leadership style and asked the following:

- Which best describes your personal style of leadership?
- Which style of leadership would you be most responsive to?
- Which best describes your immediate supervisor?
- Which best describes the leader of your firm?

Each of the 50 state CPA societies was contacted for potential inclusion in the sur-

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vey. Twenty-four state CPA societies agreed to participate, and the survey was posted on their respective websites and included in electronic communications to society membership. A total of 266 complete responses were collected.

### Results

The first step of the analysis was to start with a wide lens and look at how positions within the organization responded to the four primary questions of the survey.

When respondents were asked to describe their personal leadership style, transformational leadership represented 37% of the responses, while servant leadership garnered 29% of the responses. Transactional leadership was selected by 34% of the respondents. Servant and transformational leadership accounted for a combined 66% of the responses. The importance here is that both of these styles are commonly labeled as follower-focused styles of leadership. This is not surprising, given that respondents were self-reporting. When respondents were asked

to describe the leadership style of their immediate supervisor and the senior leader of their firm, however, the majority believed them to be transactional in nature. This is an important observation, given that more than 64% of respondents, regardless of position, indicated they would be more responsive to transformational leadership (see *Exhibit 1*).

This signifies an interesting juxtaposition for both managers and partners within the organizations represented. Personnel across the board indicate that they would be more responsive to transformational or servant leadership behaviors. Partners and managers see themselves as transformational leaders; however, their subordinates do not observe these transformational or servant behaviors in their leaders.

Responses to the individual characteristics of each leadership style were then examined (see *Exhibit 2*). Within transactional leadership, only three of the characteristics exhibited a pattern of responses that did not average out near the "neutral" response: 66% of respondents indicated that leaders should be "directive" and 91% of respondents indicated that leaders should be "task-oriented"; however, they do not want leaders to be "dominating" (71%).

Interestingly, a large percentage of the individual characteristics of both transformational leadership and servant leadership elicited responses that significantly deviated from the mean response of "neutral." Within transformational leadership, more than 90% of respondents thought that "demonstrates faith in subordinates' abilities," "value-driven," and "provides intellectual stimulation" were important traits for leaders. "Creates vision for others," "individualized support," and "infectious enthusiasm" all were indicated as important characteristics by more than 80% of respondents.

For servant leadership, four attributes ("empathetic," "builds community," "concerned with personal, spiritual, and professional growth of followers," and "attitude of service to others") were ranked as important by more than 90% of respondents. A full 98% of respondents thought that leaders should exhibit an attitude of service to others. Two other attributes also elicited strong positive responses, with more than 80% of respondents indicating that "excellent listener" and "vision builder" are important attributes.

As the data was parsed further, there were not significant differences between respondents when controlling for gender or firm size. Significant differences were found, however, when controlling for industry tenure. Individuals who had been in the industry the longest tended to report that their supervisor and firm leader exhibited more transactional leadership, as opposed to the other two styles.

### Practical Implications

For those leading CPA firms, the findings of this study hold several important practical implications. First and foremost, there appears to be a significant disconnect between how leaders see themselves and

how others see them. Individuals in leadership positions who do not recognize this can ultimately compromise their effectiveness as a leader. In addition, this study provides insight into the challenges that managers will face as they make the transition to partner. The study found that nearly 50% of managers report their own leadership style as transactional. Helping these future leaders see past this transactional mindset and to embrace more servant and transformational behaviors can help them in the transition from manager to leader.

When considering how to bridge the gap between the leaders' perception of their leadership and the perceived leadership style as expressed by employees, it is important to note the individual transactional, transformational, and servant behaviors that the respondents did call for. The data captured behaviors that represented a cross-section of each of the three leadership styles. This is an indication that leadership is not a single static style but rather a dynamic process. One particular style will not suit all situations or meet the needs of all followers. Bass, as mentioned earlier, suggests that the constructs of transactional and transformational leadership represent a continuum on which a leader may move depending on the situation, follower, or other extenuating circumstances. So it is not surprising that several attributes of all three leadership styles are identified as important. This reiterates findings in the broader body of leadership research that in order for a leader to be effective, leadership styles are interdependent.

While a majority of the behaviors call for leaders to be visionary and concerned with employees as individuals, there is recognition that leaders must also set specific goals and tasks that will ultimately achieve organizational objectives. The challenge for leaders is to know how and when to apply elements of each of these leadership styles in response to a particular situation.

It comes as no surprise that a majority of responses from managers in this study suggested that they view themselves as transactional. The development of the organization's vision and specific goals are often the responsibility of the firm's partners, not the managers. It is up to the managers, however, to ensure that specific processes are put in place to realize these goals and vision. This is inherently transactional by nature.

In larger firms, managers are often the ones conducting performance reviews and reporting on the achievement of specific goals. When one begins the transition from manager to partner, responsibilities often shift, as does one's leadership style. The challenge that these up-and-coming partners face is that they have developed mostly transactional behaviors and other employees most likely view them as transactional.

In making the transition from manager to partner, it is important that an individual develop and refine transformational behaviors while still acting in a managerial capacity. Suddenly switching behaviors once someone has transitioned into a leadership role will be viewed as disingenuous, and it will likely erode a leader's credibility and effectiveness.

In smaller firms, where there are not as many layers of hierarchy separating leadership and employees, leaders have the even more daunting task of finding a way to demonstrate all of these leadership behaviors.

### Leadership Focused on Values

In examining the current findings, it is apparent that three ideas have resonated across the two decades since McThomas's study was conducted. While McThomas used different descriptors (communicative, honest, and people-oriented), it is apparent that respondents of both studies expect leaders to be driven by a definable set of values. They want someone who can build a vision for their collective efforts. They want someone who values them as individuals. While these are simple ideas, the challenge is for managers and partners to embrace and cultivate those behaviors in themselves and in the next generation of firm leadership. □

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## EXHIBIT 2 Individual Characteristics

### Transactional

- Directive
- Dominating
- Action-oriented
- Task-oriented
- Contingent reward system
- Works within existing system
- Hands-off

### Transformational

- Agent of change
- Demonstrates faith in subordinate abilities
- Value-driven
- Creates vision for others
- Provides intellectual stimulation
- Able to anticipate consequences of decisions
- Infectious enthusiasm

### Servant

- Excellent listener
- Empathetic
- Keen sense of situational awareness
- Builds community
- Concerned with personal, spiritual, and professional growth of followers
- Builds trust
- Attitude of service to others