

# The Bottom-Up Mission

## *A Competitive Strategy for Midsized*

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**T**he business environment for accounting firms has been altered radically: technological advances, increased liability exposure and insurance premiums, new reporting requirements under GATT and NAFTA, expanded support for tax law simplification, and rapidly changing accounting and auditing standards. Business publications note that CPA firms are facing increased competition, not only from other accounting firms but also from non-CPAs. *Business Week* in 1996 reported that small clients, including many individuals, are using new software programs to compute their own taxes, and *The Wall Street Journal*, in late 1995 reported that since 1982, approximately one-half of midsized firms have either been acquired or gone out of business. While many CPA firms are

increasing their consulting businesses and are benefiting from the outsourcing caused by their clients' concentration on core competencies, they still recognize they must work harder just to maintain current clients. Midsized firms find themselves squeezed on both sides. Small firms and sole practitioners frequently offer lower prices for basic tax and write-up work, while large firms with extensive resources are servicing the smaller businesses and nonprofits that previously were the bread and butter of the midsized firm.

CPA firms must determine how they can find opportunities in this environment and decide what areas to pursue. Midsized firms need to differentiate their services so customers see they have something unique to offer, or they may find their accounting services viewed as a

mere commodity where the lowest-price provider prevails. The creation of a mission statement can help clarify the challenges facing CPA firms, can focus attention on the best future direction for a firm, and can provide a guiding principle to support future decisions. By identifying some fundamental issues—what services can be provided, which clients should be satisfied (customer group identification), and how client needs will be met—the mission statement process can provide direction to a firm.

While mission statement content is important, the process by which one is drafted is equally vital. In a traditional business structure, the leaders of the firm draft the mission statement, and convey it to employees and peers—a top down approach. In such instances, the mission



# Statement *Accounting Firms*

*A good move  
for smaller and  
larger firms, also.*

is rarely considered or consulted when future decisions are made; it does not become an integral part of the culture of the firm. This top-down approach, although expedient, may be ineffective.

The bottom-up approach to mission creation, a relatively recent phenomenon, may be more appropriate, given the changes firms are facing. Organizations have begun to recognize the knowledge and insights held by employees at all levels, and have started to realize the potential benefits gained through increased employee participation. Senior partners may initially have difficulty relinquishing control over the process; however, this is a necessary step if the bottom-up approach is to work. Further complicating this changed role is that management must continue to monitor the assumptions that will support the mission while surrendering control of the mission-crafting process. Although this process of mission creation can be time-consuming, the costs involved should be weighed against potential benefits. Handled correctly, this process can provide a mission statement useful in future decision making, and in creating a sense of shared commitment among all constituencies within the firm.

For an accounting firm, the bottom-up approach offers many advantages. It is better suited for the complex, unstable external environment accounting firms currently face because it requires that information be gathered from a broad set of firm-related individuals and external stakeholders. In fact, by identifying all current and potential stakeholders, the firm can also identify new clients and opportunities. The bottom-up approach to mission creation forms the foundation for strategic thinking and, from such strategic thinking, concrete business plans can be devised.

Another advantage to this approach comes from the nature of the accounting profession itself. CPAs often have an alle-

giance to the profession beyond their loyalty to the firm. These somewhat separate loyalties have the potential for creating division within the firm. Furthermore, in the firm structure, partners are at once proprietors, employees, and managers. Thus they, too, can be torn by conflicting goals and objectives. Preparing and understanding a firm's mission can help everyone in the firm see how potential conflicts among his or her own goals, those of the firm, and those of the profession might be reconciled.

Although the bottom-up approach lengthens the process of crafting the mission, it will result in a strong sense of shared purpose. The goodwill generated among a firm's key employees may result in a greater sense of commitment toward the organization for which they helped establish direction and purpose. A bottom-up mission creation process can increase the level of trust among everyone in the firm. Furthermore, a mission statement, based upon agreement and shared values, is more likely to improve the quality of the services provided than a book of rules. Finally, satisfied and committed employees are also less likely to leave, reducing turnover among valued employees.

A bottom-up approach also has some shortcomings. Foremost among these, for a business that survives on billable hours, is the time involved. To adequately survey the envi-

ronment, individuals within a firm must interact with clients, employees, professional organizations, educational institutions, and other stakeholders. This is obviously time-consuming. In addition, while accounting professionals are educated, their education may be centered around a narrow specialty. This may limit their ability to see the big picture, a necessary skill for the successful completion of this process. Consensus among such a group of individuals may be difficult to achieve. Also, participants in the process might waste time trying to guard their own turf or play other political games. Appropriate leadership and the increased trust generated by the process itself can help to reduce this type of behavior.

## In Brief

### Begin with an Objective and the Rest Will Happen

Competition among firms has left many a managing partner with his or her head spinning. Where do I go from here? How do I make up for the tax work now done by commercially available software? How do I compete?

Every firm needs to examine what it really is and where it is going. The authors make a point of the particular needs of a midsized firm, but the formula they offer is really universal.

The chance to engage all employees (bottom-up) in mission creation should lead to an increased commitment to a firm, as well as provide greater understanding of employee and client needs. It will take time, but the investment, in the authors' opinion, is well worth the effort.

It starts with a committee of individuals, hopefully with diverse backgrounds and points of view. The committee identifies and communicates with the various stakeholders—employees, clients, community leaders, and academics. A process of education of the issues and change factors facing the firm takes place at the committee level.

Next comes the drafting of the mission statement. Many iterations will be required, but that is part of the process. Upon completion, senior management must accept the result and use it to move the firm forward.