

Why Are Partners And Managers Leaving The Big Six?

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Abstract

This article is based on a survey of managing partners of Big Six public accounting firms in the U. S. The purpose of the survey was to obtain the perception of managing partners regarding the reasons for the exodus of numerous managers and partners over the past few years. The 137 managing partner respondents indicated that the major reason that managers left was limited partner opportunities. The major reason that partners left was inadequate business development skills.

Introduction

Since the early 1990s, the Big Six accounting firms have experienced a revolving door at the highest levels of their management. Will the Big Six be able to curb the departures of their top managers and partners in the future? The answer may depend to a large extent on their upper management's success in understanding why partners and managers are leaving the Big Six--voluntarily and not so voluntarily.

Many reasons may influence departure. Past research and articles support several possible influences. Job satisfaction studies and turnover studies indicate that perhaps bureaucracy was an important predictor of continued job satisfaction and longevity; that personality played a significant part with turnover; that organizational culture had a significant effect on rates that em-

ployees voluntarily terminated employment; that programs are needed to keep talented female professionals; and, that alternative job opportunities provided a reason to leave.

Other studies concentrate on organizational commitment and performance; job-related stress levels; and Big Six personnel environment. Other studies concentrate on why women leave public accounting. Articles have been written indicating that skills required by managers are quite different from those of staff; and that business skills need to be developed to help clients. Hooks reported on Big Six partners' beliefs regarding the activities considered most important in development of professional service, ranking client referrals and recommendations as the most important sources.

Due to the enormous press coverage of litigation against CPA firms, we assumed that this was a major reason for managers and part-

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ners choosing to leave public accounting firms.

As experienced in other market segments of the economy, clients expect more from their auditors than ever before. Clients are looking for value-added services. Companies want more help in making decisions that affect company profitability. Being more service-oriented requires highly developed interpersonal skills. Perhaps this has become a "point of departure" for some managers and partners swinging through the revolving door.

This article explores the reasons that may influence departure by partners and managers. We not only looked at departure due to litigation and poor management skill, we looked at 11 other possible reasons for partners and 14 others for managers.

Research Methodology

During the summer of 1995, we surveyed all of the managing partners of the Big Six public accounting firms in the U. S. From the initial and follow-up mailings, 137 managing partners (of 501 surveyed) completed and returned our questionnaire.

The survey questions centered around the managing partners' perception of possible factors for the departure of both partners and managers in their firms. We received helpful suggestions from partners at KPMG Peat Marwick in devising and refining the survey instrument prior to our mailing.

Each of the six public accounting firms were well represented in the pool of respondents to the survey; 20 percent or more of the questionnaires were completed by each of the six firms. Respondents were well represented by both large and medium-sized cities in the U. S., indicative of their markets for both medium-sized clients and large clients.

Our survey centered upon the ranking of 13 possible reasons affecting partner turnover

and 16 reasons affecting manager turnover. The listed reasons developed from past research and from recommendations by Big Six partners in a pretest environment.

Each possible reason was rated on a scale of one (no importance) to six (great importance). We then ranked these individual ratings from 1 to 13 for the partners and from 1 to 16 for the managers. Further, we were interested to see whether the top-rated reason would also be identified as the overriding reason for departures; thus, we asked the managing partners to choose the single overriding reason for departure of partners and of managers.

This research represents the first step toward our investigation of partner and manager turnover in the Big Six; thus, the research is limited to managing partners' perspective of our survey questions. Further investigation will be conducted from the perspective of the departed managers and partners in order to have a complete analysis of the turnover turmoil in the Big Six.

Findings -- Overriding Reason--Partners: Inadequate Business Development Skills

In completing the questionnaire, managing partners were asked to choose the one overriding reason for the departures of partners from their firm. Thus, the results show the percentage which each of 13 possible answers received of the whole. (See Figure 1).

As can be seen, the overriding reason for the departure of partners was "inadequate business development skills" with 37.6 percent of the total. Only one other reason, "seriously desired to work elsewhere," received a sizeable percentage (23.2 percent). All other responses were minimal in comparison.

Three other reasons above 5 percent were "inability to maintain positive relationships with clients," "insufficient chargeable billing hours," and "other." The first two reasons relate

Figure 1
Overriding Reason for Departures of Partners

Inadequate business development skills	37.6%
Seriously desired to work elsewhere	23.2%
Other	9.6%
Inability to maintain positive relationships with clients	8.8%
Insufficient chargeable billing hours	8.0%
Did not stay current with new industry trends needed for various clients	4.8%
Too many long-hour days	4.8%
Risk of potential personal litigation becoming too great	1.6%
Did not stay current in technical accounting skills	0.8%
Inadequate interpersonal skills with fellow employees	0.8%
Inability to manage staff on client assignments	0.0%
Client issues becoming too difficult	0.0%
Too much travel out-of-town for the firm	0.0%
Inability to promote consulting opportunities with present clients	0.0%

to partners' interpersonal skills with clients and partners' ability to generate revenue. In the "other" category, varying reasons were listed, such as: "outstanding job offers from clients," "profitability squeeze" or "head count reduction," "intense internal issues" or "corporate culture changes" or "reengineering the firm," "lost motivation to spend time with clients and to grow the practice," "normal retirements," and "long grind as partner" or "pressure to do all things." However, none of these reasons were mentioned enough to warrant a new category.

Findings -- Average Ratings--Partners: Inadequate Business Development Skills

Managing partners rated (1-6) each of 13 reasons for the departures of fellow partners in their firm. Consistent with the previously noted "overriding" reason, the item "inadequate business development skills" received a 4.49 rating--the only reason rated above 4 (see Figure 2). This high rating tends to confirm the overriding reason, clearly well above all other possible answers. The partners who leave the firm apparently are less able to garner new business.

Likewise, the No. 2 average rating was consistent with the No. 2 overriding reason.

"Seriously desired to work elsewhere" received a rating of 3.66, which lends additional credence to the tarnished luster of partnership--after having achieved partnership.

Only three other items were rated above 3. The "inability to maintain positive relationships with clients" received a 3.61 rating, which is similar in nature to the business development attribute. It appears that, partners are having difficulty handling their clients. Their interpersonal skills must not be serving them well; if partners had strong working relationships with their clients during engagements, this rating would be a non-factor.

Of some concern is the 3.17 rating for the item "not staying current with industry trends needed for clients." If partners are to maintain clients and continue to acquire new clients, partners need to know what clients need. The last reason rated above 3 is "too many long-hour days." This rating casts some concern on the quality of life within the Big Six firms.

Looking at the figures from a different perspective, we noted that the potential personal litigation was next to last among 13 items, receiving a 2.47. To be sure, litigation cannot be

Figure 2
Average Ratings on Reasons for Departures of Partners

Inadequate business development skills	4.49
Seriously desired to work elsewhere	3.66
Inability to maintain positive relationships with clients	3.61
Did not stay current with new industry trends needed for various clients	3.17
Too many long-hour days	3.05
Inadequate interpersonal skills with fellow employees	2.98
Inability to promote consulting opportunities with present clients	2.98
Insufficient chargeable billing hours	2.93
Inability to manage staff on client assignments	2.79
Client issues becoming too difficult	2.52
Did not stay current in technical accounting skills	2.47
Risk of potential personal litigation becoming too great	2.47
Too much travel out-of-town for the firm	2.24

disregarded as a problem, but in terms of the major reasons for partners leaving, litigation is simply overpowered by other issues. Likewise, out-of-town travel does not seem to be a big problem for partners.

Implications Regarding Partners

Managing partners single out poor business development skills as the major reason that fellow partners are leaving their Big Six firm. This finding indicates that much needs to be done to develop the selling and interpersonal skills of partners.

In-house courses could be designed to bolster these critical skills. Universities could provide tailor-made training to a firm in most areas. Since the Big Six have historically provided significant technical training for their professionals, it would seem that these business development skills could be greatly enhanced through top-quality training. Various motivational programs have been used; their success is not apparent. Apparently if a professional does not know how to meet and nurture a client skillfully, no matter how technically proficient he/she may be, he/she may still fail. Another recommendation is that universities should revisit their curriculum and ensure that business development

skills are within the business programs.

Likewise, the inability to maintain positive client relationships needs similar attention, as it was the third highest rating and overriding reason. When this finding is considered along with the No. 1 reason, managing partners should take notice that their partners' ability to sell their business to clients and then to keep their clients is a major problem.

The finding that partners "seriously desired to work elsewhere" should signal managing partners that the present partner environment has lost much of its staying power. Long work days should be addressed. Individual firms and the profession as a whole needs to determine with their fellow partners what can be done to return partner satisfaction to a high level.

Findings -- Overriding Reason--Managers: Lack of Partner Opportunities

Managing partners were also asked to pick one overriding reason for the departure of managers in their firm from a list of 16 items. (See Figure 3). Answers were more clustered for managers than for partners. The highest percentage, "lack of partner opportunities," received 25.2 percent of the total responses.

Figure 3
Overriding Reason for Departures of Managers

Lack of partner opportunities	25.2%
Seriously desired to work elsewhere	24.4%
Inadequate business development skills	15.3%
Too many long-hour days	13.0%
Less appeal to gain partnership considering partner responsibilities	8.4%
Other	4.6%
Diminished perceptions of partnership prestige	3.8%
Inability to promote consulting opportunities with present clients	1.5%
Insufficient chargeable billing hours	0.8%
Inability to maintain positive relationships with clients	0.8%
Inadequate interpersonal skills with fellow employees	0.8%
Client issues becoming too difficult	0.8%
Too much travel out-of-town for the firm	0.8%
Did not stay current in technical accounting skills	0.0%
Did not stay current with new industry trends needed for various clients	0.0%
Inability to manage staff on client assignments	0.0%
Risk of potential personal litigation becoming too great	0.0%

Nearly equal to this answer was "seriously desired to work elsewhere" with 24.4 percent. For many years, professionals joining a Big Six firm did so with an unwritten assumption that partnership was possible. This perception is changing. With fewer partnership opportunities for managers in the Big Six, it seems consistent that these answers were quite closely related.

Only two other answers received higher than a 10 percent rating: "Inadequate business development skills" (15.3 percent) and "too many long-hour days (13.0 percent)." The figures seem to indicate that the glitter of becoming a partner has diminished greatly for managers--from the perception of the managing partners. With fewer partner opportunities, the motivation to "stick it out" for partnership over time does not have the holding power it once enjoyed. In the "other" category, varying reasons were listed, such as: "great offers of employment in private sector," "risk of relocation," "quality of life issues," and "lack of support/recognition." However, none of these reasons were mentioned enough to warrant a new category.

Findings -- Average Ratings--Managers: Seriously Desired to Work Elsewhere

Besides the overriding reason, we wanted to assess more carefully each possible reason. Accordingly, we asked the managing partners to rate (1-6 with 6 high) each of 16 possible reasons regarding their perceptions of managers' departures. Figure 4 represents the average ratings of the 16 possible reasons. We were very interested to see if these "average ratings" were consistent with the "overriding reasons."

Comparing the "overriding reasons" to the "average ratings" for departure of managers, we noted that the high rating for "seriously desired to work elsewhere" (4.82) was consistent with the high percentage rating for the overriding reasons. Likewise, "lack of partner opportunities" (4.36) came in third place in the average ratings and was first when partners were asked for their overriding reason.

"Too many long-hour days" ranked second in the average ratings (4.44), reflecting the partners' perceptions that managers departed the

Figure 4
Average Ratings on Reasons for Departures of Managers

Seriously desired to work elsewhere	4.82
Too many long-hour days	4.44
Lack of partner opportunities	4.36
Less appeal to gain partnership considering partner responsibilities	4.18
Inadequate business development skills	4.09
Diminished perceptions of partnership prestige	3.99
Inability to maintain positive relationships with clients	3.59
Inability to manage staff on client assignments	3.40
Inadequate interpersonal skills with fellow employees	3.23
Too much travel out-of-town for the firm	2.97
Did not stay current with new industry trends needed for various clients	2.83
Inability to promote consulting opportunities with present clients	2.82
Client issues becoming too difficult	2.67
Did not stay current in technical accounting skills	2.62
Insufficient chargeable billing hours	2.48
Risk of potential personal litigation becoming too great	2.31

firm because of the extensive hours required. Long work days took on greater significance in the partners' answers when asked to rate all of the items individually. Also, the answer "less appeal to gain partnership considering partner responsibilities" was rated high with 4.18; this rating is nearly equaled by "diminished perceptions of partnership prestige" with a 3.99 rating.

Given the heavy responsibilities of being a partner and the partners' indication of diminished prestige associated with partnership suggests that managers are not as enamored with becoming a partner nor willing to put in the rigorous hours to be tapped "partner."

Another answer received a high rating; "inadequate business development skills" (4.09). As mentioned earlier, managing partners felt that departing managers did not have sufficient ability to seek new business for their firm and/or desire to seek new business. This answer casts doubts on managers' skills to build relationships with clients such that a client has a sufficiently high trust level in the partners' competence to put his/her business in the hands of the auditing firm.

A similar interpersonal-slanted answer, "inability to maintain positive relationships with clients," received a fairly high rating of 3.59. In this case, managing partners felt that managers do not skillfully handle problems, explanations, or situations while working with their client firms. "Inadequate interpersonal skills with fellow employees" received a 3.23 average rating, giving notice that this skill is not as strong as it could be.

The management skill factor, "inability to manage staff on client assignments," was rated at 3.59, which suggests that managing partners have some concern about the capability of managers to supervise their own staff when handling client engagements.

Surprisingly, the fear of litigation was rated last of the 16 items. Given the coverage of the issue in magazines and journals, we expected this to be one of the highest-rated reasons. This assumption is not borne out in the data, as managing partners rated this reason for managers' departures at 2.31. Although a concern, the litigation issue appears comparatively minimal as a reason for manager departure.

Of particular note besides litigation's weak showing is the next to last answer, "insufficient chargeable billing hours" (2.48). Rated 15th of 16 items, this indicates that managing partners feel that this is not a significant issue. Also, technical skill does not appear to be lacking or we would expect that it would have received a much higher rating.

Implications Regarding Managers

According to managing partners, their managers are departing because of limited partner opportunities--the overriding reason--and because they simply desired to work elsewhere. These two reasons seem to go hand-in-hand. The desire to take another job outside the present firm is likely to be tied to three top-rated reasons given: lack of partner opportunities, diminished perception of partner prestige, and less appeal to gain partnership considering partner responsibilities. Apparently, managing partners perceive that their departing managers do not have the motivation to become partners.

Considering the inadequate business development skill problem identified for fellow partners, we noted that this is a concern for managers as well. Managers need skill enhancement in cultivating new business and in developing their interpersonal skills to maintain good relationships with clients.

The lifeblood of all public accounting firms is to keep the client pipeline pumping. Additional firm resources should be committed to providing training and educational programs to address these deficiencies. Individual firms and their national offices should work together to solve the problem. Again, we recommend that university programs revisit their programs to stress the nature of business development skills and to integrate the training of this important skill into accounting programs.

Universities could help to develop interpersonal skills at the undergraduate and graduate levels. Staff accountants typically are not in-

involved to a significant degree in developing new business; yet, once they are promoted to managers they are expected to do so. If the skill has not developed sufficiently, the new manager will likely have considerable difficulty with this new requirement. Accordingly, a long-term approach to addressing this problem might be additional training made available at the universities.

Lastly, managing partners in this survey defused some concerns: (1) litigation is not an ulcer-driven concern for partners or managers, (2) technical skills are adequate for both partners and managers, (3) insufficient billing hours of managers is not a major concern, and (4) out-of-town travel is not a difficult burden to bear for partners and managers.

Conclusion

The findings of this study indicate that various reasons may be at the root of partner or manager departures from CPA firms. Yet, managing partners perceive that the overriding reason for partners and managers turnover is "inadequate business development skills" and "lack of partner opportunities" respectively. Contrary to popular belief, the fear of litigation does not appear to be an ominous threat.

Suggestions for Future Research

Future research needs to be conducted to determine whether partners and managers who have actually left the Big Six would give similar reasons for leaving their former firm. Interviewing these past professionals would give insights that cannot be obtained otherwise. Those who have departed may or may not give the same type of reasons as their former employers. However, even richer information may be gleaned by such interviews. Agreement on major issues could be used to strengthen areas of training needed or to give Big Six firms (and other national firms) sufficient reason to change their incentive system, their organizational construct, their emphasis on skills, etc. 

