



ACCOUNTING DEPARTMENT STAFFING

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Depending on the size of your firm, you may have a large or small number of people managing your accounting function. In small firms there is typically a bookkeeper who wears all hats. This person take care of the day-to-day accounting, including payables, receivables, trust deposits and withdrawals, time and billing, payroll, quarterly tax returns, production of simplified accounting reports, and perhaps even management of receivables as well. As the firm grows, typically a second person is hired and assigned to do time and billing, as least with respect to time entry, bill generation, and production of related reports. Continued growth adds individuals to manage specific areas, like receivables, payables, and payroll. So too, as the staff grows, does the responsibility of the senior accounting person. That job evolves to one of controller. Responsibilities become more supervisory, and the hands-on portion of the job becomes more about maximizing investments, maintaining banking relationships, budgeting, creating sophisticated financial reporting and modeling, supervising and training others, and codification and enforcement of procedures.

There are many factors which determine how many or few people will be required to adequately perform the accounting functions. Following are some of the factors which determine the number of accounting personnel needed. If your firm intends to compare its staff size to other firms of similar size, or compare to benchmark numbers in staffing surveys, you must consider these factors to determine whether your firm's ratio should be above, equal to or below those firms to which you compare.

- § Area(s) of practice – some are much more demanding of accounting personnel time when it comes to things like volume of cost checks, checks to deposit, escrow transactions, wire transfers, fee petitions, and closing bills.
- § Clients – institutional clients like banks and insurance companies usually create additional demand in the time and billing area, because of additional need for specialized billing and statement formats, costs-incurred back-up, electronic submissions and auditing, frequent accounting recaps, receivable management and more.
- § Attorney sophistication – typically business attorneys are more sophisticated in their understanding of financial concepts, and as a consequence are more demanding of sophisticated financial analysis and report production.

- § Varied billing arrangements – when there is a mix between hourly and contingent work at a firm, it often raises equity and profitability issues with partners which must be addressed by increased financial analysis and reporting.

What makes a good bookkeeper or financial manager? How do you know if you have one, or find one if you don't? How do you know if you have enough people to get the job done right?

What I find at some firms is that the firm has grown beyond a “checkbook practice”, but the skill level of their primary financial manager has not. As a consequence, the firm is literally held back by their loyalty to an employee who is no longer suited to the position held. Some of the symptoms of someone who is “over their head” include poor quality or non-existent financial reporting; frequent errors in reports; no codification of procedures; inability to tackle new analysis; lack of organization; and an inability to anticipate needs of management.

I also frequently find that a firm has grown in size and number of accounting transactions, but its accounting staff has not grown accordingly. Some of the symptoms of understaffing include consistently late production of reports; failure to catch glaring errors on reports; an inability to keep up with the demands of the position; friction between accounting employees and the rest of the office staff; poor morale; and excessive overtime.

Depending on the specific situation, the firm may have several choices.

- § Upgrade the employee's skills. To do this, the firm must create a position description and listing of objectives and present them to the employee. The employee must have a mandate to improve the skill set necessary to meet the objectives, and a specified length of time to do so. Then provide the support the employee needs to get the appropriate education necessary to meet the objectives. Membership in the Association of Legal Administrators is a great starting place for educational materials and classes, (www.alanet.org), and to interact with other accounting managers and exchange ideas.
- § Replace the employee. If the firm believes that the current employee cannot improve his/her skill set, even with support, then it is best served by replacing the employee with one who has the skill set required. We'll address finding that candidate shortly.
- § Grow the department. If it is determined that there is insufficient manpower to accomplish the tasks at hand, then the firm should seek to hire additional employees. The decision must be made whether to hire someone to *assist* or *manage* the existing employee, before the search begins.
- Ø Before hiring an assistant, the firm must determine that the current employee has the skill set to supervise another.
 - Ø If not, the firm can hire someone with the required skill set to supervise the employee. If the employee desired the promotion, this will be the



most difficult option in the long run. Although it seems kinder than terminating the employee, it is sometimes more humiliating for the employee, more disruptive to the firm, and may eventually result in termination anyway if it doesn't work out.

- Ø Or, if not, the firm can attempt to separate the accounting functions and hire an additional employee on an "equal" footing with the current employee. If the firm is fortunate, the necessary teamwork will materialize.

What are the characteristics of the top financial manager at a firm? Probably at the top of the list of the varied skills required are stamina, patience, and the ability to withstand stress. There is no doubt that managing the accounting operations of a law firm is a very demanding job. Usually the shareholders/partners feel they should have access to financial information whenever they want, and frequently feel they should be an "exception" to whatever procedures are in place. Requests for information usually have an immediacy attached to them. Keeping all those balls in the air simultaneously while responding tactfully requires Herculean effort.

If there is more than one person on staff, then the manager must be able to manage others. That means making sure that procedures are clearly codified and explained; monitoring quality to ensure nothing goes out of the department with inaccuracies; setting priorities; and tactfully providing correction and guidance while motivating others to produce their best efforts. It is often difficult for one who rises through the ranks to learn to supervise others. In particular, providing meaningful correction is often an uncomfortable experience. Some people never master this skill set. It becomes even more difficult to learn when there is responsibility to supervise, but little authority to back it up. This is frequently the case in a law office.

The ability to deal with sensitive issues in a tactful manner is an essential skill. Typically the accounting manager has access to private financial information about individual attorneys, and the expenses they submit. Utter discretion must be consistently exercised.

Flexibility is another important trait for a successful accounting manager. The smaller the firm, the more likely that its culture will consist of individual practitioners sharing overhead. Individuality must remain viable, even though procedures must be maintained.

The ability to demonstrate a consistently high degree of client service is an essential trait for success. This applies not only to the law firm's clients, and the service and support they must receive from the accounting department, but also the "internal" clients, meaning the attorneys and staff. I have too often observed accounting personnel who intimidated and insulted staff (including attorneys) who asked for simple requests, like a cost check or CLE registration fee on short notice.



When you're looking to hire your next accounting manager, try to find one who managed a firm with gross receipts slightly less or more than yours. Don't think that if you hire someone who worked for a firm *much* larger, they will have the skills you seek. Chances are they will not be as hands-on as you need.

Long-term employment history is also desirable. In today's market that means that the employee has jobs lasting 5 or more years, with not more than one or at most two "mistake" jobs of short duration. Remember, everyone's entitled to make an occasional career goof, and to correct it quickly. Don't write off an otherwise good candidate for one mistake if the rest of the job history is good. Do be sure to *verify* the job history.

Look for a candidate who is a natural problem solver, a self-starter, and who desires to grow on the job. How can you tell? First, look for someone whose career path and responsibilities indicate a steady progression and growth. Jobs that are steps backward in terms of responsibility, authority, or pay should be seen as red flags. Then ask open-ended questions that will tell you about the type of person you're interviewing. For example:

"Tell me about the things you did at your last job you're particularly proud of, that weren't part of your job description."

"If you see a problem that's not being taken care of and it's not your responsibility, what do you typically do? Can you give me a specific example?"

"If you could take any classes you wanted, at our expense, starting tomorrow, what classes would you enroll in and why?"

You'll notice I make no mention of *required* legal experience. All of the characteristics mentioned are much more important than specific law firm experience. Quickly mastering the vagaries of the law firm are achievable for a bright person willing to learn. Particularly if he/she takes advantage of learning opportunities. On the other hand, I strongly suggest you find someone who knows debits from credits. With today's accounting software packages, many people without this knowledge can become quite accomplished. But there is a practical limit to how far they can progress without understanding the underlying accounting concepts.

A version of this article has appeared in various Pennsylvania county bar association newsletters, and on the web site of the Philadelphia Bar Association..

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