

Vetting hires and keeping an eye on workplace issues form a valuable consulting niche.

CPAs Add HR to the Mix

BY PHAEDRA BROTHERTON

Where's good help when you want it? In short supply apparently, because businesses coast to coast say they are looking harder than ever for skilled talent. "The number one problem every company has is staffing," says Polly Knox, who launched and now heads the human resources (HR)

consulting arm of Ohio-based SS&G Financial Services. HR consulting is a niche that aims to fill the void. As trusted business advisers, CPAs are in the right place at the right time to pitch in—and strengthen their own bottom line in so doing. Knox says, "HR consulting is an area that is taking off."

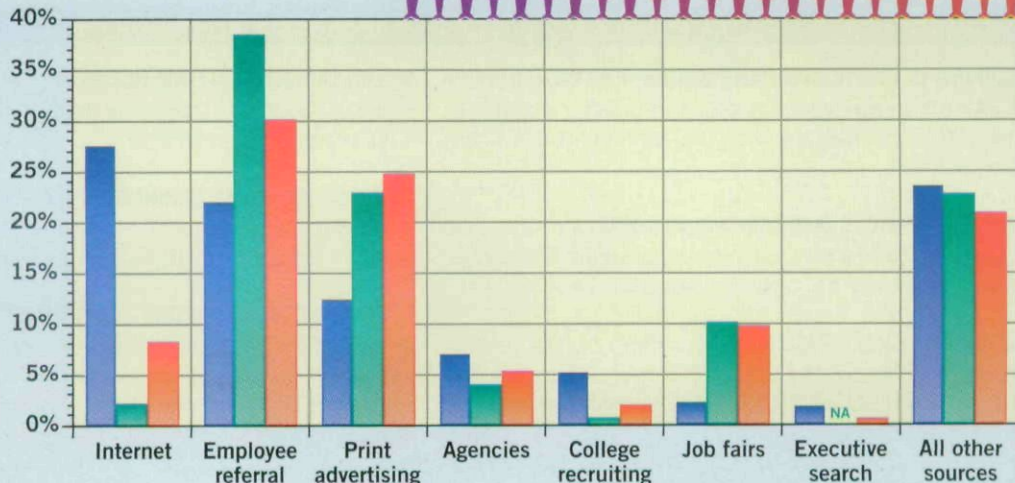
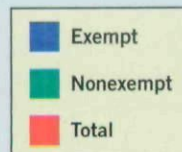
It is a \$5.8 billion market that will grow 13.4% a year through 2003, according to Greg Baranszky of Kennedy Information Research Group in Fitzwilliam, New Hampshire. The group's figures project that the HR categories of compensation and benefits, staffing, job design and

performance management are likely to grow 13.4% to 16.5% annually; training and development, 12.2%, and support, 9.5%.

The demand for HR services has hit the radar screen as a niche appropriate for small to midsize CPA firms. Larger firms have offered HR consulting services for some time, but many small to midsize firms are finding client companies turning to them for advice on recruiting financial professionals. And many firms are looking at moving into HR consulting services such as developing employee handbooks or setting up performance appraisal systems. *continued on page 68*

What Works When You're Hiring

Employee referral programs and advertising are the strongest sources of exempt and overall recruitment.



Source: Society for Human Resource Management, Alexandria, Virginia.

CPAs can use their knowledge of what qualities make a good financial professional to help recruit experienced staff for clients.

"Clients have a lot of confidence in our integrity and abilities," says Steve Kass, CPA and partner of accounting firm Rothstein, Kass & Co., PC, whose young affiliate, Innovative Human Resource Consulting, LLC, Roseland, New Jersey, provides small and large businesses with a full spectrum of HR consulting services. CPAs' institutional knowledge of business is proving to be an important asset. "Clients welcome our providing extended services to them," says Kass.

Recruiting employees and improving their performance top the list of workplace needs, confirms Baranszky. According to his 1999 study, *Global Human Resource Consulting Marketplace*, the following trends are driving the use of HR consulting services:

- A much smaller pool of talented, skilled employees.
- Need for retirement planning.
- Need for technology savvy staff.
- Declining employee loyalty.
- International expansion.
- Increased health benefits costs.
- Greater emphasis on pay for performance.
- Downsizing of client HR departments.
- New directions in job definition and goal setting.
- Growing legislative and regulatory complexity.

For meeting such workplace needs, CPAs can charge fees for HR services on an hourly or per project basis. SS&G Financial Services—the 185-employee firm is locat-



Steve Kass, CPA, of Innovative Human Resource Consulting, LLC, says accounting firms best understand their clients' needs.

ed in Akron, Cleveland and Cincinnati—gets a fee retainer and charges a percentage of the starting salary to cover all services associated with the placement. If the engagement is broken, the firm bills for time spent.

Outsourcing HR lets companies use specialized consultants as needed, but one challenge facing some CPA firms offering HR is that clients may be skeptical that CPAs can provide such services successfully. Here are three firms that are doing it.

WHO'S MAKING IT WORK?

About five years ago, the directors of Saltz, Shamis & Goldfarb, Inc., the accounting division of SS&G Financial Services, took note of the number of clients asking for help recruiting financial professionals. Typically, clients are

small to midsize Ohio-based businesses in various industries, including health care and manufacturing. Many are family owned. SS&G decided to offer HR services to these clients.

Human resources had been nonexistent, so the partners hired Polly Knox, a former HR director for an insurance company, to serve the firm and create a consulting function for clients. Knox started by talking to the directors to evaluate what was needed and find out what they expected her to provide. Her first move was to set up interviewing procedures for potential hires for SS&G. She also rethought the performance-evaluation process and, for each accounting area, appointed a task force to analyze evaluation standards

EXECUTIVE SUMMARY

■ **STAFFING IS EVERY COMPANY'S NUMBER ONE** problem, and CPAs are in an excellent position to offer human resources (HR) consulting services to clients in need of financial professionals.

■ **HUMAN RESOURCES OUTSOURCING IS GOOD** for clients that don't feel they need a full-blown HR department. It can help them stay current with the changing professional environment.

■ **ONE OF THE CHALLENGES CPA** firms offering HR face is that some clients may doubt that CPAs can successfully provide HR services. However, CPAs' institutional knowledge of business is an important asset.

■ **THE EXPERTISE A FIRM NEEDS** to offer HR depends on the range of services a firm plans to offer. Management experience is a good fundamental.

■ **RESEARCH HR BY EARNING A PHR**—the professional in human resource designation—from the Society of Human Resource Management. This yields CPE credit, too.

■ **MARKET AND SUPPORT YOUR HR NICHE:** Firms need to empower their HR professionals and provide appropriate support if they are going to successfully add HR to their roster of services. Speaking and writing are time-honored marketing tools.

PHAEDRA BROTHERTON is a Virginia-based business writer specializing in human resource career and management issues.

for that area and suggest ways to improve the orientation program and interview process.

After internal HR was in place, Knox went to work on developing procedures to recruit financial employees for the firm's clients, using its large database of financial professionals culled from years of networking and referrals. Human resources develops job descriptions, places ads and interviews candidates to screen for technical skills and personal traits that meet clients' needs. Clients are presented with the three or four top candidates. Knox is assisted by Rebecca Osborne, CPA, the internal HR staff person. "She has the technical background to assess the skill sets of incoming accounting people," Knox says.

As part of an HR engagement Knox typically spends about an hour with a client to get a full understanding of the type of staff person that's required. She assesses the client company's culture, management style, its successful employees and the reason the job opening exists. If Knox believes SS&G can help the client, she sends an engagement letter detailing the HR services to be provided. The HR division, though small, has its own letterhead and bills separately.

In addition to recruiting, which makes up 90% of SS&G's HR services, the firm is expanding into developing employee handbooks, policy guidelines and management training, and presenting seminars on interviewing, management styles and supervisory skills. "One of our goals is to be able to offer HR outsourcing so that we can become the HR resource for businesses that don't feel they need a full-blown HR department," says Knox. "It's a matter of letting companies know of the services you offer and that you are qualified to offer them."

PLACEMENTS, GREAT AND SMALL

The HR sister of the New Jersey firm Rothstein, Kass & Co., PC (RKCO) is affiliate Innovative Human Resource Consulting, LLC (IHRC). It was born two years ago, when RKCO began offering executive search and staff recruiting in response to client demand. "Our clients asked us to participate in the interview process when they looked for financial professionals for their companies," says RKCO partner Steve Kass, CPA. "As their accounting firm, who better knows their needs?"

The firm has 300 employees located in offices in New York; Roseland, New Jersey; Beverly Hills and San Francisco. It has expertise in many financial service areas and serves East Coast businesses in manufacturing, distrib-



Rebecca Osborne, CPA, and Polly Knox (right) of SS&G Consulting take an in-depth look at a hiring company's culture before outlining an action plan in an engagement letter.

Company Profile

Company name: SS&G Financial Services.

Year started: 1996.

Location: Cleveland, Ohio.

Total personnel: Two.

Staff, by designation, job title or description: Polly Knox, senior HR consultant; Rebecca Osborne, CPA, PHR.

Hottest placement areas: Accounting and finance management.

Advertising and marketing programs: Word of mouth, networking, cross-selling by other SS&G personnel.

Best resource to get started: Hire experienced recruiting personnel or acquire established recruiting group.

Best thing we did since starting: Purchased resume database software; built a professional and ethical reputation.

Worst thing we did since starting: Did not set goals at start-up.

Breakdown of budget:

Salary: 52%.

Advertising and marketing: 1%.

Overhead: 13%.

Other: 34%.

How the business will change in the near future: Possible addition of established recruiting practice and/or another recruiter.

E-mail: pknox@ssandg.com

ution, technology and e-commerce, service industries, hospitality and real estate. The financial services are national in scope, and clients range from start-ups to well-seasoned organizations. "We have clients who outsource their accounting services to us," Kass says. The firm's accounting services are separate from the HR services provided by IHRC, the company which recruits for the firm.

The long-term goal for the five-person IHRC team is to become a full-service HR provider. The IHRC staff is made up of specialized HR practitioners who assist clients in producing employee handbooks and complying with labor laws and regulations. This may require helping clients organize personnel files to comply with federal and state requirements; advising on and documenting termination and disciplinary procedures; checking references, preparing job descriptions and working out compensation policies. The CPAs who

Because recruiting is highly scrutinized by federal regulators, some CPA firms can benefit from partnering with an HR firm.

work for IHRC use their knowledge of what makes a good financial professional primarily to recruit financial staff.

The IHRC team's focus is on recruiting CFOs, controllers and staff accountants, which Kass sees as a growth area. "Clients are looking for qualified people. We spend a great deal of time and energy searching for individuals to fill these slots," he says. The company has a database of resumes that it has built up over the years; CPA recruiters draw on the network of other CPAs who might someday be interested in moving from public accounting to business and industry.

GOT THE FEVER

Employee Benefits Resources, LLP (EBR), based in Helena, Montana, has been offering a full spectrum of HR services for some time. It was founded as a sister company to Anderson ZurMuehlen & Co., which offers full accounting and business consulting services. Eleven years ago, when the firm hired Ellen Feaver, CPA, to organize its health plan and HR consulting, it administered retirement and cafeteria plans—also known as Section 125 plans. Feaver now heads the HR consulting arm, and a partner oversees the retirement plan practice. The company has 25 staff members.

The company administers cafeteria plans, employee benefits and health plans, and assists in recruitment and selec-

tion. The company writes policy manuals, helps clients with discipline issues, teaches management classes and develops compensation systems and salary surveys. The staff also deals with wage and hour issues (such as whether an employee is exempt or nonexempt and qualifies for overtime or compensatory time), writes job descriptions and develops performance appraisal systems.

Feaver credits extensive management experience with familiarizing her with myriad employment-related issues. She served for four years as director of revenue for the state of Montana, managing 2,000 employees and learning firsthand about small business owners' problems not only with tax-related issues but also with people management. Subsequently, as director of administration for the state, she oversaw the handling of issues associated with state health plans, employee benefits and collective bargaining.

The company employs three actuaries and two CPAs; the rest of the staff are pension or HR consultants who come from supervisory or management jobs, or from a corporate department, says Feaver. Four professionals are dedicated to HR consulting exclusively, two serve as cafeteria claim processors, and the rest are involved in pension administration and benefits consulting. The company built the HR work slowly because "we wanted to make sure we delivered exceptional service," she says.

"In the last couple of weeks, we have been asked by three clients to develop personnel policy manuals for them," says Feaver. The businesses are growing and have had some problems with employee relations, she says. Clients realized they needed to resolve the problems and turned to EBR. "They can't do things on an informal basis anymore." Recently clients have asked for salary surveys, too. She suspects that the requests are being driven by companies' need to remain competitive in a tight job market.

Offering HR options gives clients a comprehensive package of services, says Feaver. "Experienced CPAs have the ability to understand a client's business pretty quickly. If you understand what a business is all about, you can be more valuable in advising on HR issues." Many HR issues involve finance, she adds, such as the affordability of a compensation package. "It's an asset to be able to use spreadsheets to display and report numbers in a way that's easy for clients to understand," she says.

SETTING UP AN HR NICHE

One of the keys is "building the department with individuals who have the talent and vision to think outside of the box," says Kass. "As an executive recruiter, I think being a CPA is a big plus. You have knowledge of the profession, and you are likely to know a

Company Profile

Company name: Innovative Human Resource Consulting.

Year started: 1999.

Total personnel: Five.

Location: Roseland, New Jersey.

Staff, by designation, job title or description: Three CPAs, two HR staff.

Hottest placement areas: Financial executives in financial services.

Advertising and marketing programs: Networking and advertising.

Best resource to get started: Talented people dedicated to providing a full menu of consulting services.

Best thing we did since starting: Provide skilled personnel and services that help our clients.

Worst thing we did since starting: Spread ourselves a little thin.

Breakdown of budget: It's salary intensive, but no figures are available.

How the business will change in the near future: We'll increase the menu of services our company provides.

E-mail: tnoah@rkco.com

network of individuals interested in looking for positions in industry.”

“You already have credibility with the principals of the client, who are usually CPAs, because you talk their language,” says Feaver, who adds that clients are still going to speak to you about accounting issues. “People know that I do HR consulting and employee benefits work, but they still ask me tax questions.”

Judith Clark, past president of the Society of Human Resource Management (SHRM; see resource box, page 76) and president of Oregon-based HR Northwest—HR Answers, an HR consulting company, recommends that CPAs interested in setting up an HR division begin by hiring an HR professional (salary range: \$40,000–\$60,000 a year, plus additional costs for administrative and professional development support). Although HR seems to be about people, Clark cautions that there are legal and compliance factors—such as affirmative action guidelines—that require some specialized HR training. “Recruiting is an area highly scrutinized by federal and state legislators,” she says. One solution might be for a CPA firm to partner with an HR company. “The CPA firm could bring contacts, and the HR company could bring employment-law and selection experience,” she says.

What homework is required? The level of expertise a firm needs to offer HR depends on the range of HR services it plans to offer. Basic recruiting can be handled by CPAs who use their knowledge to evaluate what makes a good financial-services professional, and interviewing, selling and interpersonal experience will strengthen performance of HR tasks, too. But for HR areas such as policy and procedures, in-depth preparation is necessary, Feaver says.

A CPA trying to build the appropriate background should take advantage of seminars, workshops and review courses offered by professional HR organizations such as SHRM, she says. Its program offers courses that allow practitioners to learn and review employment and management issues that can help them earn the professional in human resource (PHR) designation. By preparing for the exam, a CPA/HR professional will learn the issues while earning a credential to help establish credibility with clients. Such courses provide CPE credits, too.

Osborne says that much of her HR training came from hands-on work with SS&G’s internal HR department, and she added to that by earning the PHR. To prepare for the certification exam, Osborne took a review course (offered by SHRM at different locations throughout the United States) called Issues and Perspectives in HR Management. She attended the one-evening-a-week, 10-week



Ellen Feaver, CPA, of Employee Benefits Resources thinks CPAs derive an advantage from understanding what a client’s business is all about.

Company Profile

Company name: Employee Benefit Resources LLP.

Year started: 1997.

Location: Helena, Montana.

Total personnel: Twenty-five.

Staff, by designation, job title or description: One CPA/HR consultant; one CPA retirement plan consultant; three HR consultants; three actuaries; balance are retirement plan consultants and administrative staff.

Advertising and marketing programs: Networking and referrals.

Best resource to get started: Qualified staff with a talent for marketing.

Best thing we did since starting: Develop strong referrals from our sister CPA firm.

Worst thing we did since starting: Bid on too many government contracts.

Breakdown of budget:

Salary: 66%.

Advertising and marketing: 3%.

Overhead: 31%.

How the business will change in the near future: It will grow and diversify in the types of services offered.

E-mail: ejf@ebrworld.com

course at a local university (cost: \$795). It covered all aspects of human resources, including these seven different HR areas:

- Employment practices.
- Management practices.
- Staffing.
- Training and development.
- Compensation and benefits.
- Labor relations and unions.
- Health and safety.

The employment practice laws covered in the employment practice portion have been the most helpful, she says, and adds that SS&G uses the course manuals as reference in handling client situations.

To earn the PHR designation, candidates must have two years of exempt- or professional-level experience and pass a four-hour examination. The organization recommends that candidates seeking the PHR have two to four years of HR exempt-level experience. Those interested in the senior professional in human resource (SPHR) designation should have six to eight years of HR exempt-level experience.

Ellen Feaver also recommends the SHRM course as a way of gaining important knowledge of HR issues. Even if CPAs don’t have the requisite two years

tions—especially dealing with individual issues—and setting up HR policy and procedures require a more dedicated HR approach; companies may need to have this pointed out, says SS&G's Knox.

Most of SS&G's HR business comes from accounting firm referrals, Knox says. She has found giving presentations on topics such as interviewing and supervisory skills has been helpful in getting clients. Knox says her company has

begun working with other outplacement firms, serving as a resource for financial professional candidates. Because SS&G has an extensive resume database of candidates, it may provide outplacement companies with a candidate's resume. (If the outplacement company places the candidate, it splits the commission with SS&G.) To get out the word that you offer HR services, talk it up at seminars, give presentations to business organizations and write articles for trade newsletters on HR topics, Feaver says. Her company obtains clients through such marketing activities as well as through referrals from Anderson ZurMuehlen & Co. accounting clients. Writing and speaking strengths are essential support skills, she says.

A word about compatibility. Another important consideration is temperament. Many CPAs have managed only other accounting professionals or worked exclusively at a tax and audit practice. Technicians probably are not going to be comfortable with HR work, says Feaver. "I think it's tough for people in a position like that to be good HR advisers. It's easier if you are a CPA with management or HR experience," she says.

Branching into HR services can let firms derive value from contacts and operational knowledge, but don't try "to be everything to everybody," says Kass. "Determine where you can be most effective, and devote resources to those areas—pick your spots." ■

Where to Get HR Information

ORGANIZATIONS

Society for Human Resource Management

703-548-3440
shrm@shrm.org
www.shrm.org

The American Staffing Association

703-253-2020
asa@staffingtoday.net
www.natss.org

PUBLICATIONS

HRMagazine

www.shrm.org/hrmagazine

HR Executive Magazine

www.hrexecutive.com

HRToday

www.hrtoday.com

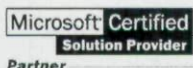
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