

nielsen

# GAA SUCCESSION PLANNING SURVEY

REPORT FOR THE HONG KONG INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS (HKICPA)



July 25, 2014

# TABLE OF CONTENTS

Page  
Number



Background and Methodology

3



Detailed Findings

10

Attitudes and Opinions of:

- Employees and consultants of accounting firms
- Sole practitioners and owners of accounting firms
- Practitioners and owners who share ownership / management of accounting firms

14

19

29



Demographics and Firmographics

40



# BACKGROUND AND METHODOLOGY

# BACKGROUND AND OBJECTIVES

## Background:

- In May 2014, the Global Accounting Alliance (GAA), in cooperation with the eleven member bodies that make up the alliance, undertook a foundational research study to gather, quantify and assess the attitudes and opinions that Public Accountants have toward business succession and continuity planning. Specifically, the purpose of this initiative is to identify members' comparative level of knowledge and preparedness in relation to succession and continuity planning and to assist member bodies to identify which, if any, new or additional services may be of benefit to their members.
- The research, which looks at results from a global, national and regional perspective, aims to inform the GAA and its global partners of the issues unique to each member base, while also providing global benchmarks.

## Research Objectives:

- To identify opportunities to better engage members on topics surrounding business succession and continuity planning;
- To determine which, if any, barriers exist that are preventing senior staff from writing a formal business succession plan;
- To provide international benchmarks on business succession and continuity planning; and,
- To segment results by each member base and region.

# GAA MEMBER REPRESENTATION

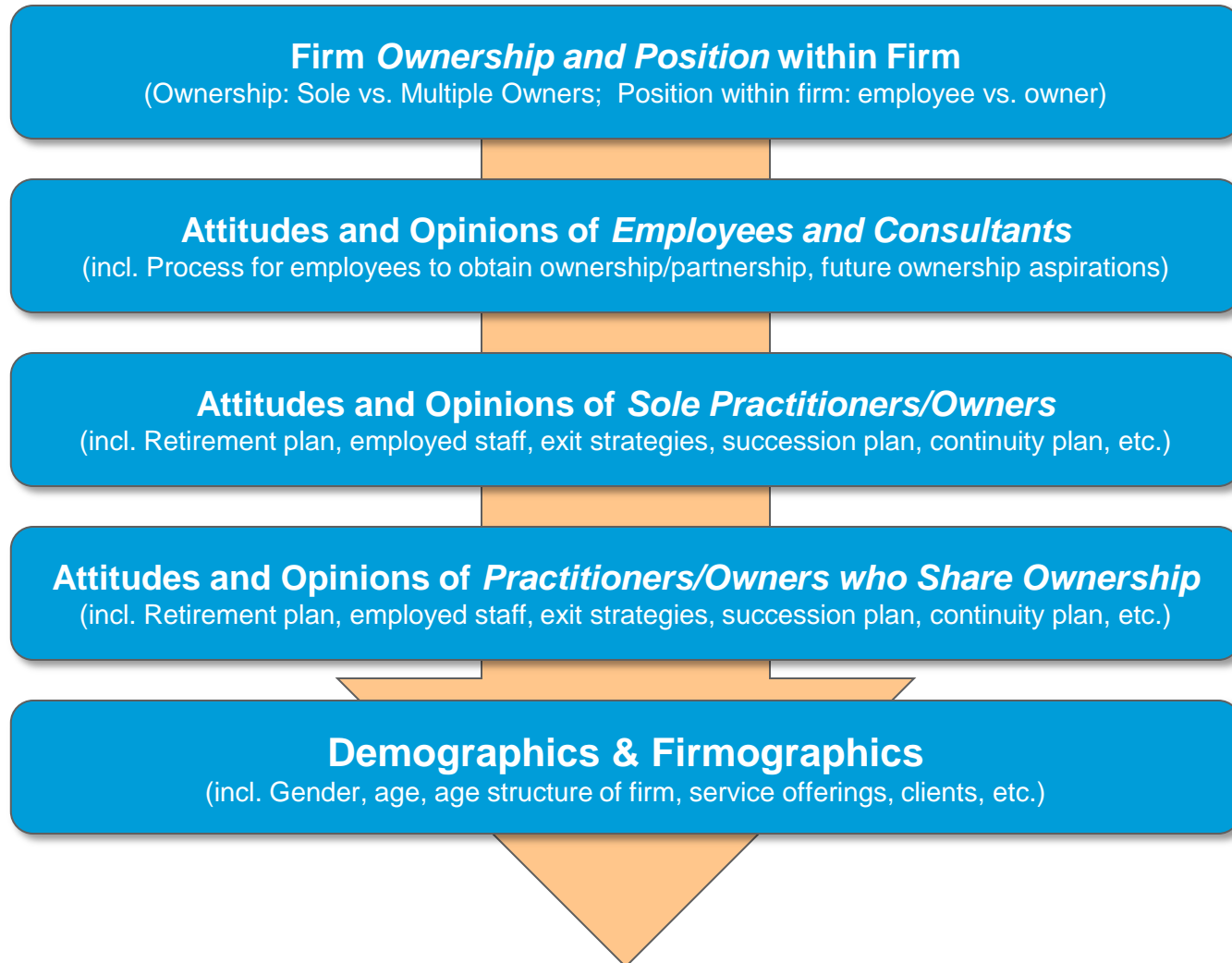


# METHODOLOGY

- This survey was conducted online between **June 4<sup>th</sup> and July 9<sup>th</sup>, 2014** among HKICPA Members.
- In order to qualify for the survey, respondents must work in Public Practice and self-select from one of the following positions:
  - Sole practitioner/owner;
  - Managing Partner/Managing Owner/Managing Director;
  - Partner/owner – other than Managing Partner/Managing Owner;
  - Employee or consultant in a public practice firm with multiple owners/partners; or,
  - Employee or consultant of a sole practitioner/owner in public practice.
- A total of  **$n=386$  respondents** participated in the survey, which took approximately 10 minutes to complete.
- The survey was administrated in English.



# QUESTIONNAIRE FLOW



# INTERPRETING THE REMAINDER OF THE REPORT

- In reviewing the report, refer to the bottom of the slide for details on the following items:

**Question Number/Description:** This will inform readers of the exact way in which each question was asked to respondents within the constructs of the survey.

**Base Description & Size:** This line item identifies who is being reported on (e.g. All respondents, Sole practitioners/owners, etc.) along with identifying how many respondents are in that group (n-size).

**Other Notes:** Anything else worth noting on the slide to facilitate comprehension.


Question Number (based on final questionnaire). Question Description  
Base: Description and n-size  
\* Other Notes

} Example



# INTERPRETING SIGNIFICANT DIFFERENCES

- All the figures presented in this report have been tested for statistical significance where applicable. For the purposes of this report, superscript letters have been used to denote significant differences between groups (refer to examples below):

 **%<sup>Z</sup>** » Any percentage that has a superscript letter next to it means the percentage is significantly higher than another at the 95% confidence level.

- When testing numbers across columns (or between sub-groups), the following convention is used:

	Column A	Column B	Column C
Row 1	70 <sup>BC</sup>	50	50
Row 2	60 <sup>c</sup>	62 <sup>c</sup>	54
Row 3	46	52 <sup>c</sup>	41

Column A is significantly higher than both Column B and Column C, at the 95% confidence level

Column B is significantly higher than *only* Column C

Column C is significantly lower than both Column A and Column B, at the 95% confidence level

An abstract graphic on the left side of the page. It features a vertical black bar on the far left. From this bar, a series of curved, overlapping lines in various colors (blue, green, yellow, orange, red, purple) extend towards the right. Some of these lines terminate in small colored dots. Additionally, several thin, straight lines in various colors cross the curved lines, some ending in dots. The overall effect is a complex, layered geometric pattern.

# DETAILED FINDINGS

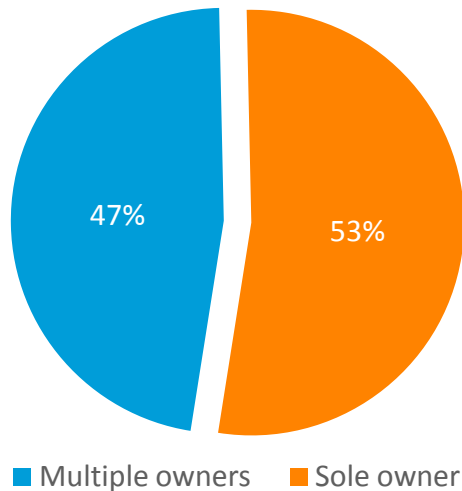


# OWNERSHIP AND POSITION AT FIRM

# ABOUT HALF OF PUBLIC PRACTICE HKICPA MEMBERS WORK IN FIRMS WITH MULTIPLE OWNERS

- However, almost eight-in-ten (78%) firms with a formal business succession plan say their ownership structure is comprised of multiple owners.

## Ownership of Accounting Practice

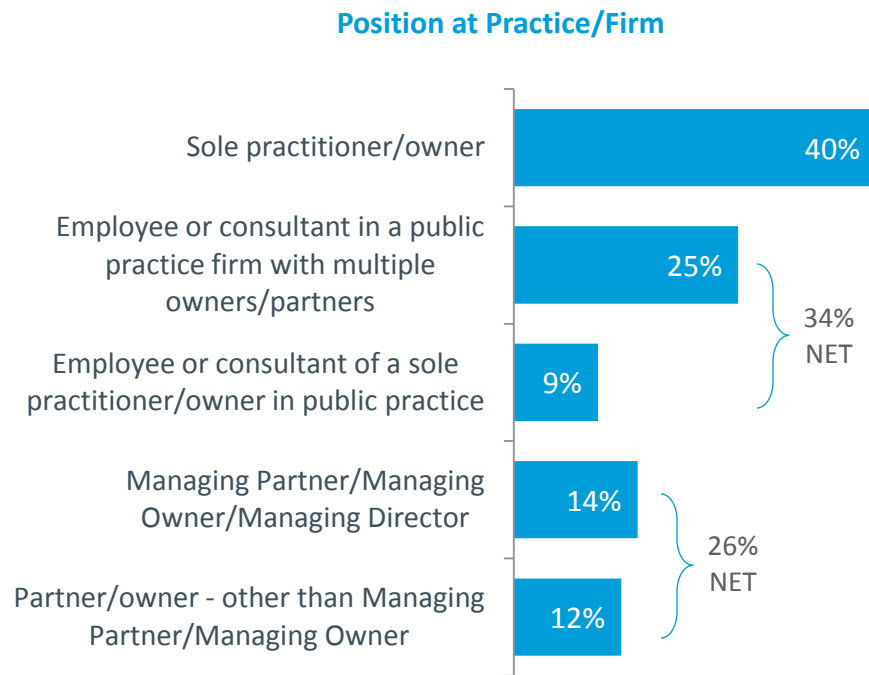


	Holds Formal Business Succession Plan	
	Yes [A]	No [B]
<i>Base size</i>	<i>n=67</i>	<i>n=319</i>
Sole owners	22%	59% <sup>A</sup>
Multiple owners	78% <sup>B</sup>	41%

Q1. Please describe the ownership of your accounting practice.  
Base: All respondents, n=386

# LARGEST PROPORTION OF RESPONDENTS REPRESENTED BY SOLE PRACTITIONERS

- Four-in-ten (40%) Public Practice Accountants who responded to the survey self-identify as a Sole Practitioner while over three-in-ten (34%) indicate they work as an employee or consultant within their firm. One-quarter (26%) identify as a Partner/Owner or Managing Partner/Managing Owner.
- There is a significant gender difference between the owner/partner and employee/consultant level with over half of females working in a non-partner/owner role.



Gender	
Males [A]	Female [B]
<i>n=263</i>	<i>n=123</i>
48% <sup>B</sup>	24%
17%	41% <sup>A</sup>
6%	15% <sup>A</sup>
15%	11%
13%	9%

Q2. Which of the following best describes your position in the practice/firm?  
Base: All respondents, n=386

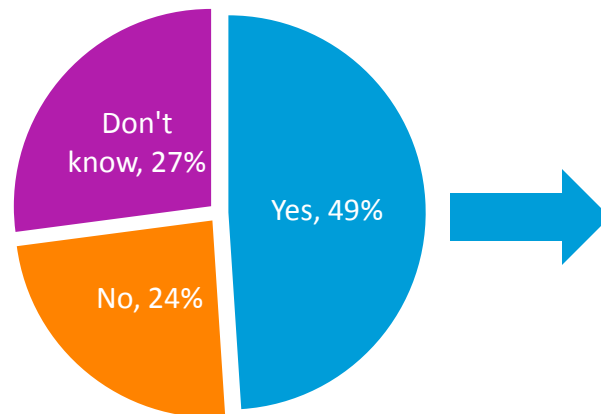


# ATTITUDES AND OPINIONS OF EMPLOYEES AND CONSULTANTS IN PUBLIC PRACTICE

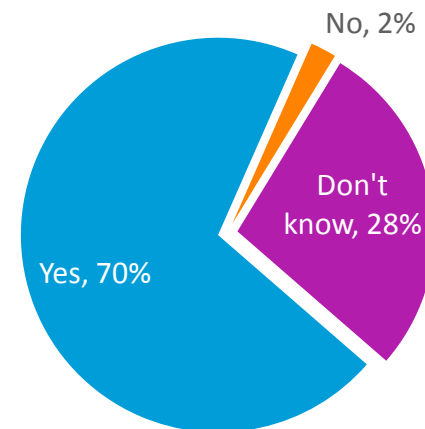
# HALF OF EMPLOYEES SAY THEIR FIRM HAS A FORMAL PROCESS TO OBTAIN AN EQUITY POSITION

- However, there are a number of employees (27%) who don't know if their firm has a formal process by which professional employees are admitted to equity ownership/partnership/directorship.
- Among employees who say their firm has a formal process in place, seven-in-ten (70%) agree that their firm generally adheres to this process.

**Does Firm have a Formal Process to Admit Employees to Equity Ownership/Partnership/Directorship?**



**Does Firm Generally Adhere to this Formal Process?**



	Holds Formal Business Succession Plan	
	Yes [A]	No [B]
<b>Base size</b>	<i>n=36</i>	<i>n=60</i>
<b>Yes</b>	78% <sup>B</sup>	32%
<b>No</b>	8%	33% <sup>A</sup>
<b>Don't know</b>	14%	35% <sup>A</sup>

Q3a. Does your current firm have a formal process by which professional employees may be admitted to equity ownership/partnership/directorship?

Base: Employees or consultants in a public practice firm with multiple owners/partners, n=96

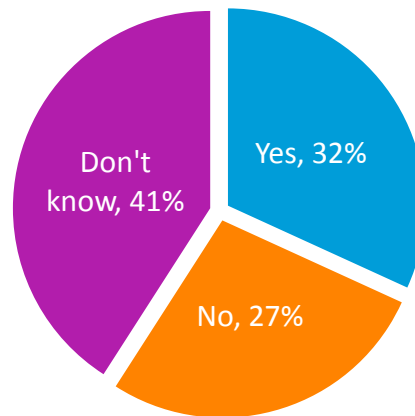
Q3b. Does your firm generally adhere to this process?

Base: Employees or consultants in a public practice firm with a formal process by which employees may be admitted to ownership/partnership/dictatorship, n=47

# A LARGE PERCENTAGE OF EMPLOYEES DON'T KNOW IF THEIR FIRM HAS A SUCCESSION PLAN

- Over four-in-ten (41%) Public Practice Employees don't know whether or not their firm has a formal business succession plan in place.
- Furthermore, there is a relatively even split between the percentage who say their firm does (32%) and does not (27%) have a succession plan drafted.

Does Firm Have a Formal Business Succession Plan?

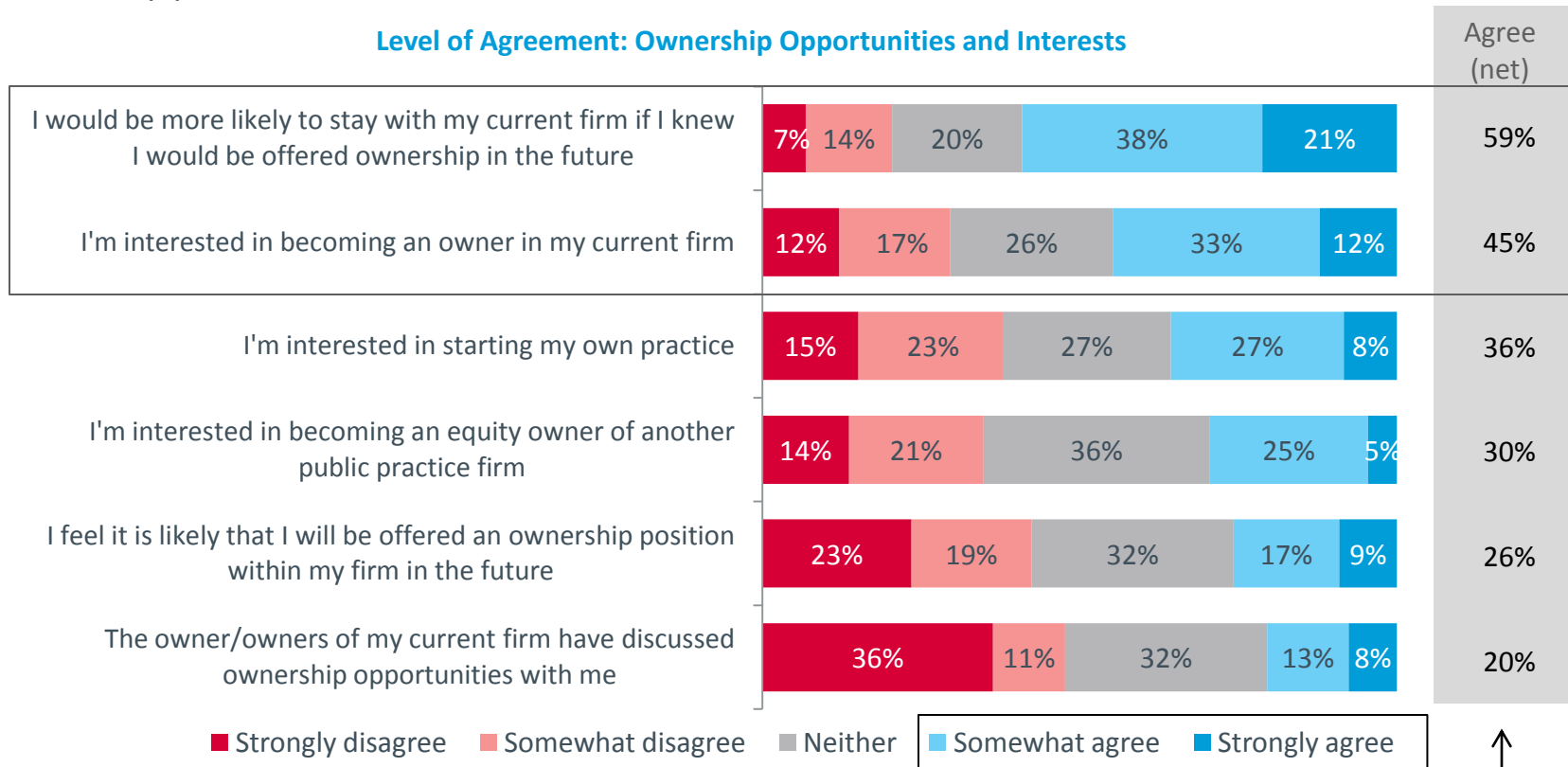




# MAJORITY OF PUBLIC PRACTICE ACCOUNTANTS HAVE HIGH ASPIRATIONS WITHIN CURRENT FIRM

- Almost six-in-ten (59%) employees/consultants working in a public practice firm agree (strongly or somewhat) that they would be 'more likely to stay with their current firm if they knew they would be offered ownership in the future' while almost half (45%) agree that 'they are interested in becoming an owner within their current firm.' In keeping expectations in check, relatively few (26%) think it's likely that 'they'll be offered an ownership position within their firm in the future.'

Level of Agreement: Ownership Opportunities and Interests

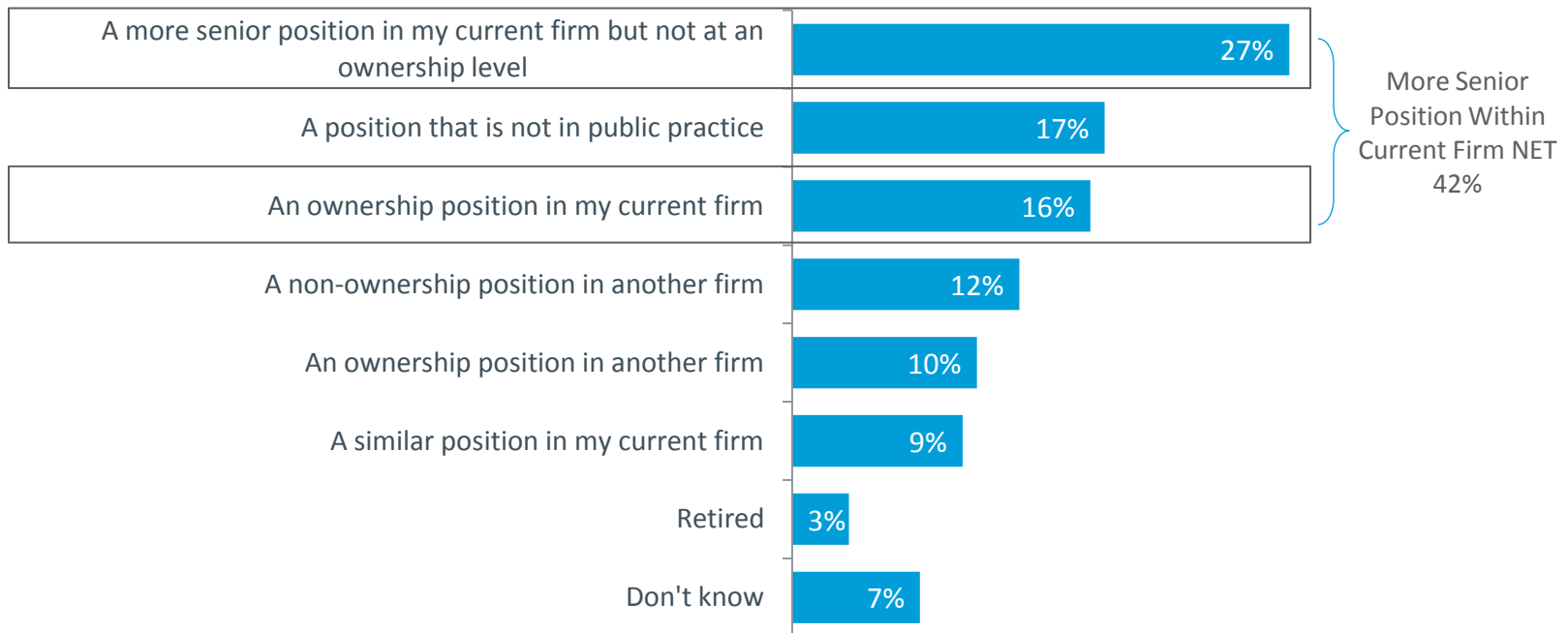


Q5. Please indicate the extent to which you agree or disagree with each of the following.  
Base: Employees or consultants in a public practice firm, n=132

# ALMOST HALF WANT A MORE SENIOR POSITION WITHIN THEIR CURRENT FIRM IN 8 YEARS TIME

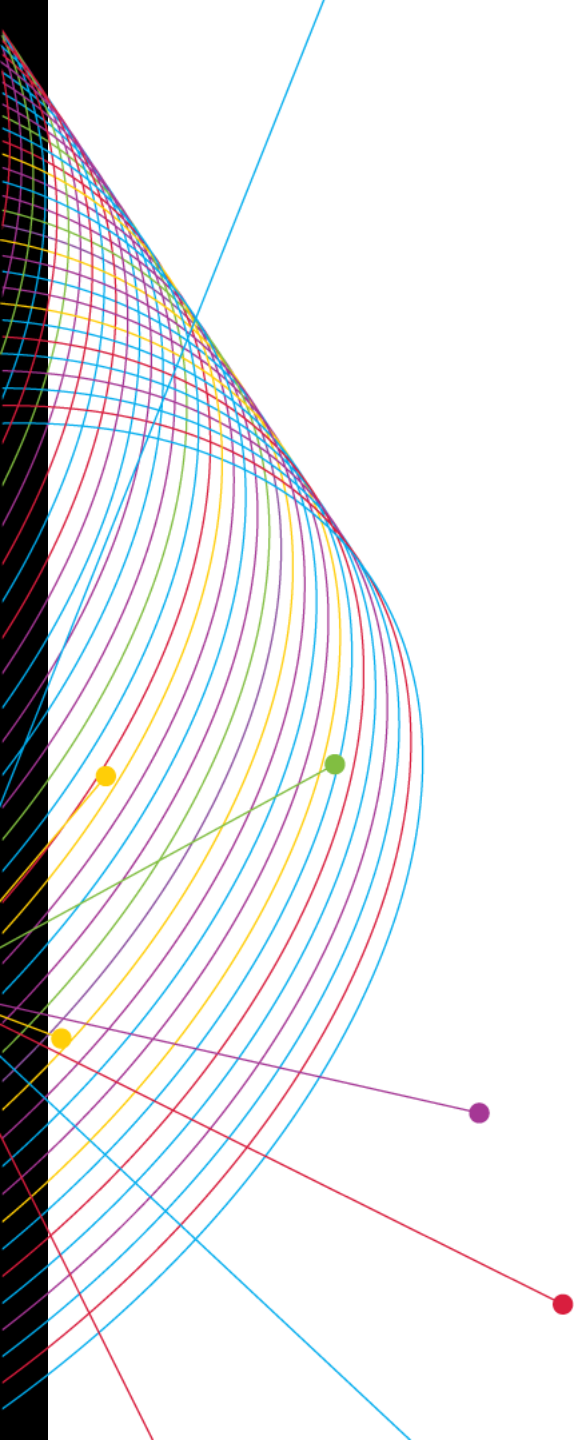
- Forecasting eight years ahead, close to three-in-ten (27%) of Public Practice Employees aspire for 'a more senior position in their current firm, but not at an ownership level' while over one-in-ten (16%) would like 'an ownership position within their current firm.'
- Only nine percent would like to hold on to their current position while twelve percent aspire to move to another firm for a non-ownership position.

Aspired Position to be Held in 8 Years



Q6. Which of the following best describes the type of position you would like to hold in 8 years?

Base: Employees or consultants in a public practice firm, n=132

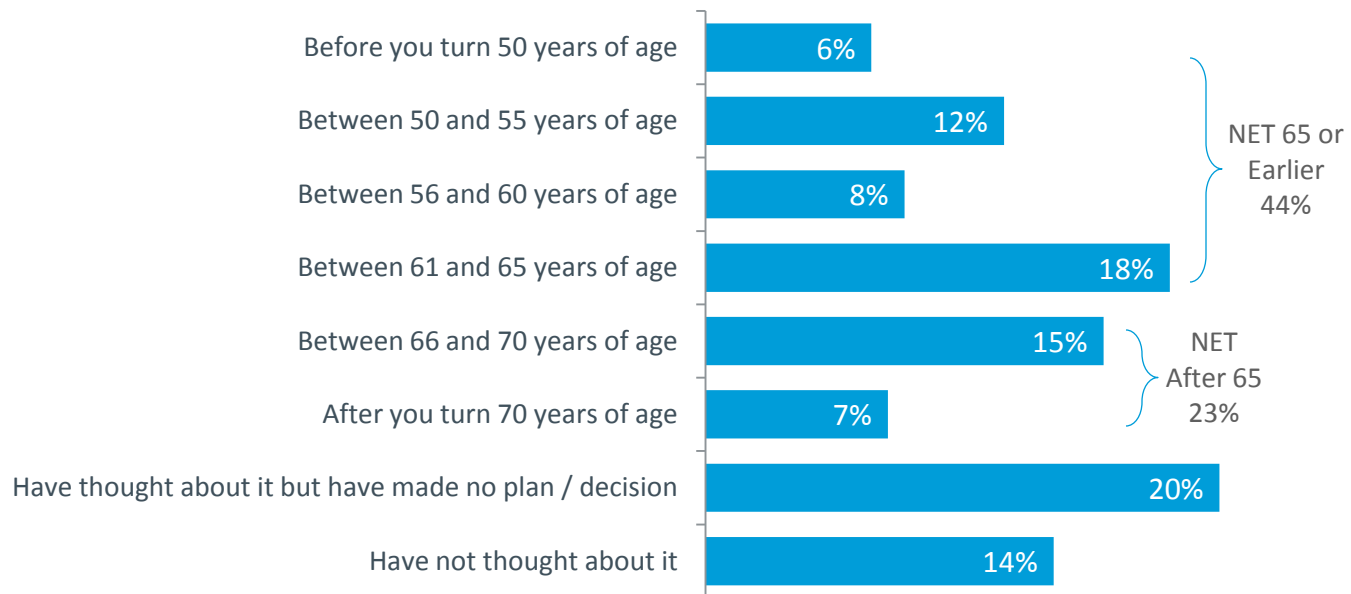


# ATTITUDES AND OPINIONS OF SOLE PRACTITIONERS / OWNERS

# ALMOST HALF OF SOLE PRACTITIONERS/OWNERS PLAN ON RETIRING BY OR BEFORE THEY TURN 65

- However, there is a high proportion of Sole Practitioners/Owners who have either 'thought about retiring, but have made no plans' (20%) or 'have not thought about retiring at all' (14%).
- Only one-quarter (23%) of Sole Practitioners/Owners plan on working beyond the age of 65.

## Planned Age of Retirement



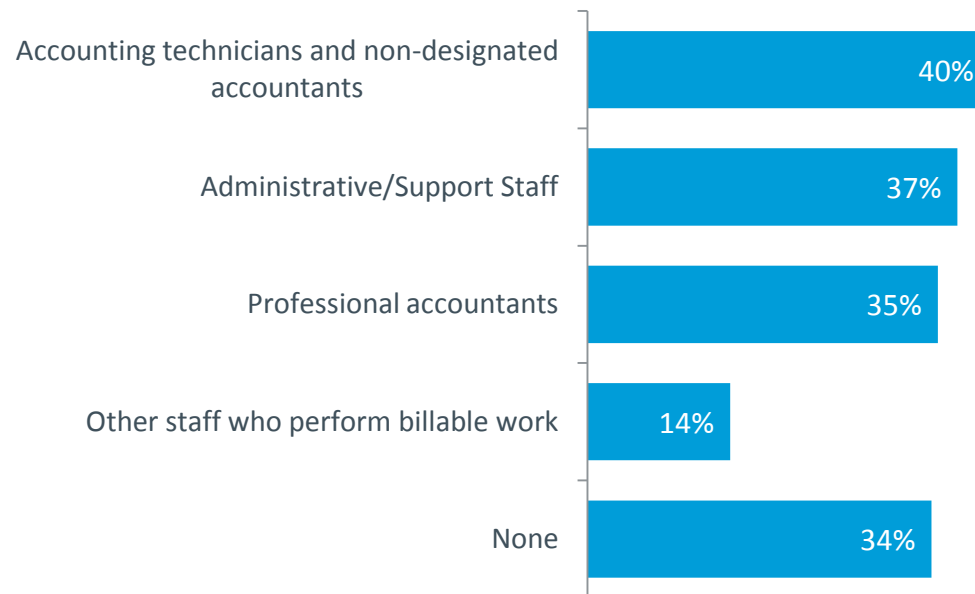
Q7. Do you plan on retiring...?

Base: Sole practitioners/owners, n=155

# ABOUT ONE THIRD SAY THEY HAVE A PROFESSIONAL ACCOUNTANT ON THEIR PAYROLL

- Whereas, the two most common types of staff to be employed by Sole Practitioners/Owners are 'Accounting technicians and non-designated accountants' (40%) and 'Administrative/Support staff' (37%).
- About one-third (34%) of Sole Practitioners do not employ any staff whatsoever.

Types of Staff Employed at Firm

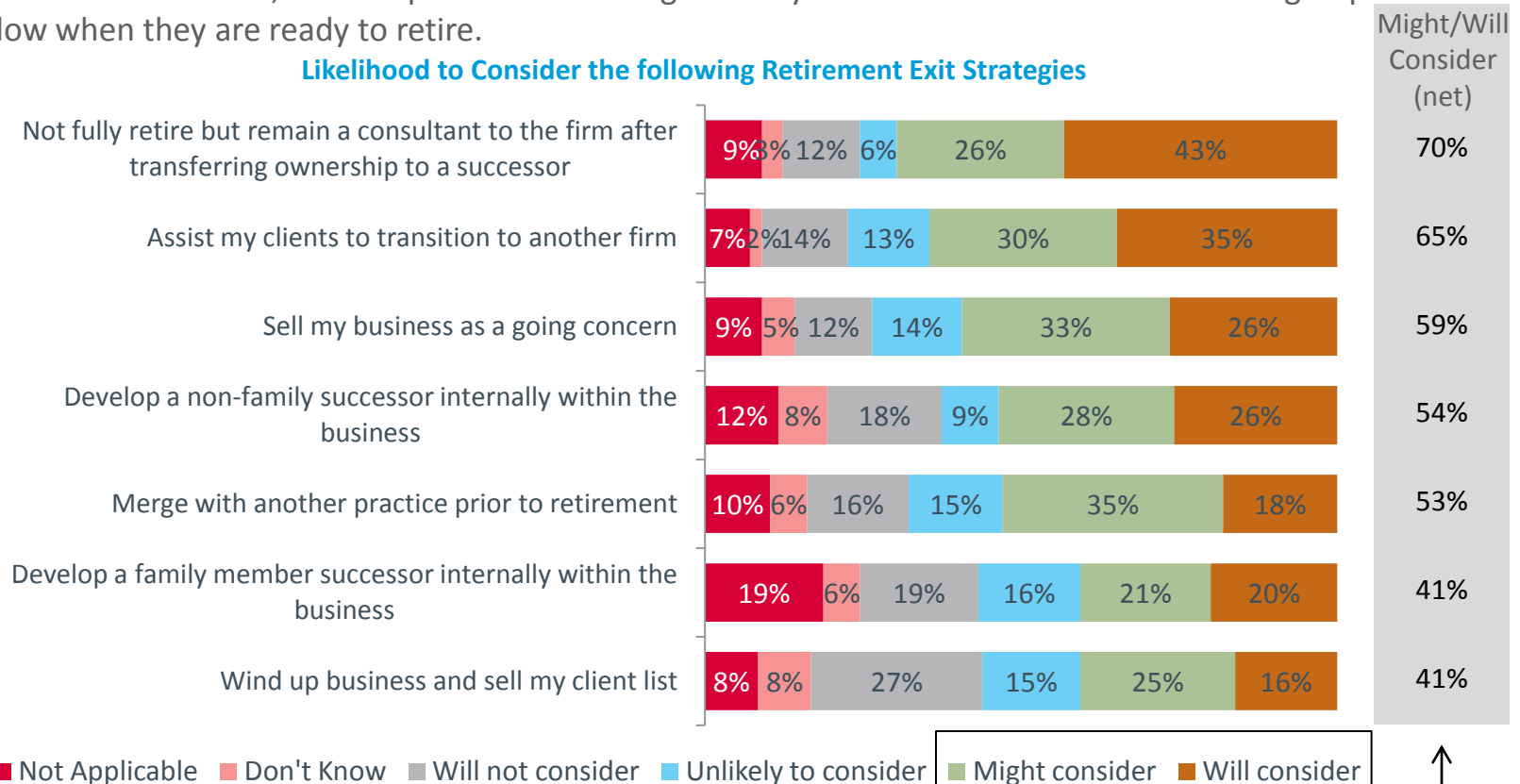


Q8. Which of the following types of staff do you employ?  
Base: Sole practitioners/owners, n=155

# THE MAJORITY OF SOLE PRACTITIONERS ARE LIKELY TO CONSIDER MULTIPLE EXIT STRATEGIES

- Out of the seven retirement exit strategies shown, five 'might' or 'will' be considered by at least half of Sole Practitioners with the highest proportion considering 'not fully retiring, but remaining a consultant after transferring ownership to a successor' (70%), 'Assisting their clients to transition to another firm' (65%) or 'selling their business as a going concern' (59%).
- On an individual basis, each respondent on average is likely to consider four of the exit strategies presented below when they are ready to retire.

## Likelihood to Consider the following Retirement Exit Strategies



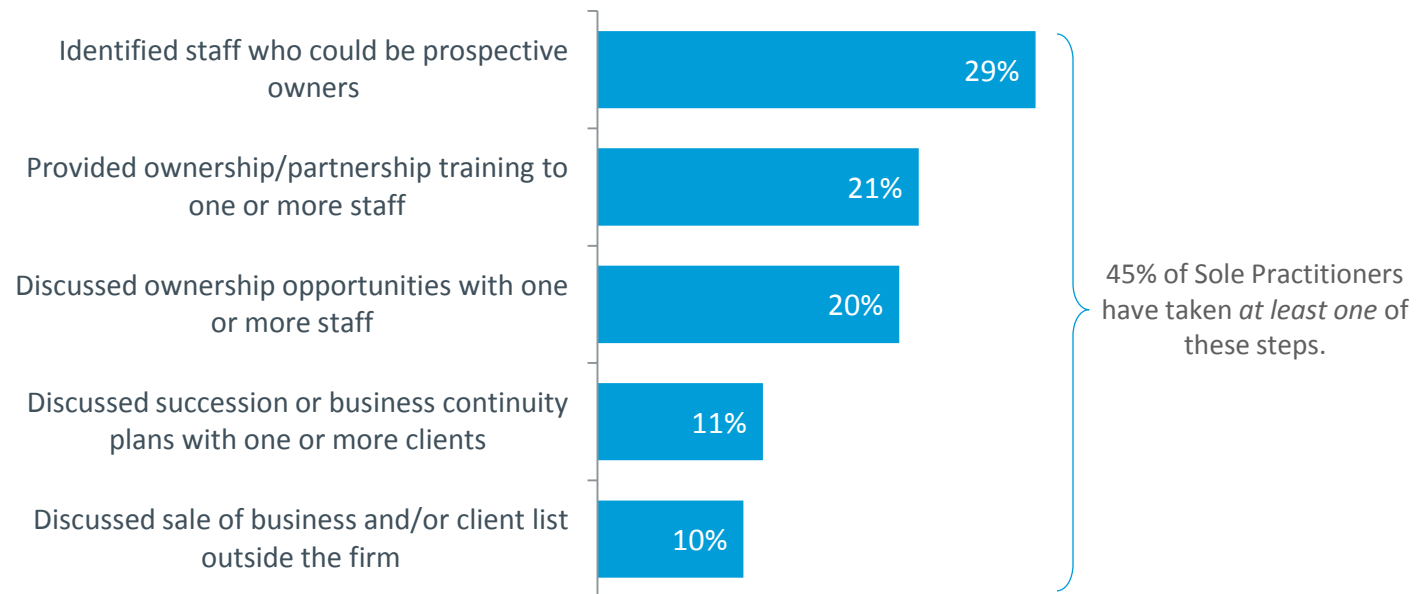
Q9a. How likely are you to consider the following exit strategies when you are ready to retire from your business?

Base: Sole practitioners/owners, n=155

# FIRMS MORE LIKELY TO CONSIDER EXIT STRATEGIES THAN ACTUALLY FOLLOW THROUGH WITH PLANS

- As shown on the previous slide, Sole Practitioners say they are likely to consider a number of different exit strategies when they are ready to retire. However, there are fewer businesses that have actually engaged in any types of activities.
- For example, almost six-in-ten (59%) Sole Practitioners say they might or will consider selling their business (refer to the previous slide), but only one-in-ten (10%) have actually discussed the sale of their business or client list with an outside firm.

**Have The Following Steps Been Taken?**  
(Table shows percentage of those who said “Yes”)



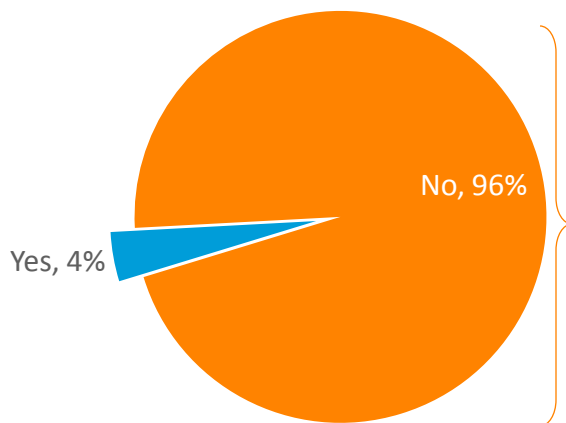
Q9c (a-e) Have you taken any of the following steps?

Base: Sole practitioners/owners, n=155

# TWO THIRDS COULD BENEFIT FROM INFORMATION SURROUNDING SUCCESSION PLANNING TOPICS

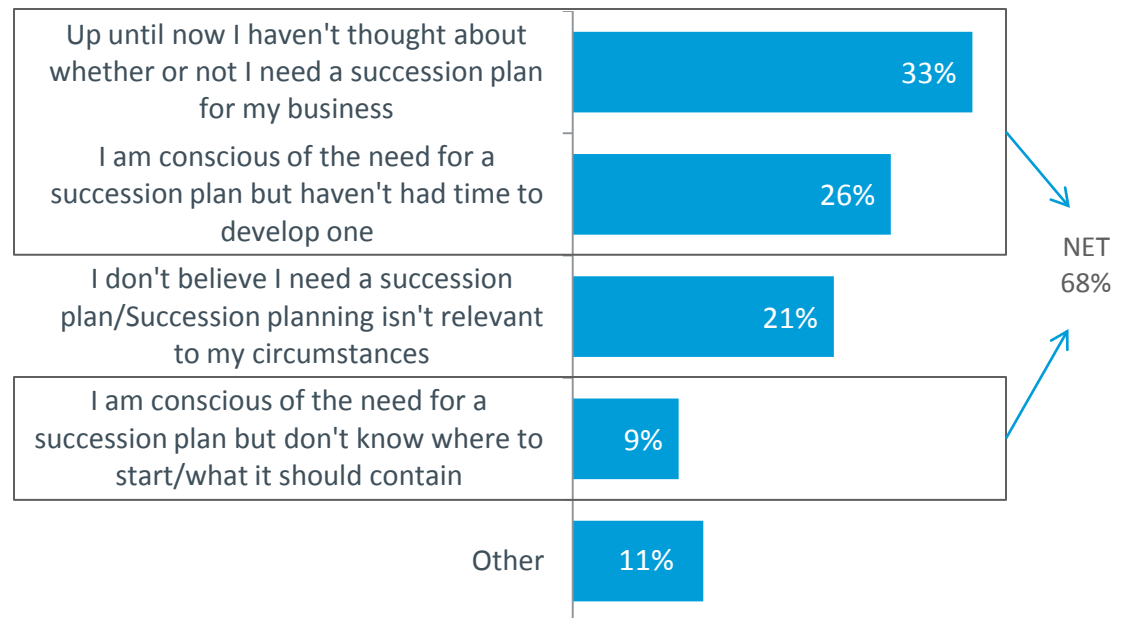
- Fewer than one-in-twenty (4%) Sole Practitioners have a written or formal business succession plan in place at their firm.
- However, there is a large percentage (68%) of firms that see succession planning as relevant, and could benefit from information on the following succession planning topics; 'Raise awareness of the importance of succession planning' (33%), 'time-management for developing a succession plan' (26%) and 'knowing where to go for information/resources when starting to develop a plan' (9%).

## Do you Have Written or Formal Business Succession Plan?



## Reason Business Succession Plan is Not Held

*(Among those who said they do not hold a business succession plan)*



Q10. Do you have a written or formal business succession plan?

Base: Sole practitioners/owners, n=155

Q13. Please indicate why you do not have a business succession plan?

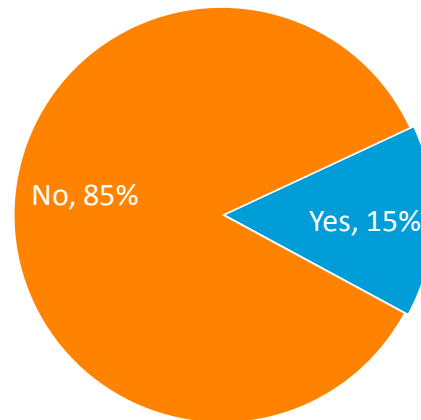
Base: Sole practitioners/owners without a written or formal business succession plan, n=149



# RELATIVELY FEW SOLE PRACTITIONERS HAVE A WRITTEN OR FORMAL BUSINESS CONTINUITY PLAN

- Although a higher proportion of Sole Practitioners have a business continuity plan (15%) than they do a business succession plan (4%), the numbers are still relatively low.

Do you have a Written or Formal Business Continuity Plan?



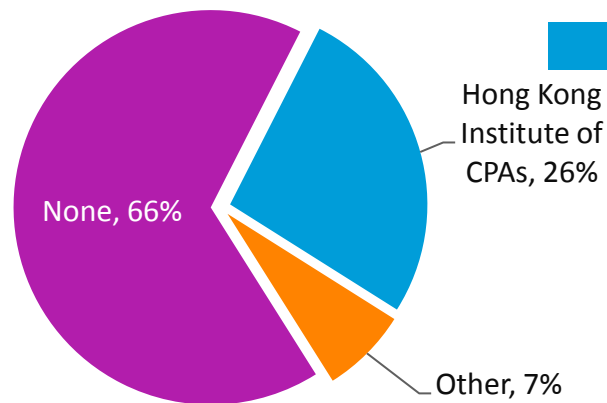
Q14. Do you have a written or formal business continuity plan to ensure continuity of service to your clients in the event that you are unable to do so (e.g. through illness or otherwise)?

Base: Sole practitioners/owners, n=155

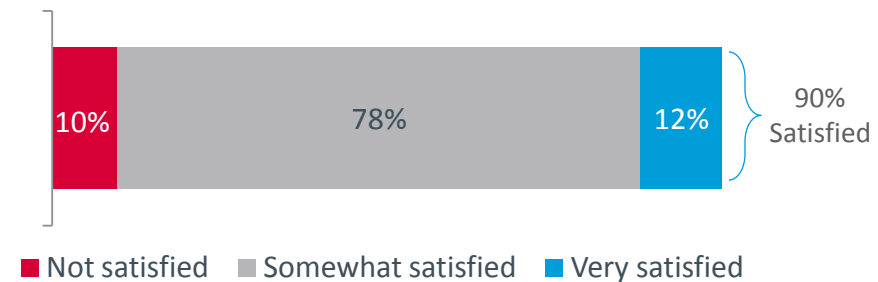
# MAJORITY OF HKICPA SOLE PRACTITIONERS HAVE NOT SOUGHT ADVICE ON SUCCESSION PLANNING

- Two-thirds (66%) of Sole Practitioners have not sought advice from any source on business succession and continuity planning topics.
- However, Sole Practitioners who did seek advice went to the HKICPA to obtain information as opposed to going to another third-party source.
- Among Sole Practitioners who sought advice through the HKICPA, nine-in-ten (90%) were satisfied with the advice they received.

Sources Accessed to Seek Advice on Business Succession and Continuity Planning Topics



Satisfaction with Advice on Business Succession and Continuity from Hong Kong Institute of CPAs



Q16a. From which sources, if any, have you sought advice on business succession and continuity planning topics?

Base: Sole practitioners/owners, n=155

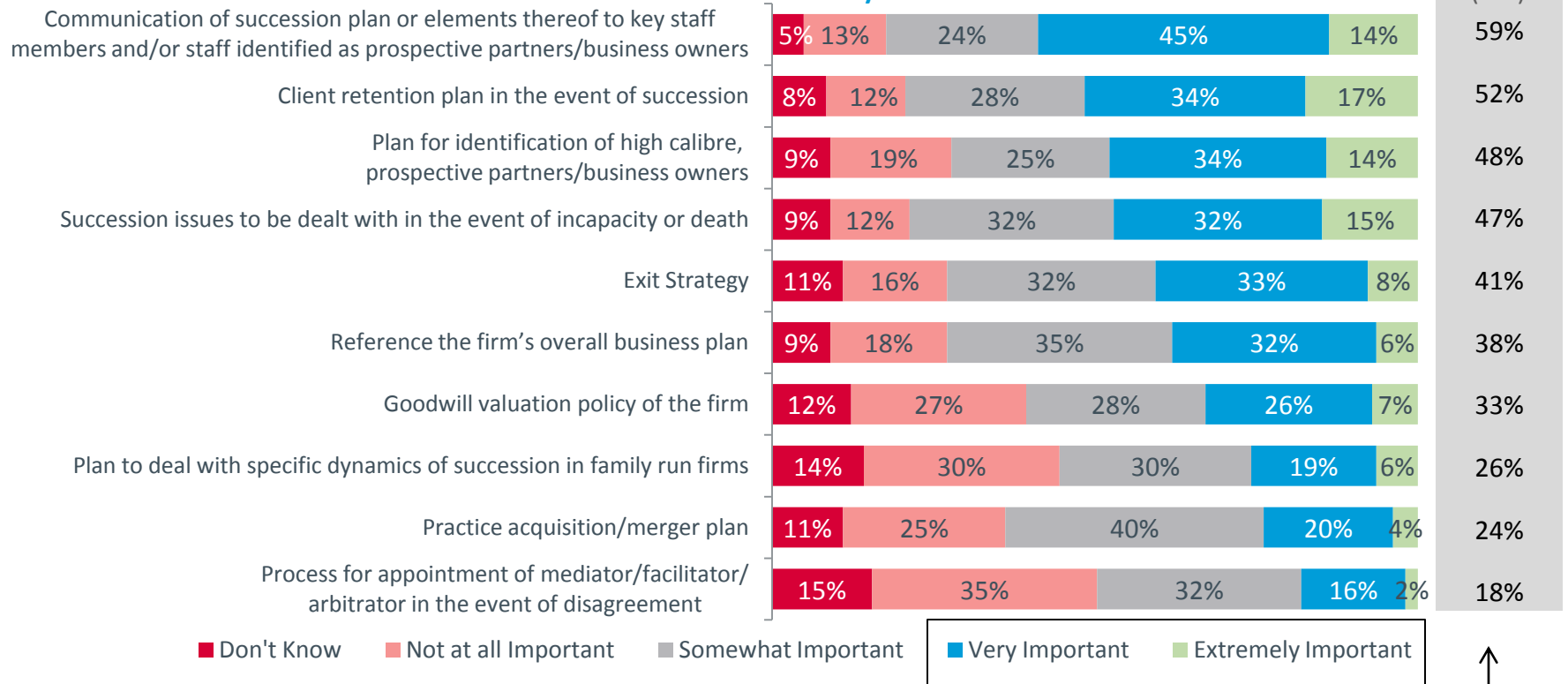
Q16b. How satisfied were you with the advice you received on business succession/continuity planning?

Base: Sole practitioners/owners who have sought advice on business succession planning through the Hong Kong Institute of Certified Public Accountants, n=41

# COMMUNICATION, CLIENT RETENTION, TALENT AND CONTINUITY VIEWED AS MOST IMPORTANT

- As far as content inclusion in a business succession or continuity plan, about half of Sole Practitioners think it is very or extremely important to have the following addressed: 'Communication of succession plan or elements thereof to key staff members', 'Client retention plan in the event of succession', 'Plan for identification of high calibre, prospective partners' and 'Succession issues to be dealt with in the event of incapacity or death.'

**Importance of Items to be Addressed in Firm's Succession or Continuity Plan**



Q17a. How important do you believe it would be to have the following items addressed in your firm's succession or continuity plan?

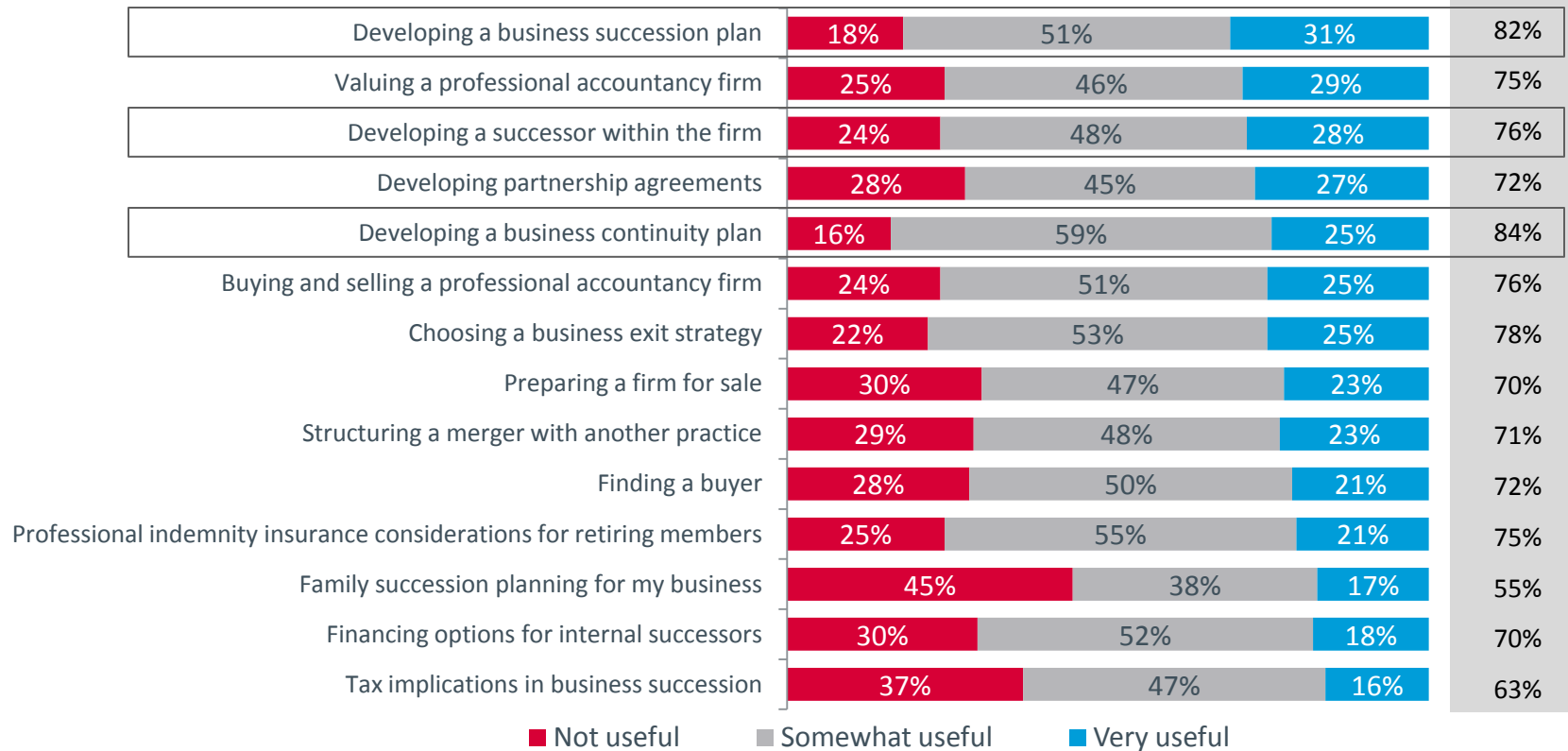
Base: Sole practitioners/owners, n=155

# INFORMATION ON SUCCESSION PLANNING AND SELLING FIRM VIEWED AS MOST USEFUL TO SP'S

- The top six pieces of information deemed most useful by Sole Practitioners can be categorized into two main themes: Internal and External related information.
- Internal information focuses on succession planning, continuity planning and developing a successor within the firm, while external-related information focuses on actually valuing and selling the firm.

## Usefulness to have Information on the Following Topics

Very/  
Somewhat  
Useful  
(net)



Q18. How useful would it be to have information on the following topics?

Base: Sole practitioners/owners, n=155

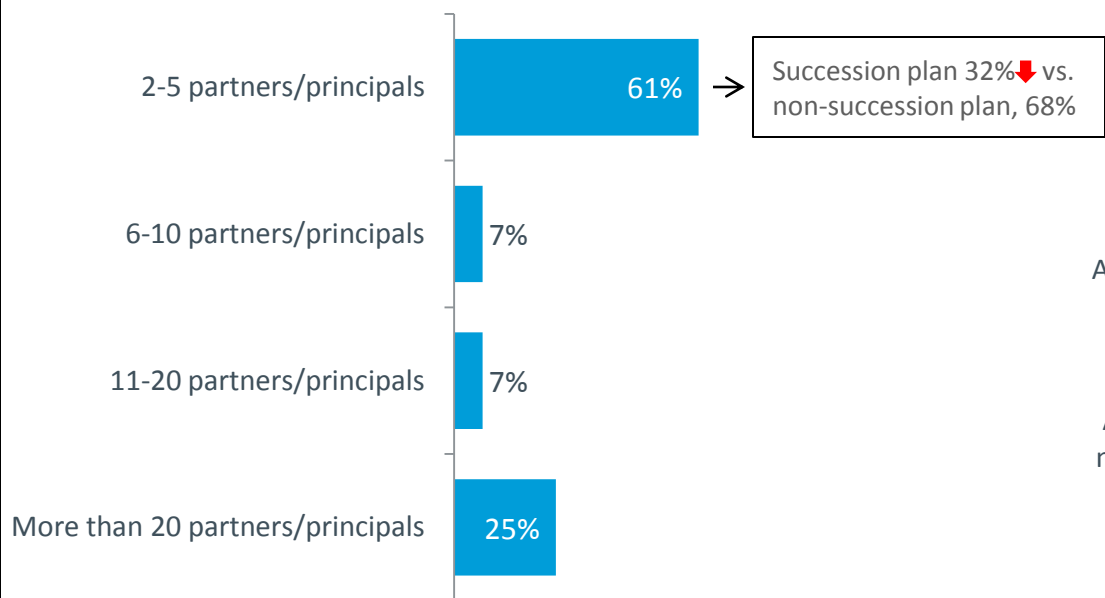
An abstract graphic on the left side of the slide. It features a vertical black bar on the far left. From this bar, a series of thin, curved lines in various colors (blue, green, yellow, orange, red, purple) fan out to the right, forming a cone-like shape. Some of these lines have small colored dots at their ends, and some are connected to other dots by thin lines, creating a network of points and lines. The overall effect is one of dynamic movement and interconnectedness.

# ATTITUDES AND OPINIONS OF PRACTITIONERS AND OWNERS WHO SHARE OWNERSHIP / MANAGEMENT

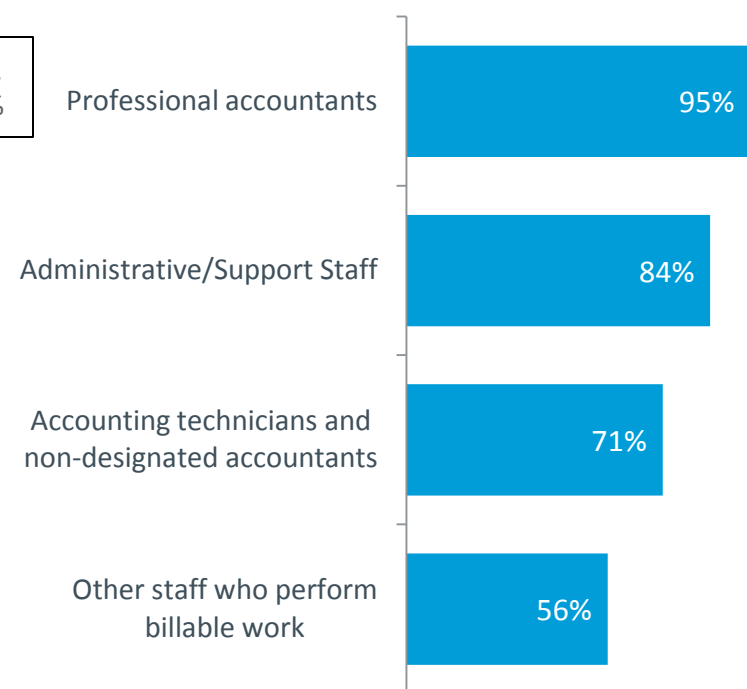
# MAJORITY WORK IN FIRMS WITH 2-5 PARTNERS; VIRTUALLY ALL EMPLOY PROFESSIONAL ACCOUNTANT(S)

- Over six-in-ten (61%) managers/owners who share ownership work in a firm with two to five partners/principals and virtually all (95%) employ at least one professional accountant.
- The next most common types of employees to have on staff include 'Administrative/support staff (84%), 'Accounting technicians and non-designated accountants' (71%) and 'Other staff who perform billable work' (56%).

Number of Partners/Principals at Firm



Types of Staff Firm Employs



Q19. What is the size of your firm?

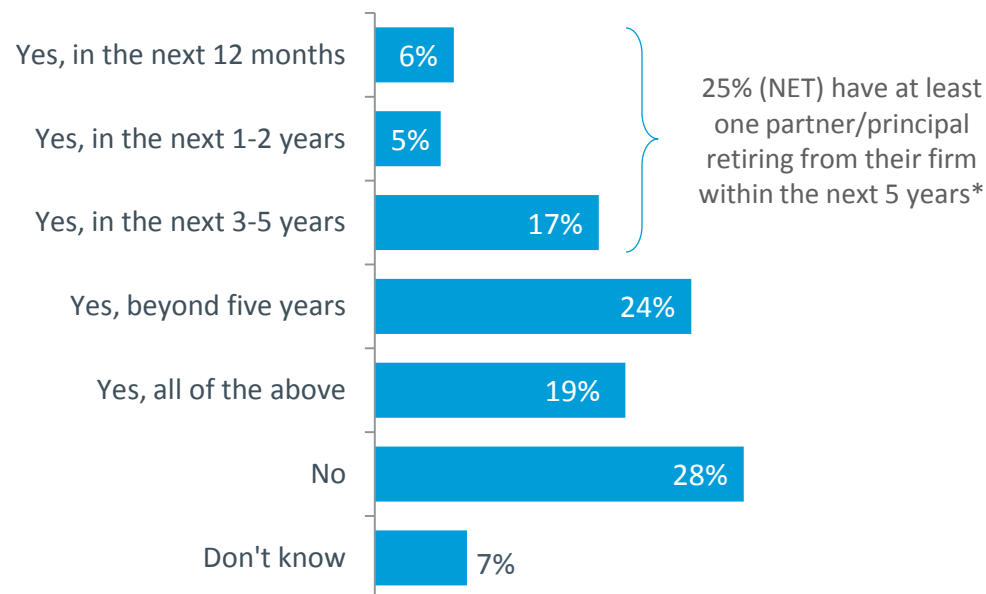
Q19b. Which of the following types of staff does your firm employ?

Base: Shared management/ownership, n=99

# ONLY ONE-QUARTER OF MANAGING PARTNERS/ OWNERS HAVE A PARTNER WHO IS RETIRING IN N5Y

- Over the next five years, only one-quarter (25%) of managers/owners who share ownership expect at least one of the partners/principals at their firm to retire.

## Partners/Principals Planning their Retirement from the Firm



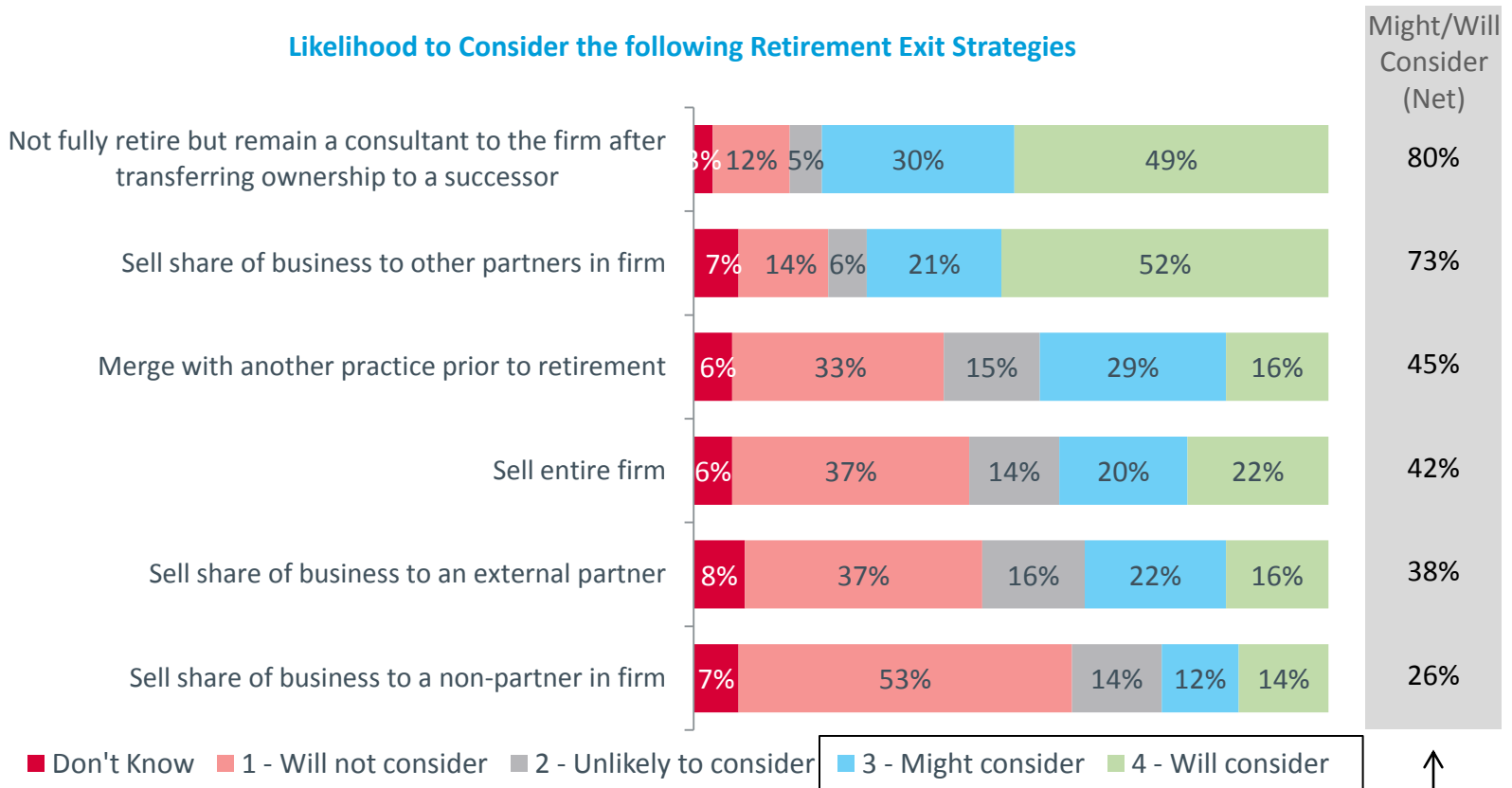
Q19c. Are any of the partners/principals known to be planning their retirement from the firm?

Base: Shared management/ownership, n=99

\*Note, this question was asked as a partial multiple response, so percentages may sum to more than 100%.

# MAJORITY WILL CONSIDER STAYING ON AS A CONSULTANT; SELLING SHARES INTERNALLY

- Eight-in-ten (80%) managers/owners who share ownership of their firm might or will consider 'not fully retiring, but remaining a consultant at their firm after transferring ownership' while over seven-in-ten (73%) might or will consider 'selling their share of business to other partners in the firm.'



Q20. Which of the following exit strategies are likely to be considered when you are ready to retire from your business?

Base: Shared management/ownership, n=99



# MOST FIRMS HAVE IDENTIFIED PROSPECTIVE OWNERS INTERNALLY OR ENGAGED WITH THEIR STAFF

- Over seven-in-ten (71%) managers/owners who share ownership say their firm has ‘identified staff or other suitable persons who could be prospective owners’ while about six-in-ten have either ‘Provided ownership/partnership training to one or more staff’ (62%) or ‘discussed ownership opportunities with one or more staff’ (57%).
- Out of the five items tested, the top three relate to internal staffing (i.e. identification of current staff, training to current staff, discussions with current staff) while the bottom two relate to external issues (i.e. client discussions, sale of business to another firm).

**Have The Following Steps Been Taken?**  
(Table shows percentage of those who said “Yes”)

Percentages are among those who said “Yes”	Total
Base size	n=99
Identified staff or other suitable persons who could be prospective owners	71%
Provided ownership/partnership training to one or more staff	62%
Discussed ownership opportunities with one or more staff	57%
Discussed succession or business continuity plans with one or more clients	30%
Discussed sale of business and/or client list outside the firm	14%

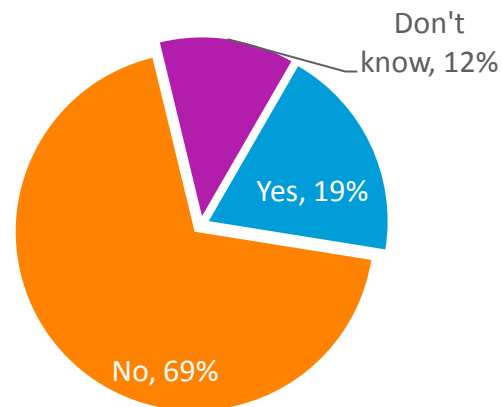
Q20b. Which of the following have you/other partners or principals done in your firm?

Base: Shared management/ownership, n=99

# ONE-IN-FIVE MANAGERS/OWNERS WHO SHARE OWNERSHIP HAVE A WRITTEN SUCCESSION PLAN

- Compared to Sole Practitioners, Managers/Owners who share ownership are significantly more likely to have a written or formal business succession plan in place at their firm (19% vs. 4%, respectively).

Does Practice Have a Written or Formal Succession Plan?

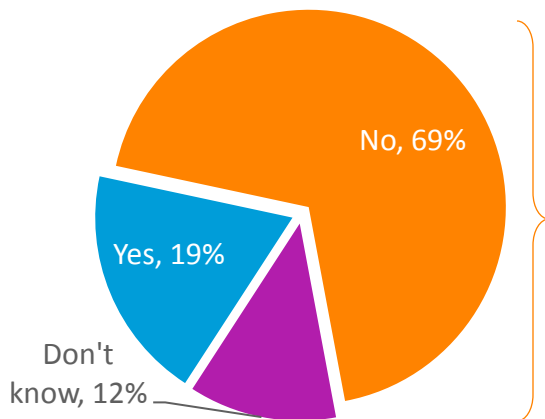


Q21. Does your practice have a written or formal business succession plan?  
Base: Shared management/ownership, n=99

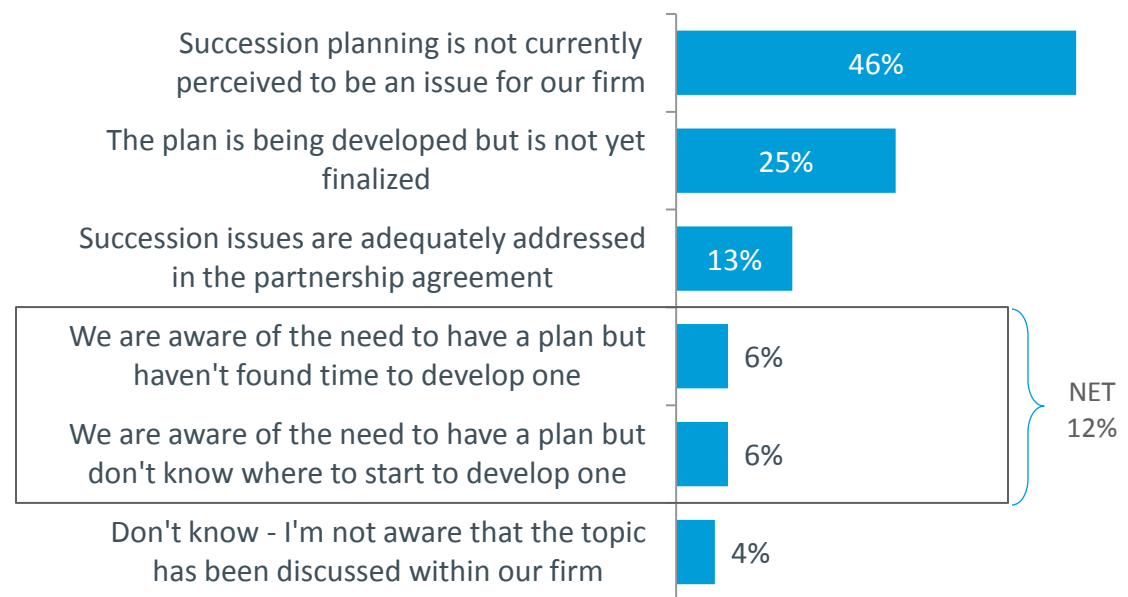
# MOST FIRMS THAT DON'T HAVE A SUCCESSION PLAN DON'T SEE THE NEED FOR PUTTING ONE TOGETHER

- Among those who do not currently have a written or formal business succession plan at their firm, almost half (46%) of Managers/Owners who share ownership believe succession planning is 'not currently perceived to be an issue for their firm.'
- This lack of relevancy could pose challenges for the HKICPA to engage members on this topic.

## Does Practice Have a Written or Formal Succession Plan?



## Reason Business Succession Plan is Not Held (Among those who said they do not hold a written succession plan)



Q21. Does your practice have a written or formal business succession plan?

Base: Shared management/ownership, n=99

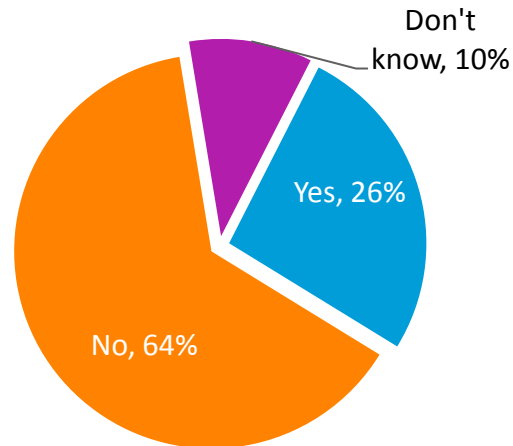
Q22. Please indicate why you do not have a written or formal business succession plan.

Base: Shared management/ownership **without** a written or formal business succession plan, n=68

# INCIDENCE OF FIRMS WITH CONTINUITY PLAN HIGHER THAN THOSE WITH A SUCCESSION PLAN

- One-quarter (26%) of Managers/Owners who share ownership say their firm has a written or formal business continuity plan to ensure continuity of service to their clients in the event that key individuals in the business are unable to do so (e.g. through illness or otherwise).
- This is slightly higher than the proportion of Managers/Owners who share ownership who say their firm has a business succession plan in place (19%).

Do you have a Written or Formal Continuity Plan?



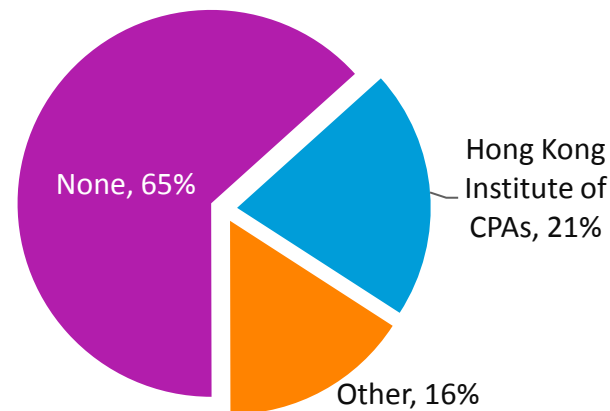
Q26. Do you have a written or formal business continuity plan to ensure continuity of service to your clients in the event that key individuals (e.g. those with unique skills/specialization) in the business are unable to do so (e.g. through illness or otherwise)?

Base: Shared management/ownership, n=99

# MAJORITY HAVE NOT SOUGHT ADVICE ON BUSINESS SUCCESSION AND CONTINUITY PLANNING TOPICS

- Two-thirds (65%) of Managers/Owners who share ownership have not looked for advice on business succession and continuity planning topics.
- Those who have sought advice on business succession and continuity planning topics are slightly more likely to have sourced it through the HKICPA (21%) versus another third-party source (16%).

Sources Accessed to Seek Advice on Business Succession and Continuity Plans



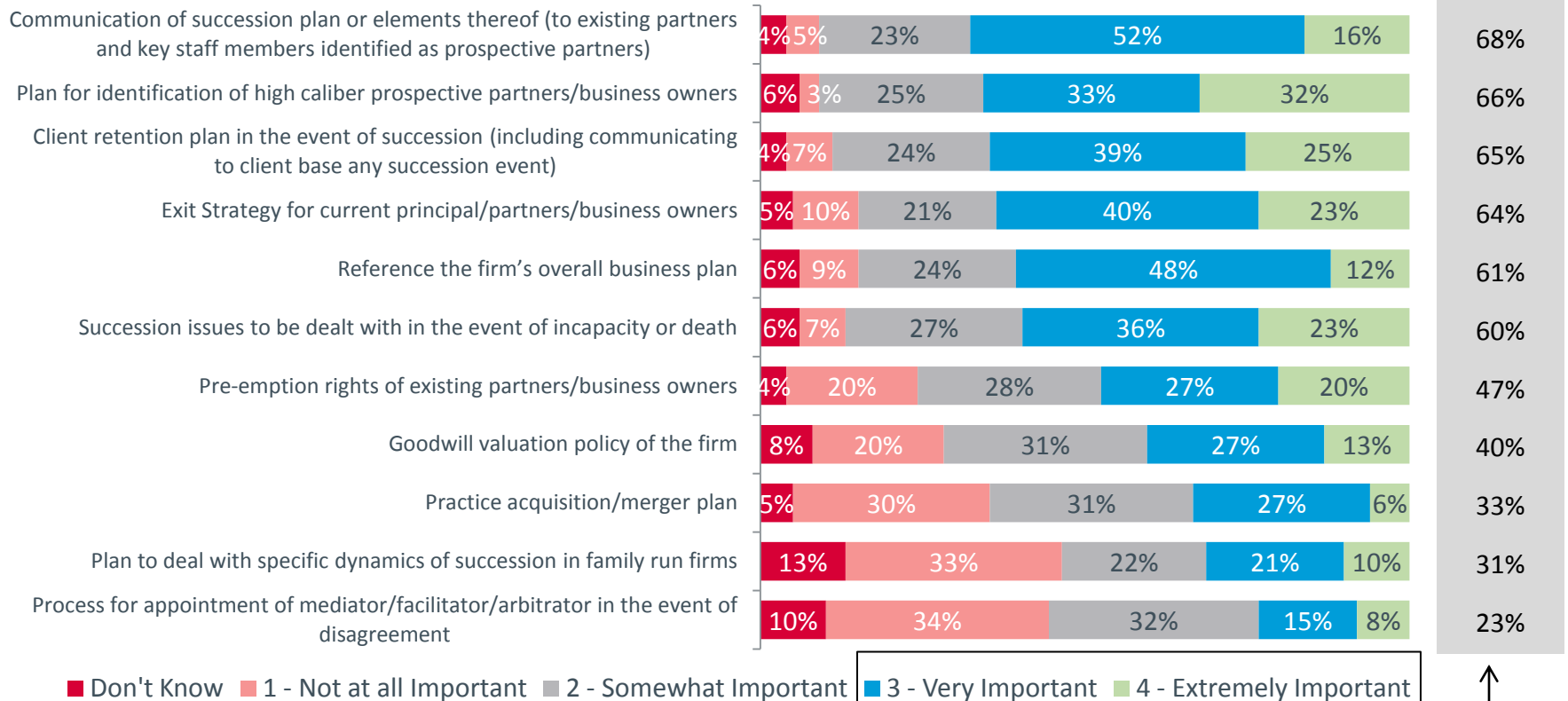
Q27. From which sources, if any, have you sought advice on business succession and continuity planning topics?

Base: Shared management/ownership, n=99

# COMMUNICATION, TALENT, CLIENT RETENTION AND EXIT STRATEGY VIEWED AS MOST IMPORTANT

- As far as content inclusion in a business succession or continuity plan, the top four items that Managers/ Owners who share ownership think is very or extremely important to have addressed include: 'Communication of succession plan' (68%), 'Plan for identification of high caliber prospective partners/business owners' (66%), 'Client retention plan' (65%) and 'Exit strategy' (64%).

**Importance of Items to be Addressed on Firm's Succession or Continuity Plan**

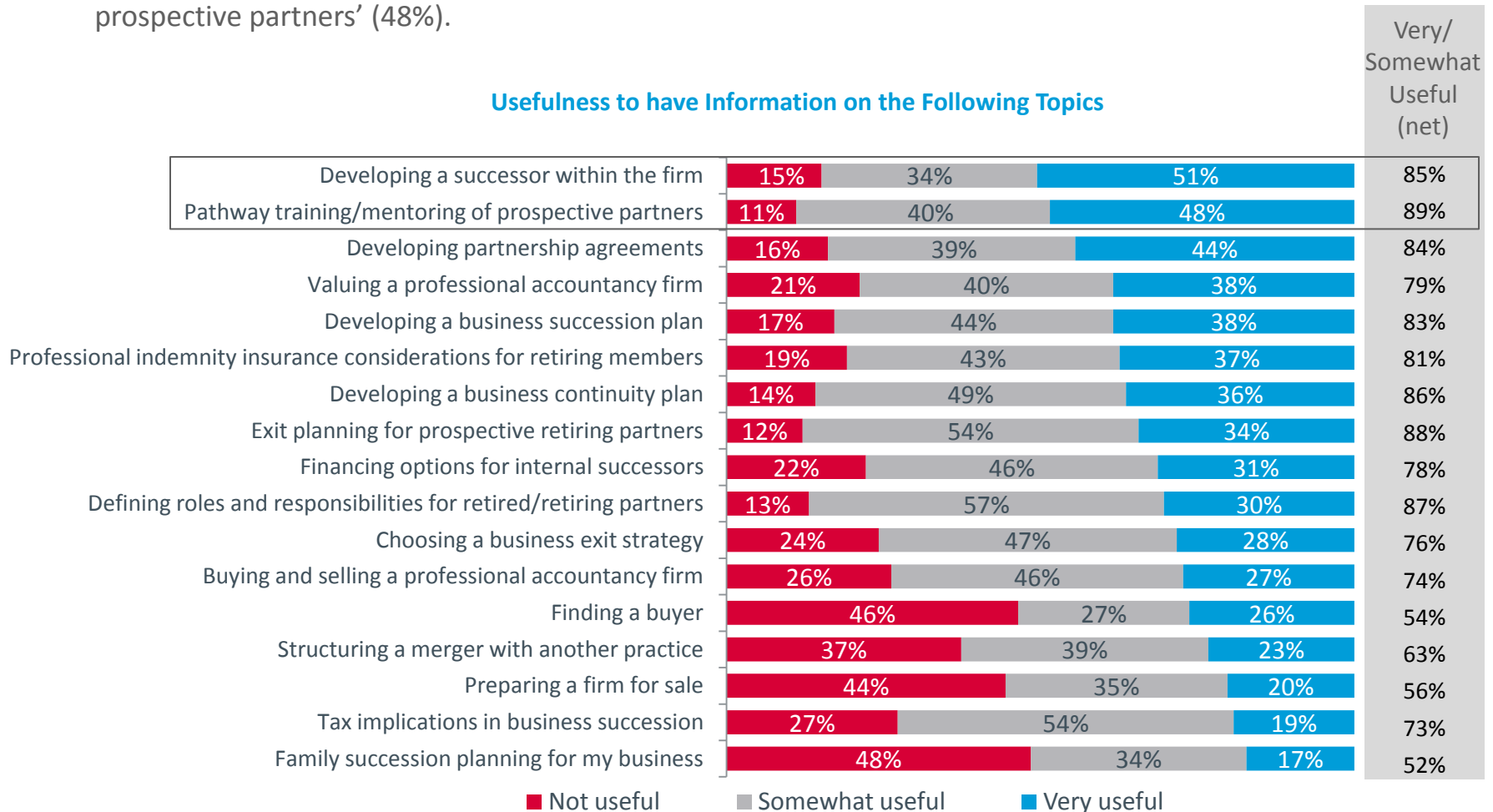


Q29. How important do you believe it would be to have the following items addressed in your firm's succession or continuity plan?  
 Base: Shared management/ownership, n=99

# INFORMATION ON DEVELOPING SUCCESSORS AND PATHWAY TRAINING SEEN AS MOST USEFUL

- Approximately half of Managers/Owners who share ownership think it would be 'very useful' to have information on 'developing a successor within the firm' (51%) and 'Pathway training/mentoring of prospective partners' (48%).

## Usefulness to have Information on the Following Topics



Q30.How useful would it be to have information on the following topics?

Base: Shared management/ownership, n=99

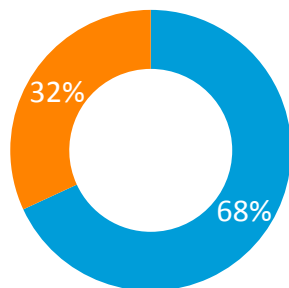
An abstract graphic on the left side of the slide. It features a black vertical bar on the far left. From this bar, a series of curved, overlapping lines in various colors (blue, green, yellow, red, purple) fan out to the right, forming a cone-like shape. Several colored dots (yellow, green, purple, red) are placed at various points along these lines, with thin lines extending from them towards the right edge of the frame.

# DEMOGRAPHICS & FIRMOGRAPHICS



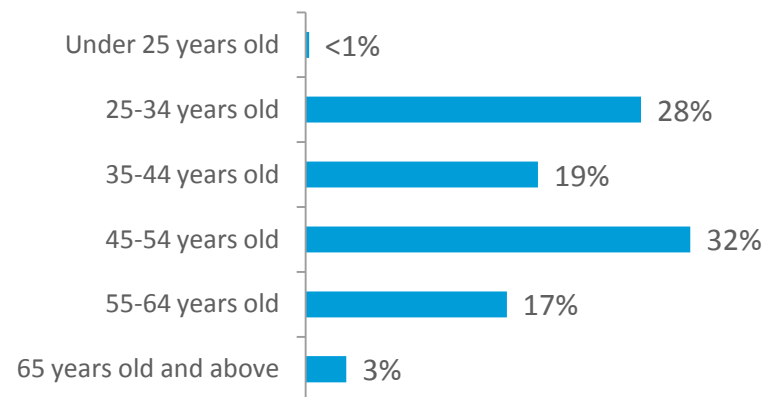
# DEMOGRAPHICS AND FIRMOGRAPHICS

Gender

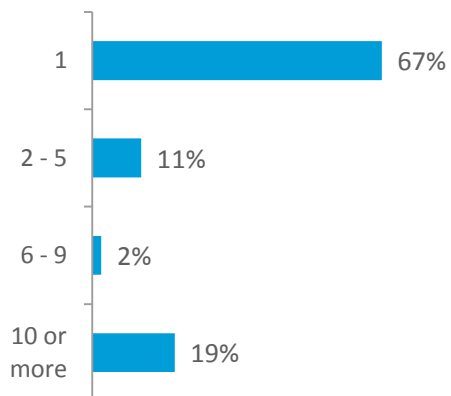


■ Male ■ Female

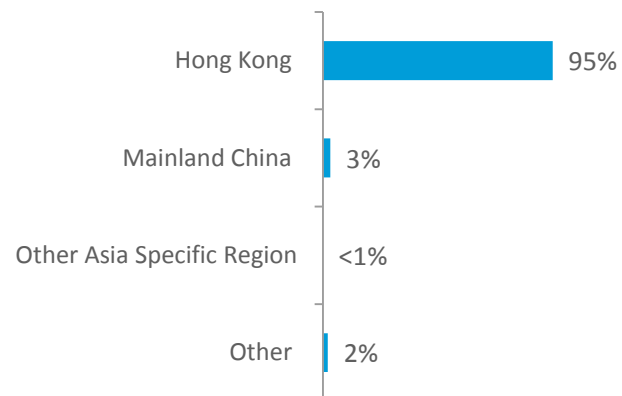
Age



Number of National Offices

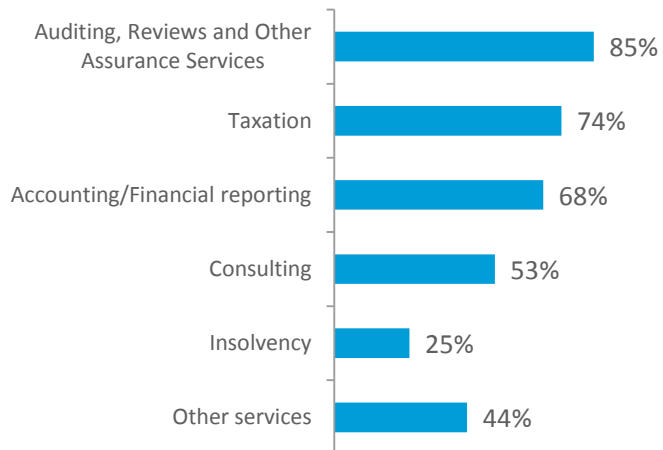


Region

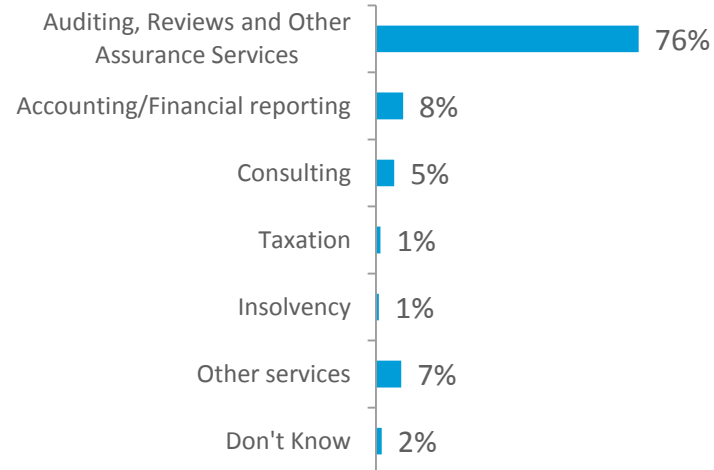


# FIRMOGRAPHICS

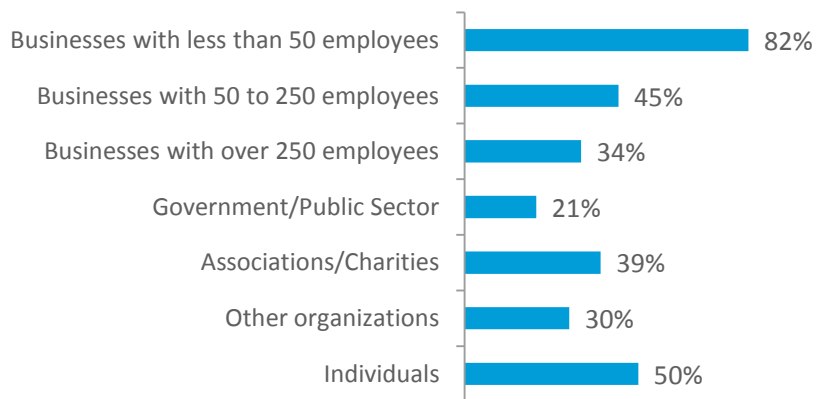
## Services Firm Provided in Past Year



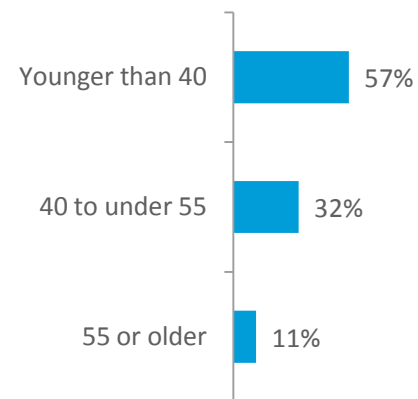
## Largest Portion of Firm's Chargeable Hours



## Types of Clients Served



## Firm Age Structure



Base: All respondents, n=386