Factors Determining the Partner's Value

In an accounting firm, profitability is generally the result of the firm's combined talents, business management skills, internal systems, and value proposition to its core clients. Therefore, many factors must be considered when determining the value of a partner to the firm, for example

- What are the technical competencies of the partner?
- Are the partner's technical competencies up to date?
- Are these competencies needed by the current client base?
- Does the partner add value in other areas, such as leadership, mentoring, and so on?
- Can he or she bring in business—the lifeblood of any organization?

Skills alone do not make a good partner. You must also look at the character of the partner, for example

- Does the partner live the firm's core values?
- Do staff members want to work with the partner?
- Is the partner ethical in his or her dealings with both staff members and clients?

Most firms are too small to have a partner justify his or her existence as solely an administrative, marketing, or human resources partner. Partners need to increase the economic value of the firm.

Partner Evaluation

Many firms do not conduct formal partner evaluations because they do not require partners to set specific goals. What would you evaluate? This is, perhaps, the number one reason partners are not as productive as they could be. Demands on the firm change

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over time, and partners may be unaware of these changes, unsure about what to do to meet the new demands, or hope these demands will go away. In any case, they remain less than optimally productive.

Everyone in the firm, including the managing partner, needs feedback to improve performance. In one compensation survey, I asked more than 350 accounting firm partners the following questions.

1. To what extent do you believe setting individual partner goals contributes to higher levels of firm profitability? Ninety-two percent responded either "to a great deal" or "to some extent."

2. Does each partner in your firm have written goals? Eighty percent responded no.

3. Do you believe each partner should have written goals? Eighty percent responded no.

4. To what extent is your partner compensation system tied to achieving results of your strategic plan? Fifty-three percent responded not at all and thirty-seven percent responded "to some extent."

I can only imagine how much firms could increase net income per partner if partners and employees were aligned with the firm's strategic plan by having cascading or aligned, or both, performance goals.

Although there are different ways to tie the compensation system to achieving the strategic plan, developing cascading goals and using a pay-for-performance system is usually best because you reward partners and employees for achieving the firm's business objectives in such a plan.

Because a pay-for-performance system rewards the firm's above-average performers more than average and below-average performers, it's also an effective way to motivate top performers to stay with the firm. In today's tight job market, one high performer may be worth two or more low performers.

If you need assistance with your compensation system, call for a free consultation 952-930-1295 or email aaquila@aquilaadvisors.com.

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