Keep Older Partners - Don't let their intellectual capital escape

While succession planning has taken the stage as one of the main issues facing CPA firms today, there is a correlating issue that firms cannot ignore – how they keep the intellectual capital that older partners have developed over the years. Firms today cannot afford to lose the wisdom, intellectual capital, and relationships of its senior partners. (See Exhibit I)

Exhibit I: What do you lose when a partner retires?

Senior partners have a wealth of knowledge that you don't want to lose. For example, they possess

- the oral history of the firm
- specific client information
- knowledge of key referral sources
- client relationships
- long-term firm values
- the reasons the firm is what it is today.

There may be some senior partners who want to spend their remaining years basking in the sun or playing golf. But, given the negative and low returns of the stock market the last five years, more senior partners will be concerned about their economic future and will want to stay involved in the profession. This can be a win-win situation for both parties or it can be a lose-lose.

Develop a Winning Program Now

Both the firm and the senior partner have a lot to lose if there is no program in place to make sure these assets just don't leave. Review your current owners' agreement. What does it say about retirement? All firms need a clearly stated retirement process. This permits the firm to proactively plan for succession, secures the transfer of client relationships from one generation to the next and permits younger professionals to move up through the ranks. Retirement from the partnership does not necessarily require the senior partner to leave the firm. Many firms I have worked with require their partners to retire at age 65 from the partnership. It is then up the firm to determine a future role of the former partner. The firm and the retiring partner should not be at odds at this moment in time. Both can greatly benefit by working together. If you currently don't have a stated retirement policy, consider making one part of your shareholder/partnership agreement now. Here are some ways to accomplish that.

Revenue Generating Options

It is not unusual for the retiring partner to continue working for the firm but under a new compensation plan. This can take several different forms. For example it can be based on a percentage of cash collected from his/her personal production. Or the partner can be hired on and paid on a project basis. Finally, a part time or flextime arrangement could be established and the individual is paid on the percentage of time dedicated to the practice. All of these options can work for the firm and the former partner.

Make sure you have consistency in your retirement policy so that the former partner does not feel that he/she is being discriminated against.

Non-Revenue Generating Options

There are countless ways that a former partner can find a productive place in the firm. Just take a look around the practice and identify areas where someone with accounting, tax and consulting experience, firm knowledge and know-how can add value. This would be in recruiting, developing a mentoring program, being a spokesperson for the firm, looking for mergers of other practices, or just helping with special projects.

It might make sense for some retiring partners to assume a non-revenue generating role in the firm, especially when the partner has certain leadership, mentoring or training skills. These partners could be paid an hourly or flat rate to lead certain areas in the firm. For example, one firm is using it retired managing partner to become the chief rainmaker in the community, while another has hired one of its retiring partners, who teaches at a local university, to head up recruiting.

Once older partners are relieved of the pressures of being a full-time partner, they often embrace these new roles with passion. They feel that they are making a real contribution to the firm and to the community.

Options outside the Firm

Many older partners can serve as good-will ambassadors for the firm. Just because someone does not want to continue in a product- or project-oriented basis, that does not mean that they cannot be a benefit to the firm. Arthur Andersen was noted for its alumni placement program.

The secret is that both parties develop a winning outcome. The firm may be able to place the senior partner on the board of a local non-profit organization or hospital. Or the firm may be able to arrange for a full- or part-time work with one of the firm's clients.

You want to ensure that the retiring partner continues to be a loyal supporter of the firm. There is no better marketing than to have as many people as possible in the marketplace saying good things about your firm. Why not make some of them your former partners.

Make it happen

None of these options will happen if the firm does not have a plan in place or if the retiring partner does not feel that he/she is supported by the firm. See the sidebar "Steps for the Managing Partner or Executive Committee" to find out specific steps you can take. Both parties need to feel good about the plan the firm is proposing. Make sure that you and the retiring partner enter into the dialogue with full disclosure and honesty.

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