United we stand?

Partners must pull in the same direction if firms want to maximise profits, especially in tough economic times. Iwona Tokc-Wilde investigates how to ensure partner accountability and unity

"Competition between accounting firms is at an all-time high," says Rob Brown, author of *How to Build Your Reputation: The Secrets of Becoming the Go To Professional in a Crowded Marketplace*. "In contrast, the 2013 Edelman Trust Barometer shows that faith in professional firms is at an all-time low. This represents a massive opportunity for those with their house in order: a high-integrity accounting practice with unified, transparent and accountable partners will gain a competitive advantage."

However, partner unity may be hard to achieve, especially at larger firms. In the US a poll found that "partner accountability and unity" is the top concern at firms with 21 or more partners and the number two concern at smaller firms, behind only "bringing in new clients". In the UK, although large partnership revenues are on the way up, partnership profits have fallen and this hints at strained relationships within partner teams.

"Harmony is more difficult to achieve when everyone's challenged and when partners argue whose portfolio is more profitable," says John O'Donnell, practice consultant at ICAEW.

Partner problems are not limited to large firms - any practice with more than one owner can run into trouble if partners war over how to run their business or fail to meet targets. Strong leadership, clear common and individual goals, good communication and regular performance reviews are therefore a recipe for harmonious partnerships, whatever its size.

There are certain principles and values that are prerequisites for building a sense of collegiality and accountability among partners. "Profit-sharing is a key part of the DNA of a professional services firm, but it's only effective if firms fit the system to suit the partners, rather than try to fit the partners to the system," says Benjamin Viney, senior consultant in BDO's Performance and Reward advisory team.

The profit-sharing system must stem from a shared understanding of a culture of accountability.

"Sometimes partners have conflicting views, or what is assumed to be a shared view doesn't in fact exist. This makes it impossible to agree how to share profits," says Viney.

Melanie Richardson took over as managing partner at Swindells, a seven-partner firm, earlier this year. "One of the first jobs was to change the culture of the partnership team, to encourage unity and ensure that each partner was responsible and accountable to the partnership group as a whole," she says.

"Harmony is more difficult to achieve when everyone's challenged and partners argue whose portfolio is more profitable"

A shared sense of stewardship and commonality are paramount, too. "Within the individual member firms and across the global network, our accountability is driven by a sense of a bond between us all as partners and a sense of stewardship of our brand, both underpinned by a strong common interest and shared responsibility," says Marianne Fallon, KPMG's UK head of corporate affairs. "Every partner in this firm is aware that they are accountable personally and that their actions can have a direct effect on fellow partners."

Partners must identify themselves with the brand, to feel they belong and to be able to perform in accordance with their firm's values.

"Our partners understand what the Grant Thornton brand means, beyond the logo and the strapline, and what fundamental values it represents," says Scott Barnes, Grant Thornton's CEO. "Ensuring they apply these values to their individual roles is an immensely valuable method of unifying their goals and ambitions."

UNITY IN ACTION

John O'Donnell, Practice Consultant at ICAEW, recommends the following five ways to help build unity through the partnership:

- **Showing a united front to your staff and clients.**
- **Holding an annual strategic planning meeting.**
- **Setting annual targets for partners and reviewing them monthly.**
- **Playing to each partner's strengths when agreeing targets.**
- **Leaving fee recovery to a capable practice manager.**

Usually, it is the senior or managing partners who are responsible for bringing the partner team together and creating a culture of accountability.

"The best managing partners are psychologists – they understand what makes people tick," says Viney. "Some partners are disruptive and a managing partner should help them to be willing to be accountable by facilitating behavioural change, only then using the remuneration system and other means to reinforce the desired behaviours."

In smaller, insular firms, partners may be more unwilling to change. "Still, the managing partner should ensure that the good practice of the more capable partners is disseminated to those who need to improve," says O'Donnell. Sometimes, however, they are not able to make the partnership work. "Often a managing partner can be a lame duck, spending all their time dealing with politics and warring factions," says Heather Townsend, executive coach and co-author of *How to Make Partner and Still Have a Life*.

Fortunately, managing partners do not usually work in isolation – many firms have executive management committees. "A strong leadership team gives everyone in the firm a framework in which they can align their own personal objectives and ensure they're all working towards the same end-game," says Barnes.

Linking partner objectives to the firm's strategy is a must. "However, many accountancy firms are run as a bunch of sole practitioners with a common name and shared overheads," says Townsend. "Goals are often not set for each partner or there are no consequences of not achieving them."

Some smaller firms have an innovative approach to goal-setting that involves their employees. Dennis & Turnbull Chartered Accountants are looking to implement results-based targets: "We'd like our staff to decide how much they would want to earn, and we'll decide the targets around that. The two 'equity partners' will simply divide remaining profit between them," says director Carl Reader.

Larger firms are generally better at defining and setting formal expectations and goals. "We have formal policies and processes in place so that all our partners are on the same page," says Fallon. "It's very important, especially because there's theoretical potential for a mismatch between the priorities for an individual's specific business area or portfolio and areas where the firm as a whole might want to focus."

It is not enough to just agree and set targets, partners must be supported thereafter. "In the past, we had an executive management committee set targets for each partner but then the partners were left to their own devices. It was assumed they should know how to develop their client portfolio," says Richardson. "Some partners actually achieved less or gave up altogether."

An alternative approach is to play to each partner's strengths. "Some partners are good at getting new clients; others are better at doing the existing client work so set the targets accordingly – it's all about playing as a team," says O'Donnell. This is exactly what Richardson did at Swindells: "New client enquiries are now directed to one partner, who then passes the enquiry to the most appropriate engagement partner, spreading out the new clients on a reasonable basis. This requires a certain amount of trust within the partnership group, of course."

"Many firms are run as a bunch of sole practitioners with a common name and shared overheads"

The Swindells' method shifts the measurement of success from the value of a partner's portfolio to the contribution they make to the firm as a whole. The contribution itself must be measured and rewarded accordingly.

"As a minimum, partners should have annual objectives and performance assessments and a series of informal meetings throughout the year," says Viney. "The question is how often profit-sharing decisions should be made. Assessing partners' performance each year based solely on their performance for the year encourages and rewards short-term activities, but when using a longer-term horizon, making measurement and assessment robust and fair takes more effort."

Not everyone is willing to confront poor performance. "Partners who've been in practice together for many years and who may have to tell a close friend they are underperforming fear damaging the relationship," says Viney. However, if underperformance is not adequately addressed, the partner reward system cannot be fair, either. "Some firms deal with this issue by separating the management team from the remuneration committee, although this risks undermining management," says Viney.

Achieving partner accountability and unity is a balancing act. "Moreover, unity and harmony don't always go hand in hand," says Fallon. "Partner unity is a prerequisite to ensure that all the partners are pulling in the same direction, but it doesn't necessarily lead to harmony as there may still be disagreements on specific issues or areas."

Sometimes a difference of opinion is healthy and drives success, too.