# Partner Goal Setting: It Doesn't Have to Be Meaningless

*By Tim Bartz, Director, Upstream Academy*

### Dynamos, Cruisers, and Losers

Over the years, I have been both haunted and motivated by a chapter in David Maister's book *True Professionalism*. Entitled "Dynamos, Cruisers, and Losers," the chapter describes three levels of performance in professional service firms. The "Dynamos" and "Losers" fall right where you would expect—no surprises there. The definition of a "Cruiser" though, is very troubling because I believe it describes a significant number of partners in CPA/CA firms across North America.

Simply put, Cruisers are those who have become very comfortable doing what they've always done. They rarely bring anything new to the table, either for their clients or the firm. Sadly, many of those who fall into the Cruiser classification fail to grasp that being a Dynamo is not about how many chargeable or total hours you have each year or the fact that your client list is longer than Shaquille O'Neal's arm. It's about whether you're continually growing your skills and knowledge base beyond what it takes to keep up with the most recent technical pronouncements.

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### Partner Review Processes

It's only been during the past five years that I've seen firms really emphasize the development of partner review and goal setting processes. Reflecting back, I believe that's where we've spent considerable time helping firms in the past two years. It's also become commonplace to hear the "A" word (Accountability) discussed within partner groups. Because partner review and accountability systems are relatively new processes, managing partners and others have struggled to develop meaningful goals for partners under review.

Goal setting is most meaningful in firms that have a vision and strategy in place and a compensation system that values more than a person's charge hours and the size of his/her book of business. Without firm direction and a means to influence behavior, goals are effective only with those few partners who are self-motivated and appreciate having an accountability partner to help them stretch and grow.

## The Balanced Score Card

A few years ago, Upstream Academy developed a balanced score card that addresses the following six areas of partner performance:

- Financial Performance
- Client Management
- Business Development
- Team Development
- Personal Effectiveness
- Leadership

We believe firms should expect equity owners to achieve and maintain a level of excellence in at least four of these six categories and be reasonably good in the other two. On a rating scale of 1 to 10, where 7-8 are considered excellent and 5-6 are considered good, equity owners should consistently show a combined score in the range of 38 to 44.

Each partner brings unique talents and challenges to the group; through effective discussions and goal setting, partners can become better professionals. The objective of a review system is to give partners a clear understanding of their current level of performance and develop a performance plan for the coming year. A partner's role in the firm is determined by reviewing the myriad talents of the ownership group and then aligning those talents with the firm's vision and strategy.

Even with a solid vision and broad-based performance requirements, many partners struggle with setting and accomplishing

meaningful goals. One of the guiding principles of Upstream Academy is that it's better to do fewer things and perform them at a level 8 than to do many things at a level 4. One of the barriers to successful partner goal setting is that partners are asked to do too many things. When this occurs, the goals become barriers rather than motivators of improved performance. We don't encourage setting goals in all six of the performance categories. Instead, we believe it's better to pursue stretch goals in only three or four performance categories, along with one goal aimed at mitigating a personal weakness.

Before we address performance criteria and offer sample goals, let's identify what we mean by a stretch goal. In most cases, a goal is a "stretch" goal if it possesses one or more of these characteristics:

- ✓ it involves something the partner hasn't done before (at least at a significant level)
- ✓ it will require the individual's best effort to accomplish the goal
- ✓ it's likely to make the partner uncomfortable at one or more points during the process
- ✓ the individual doesn't immediately know all of the steps it will take to accomplish the goal
- ✓ the goal carries with it some sense of urgency

It's also important to distinguish between performance standards and goals. Performance standards are minimum expectations for those working in particular positions in the firm. Performance standards might include such

things as entering time into practice management software on a daily basis, billing monthly at some set level, or achieving a certain level of revenue production. These are not goals; they're non-negotiable expectations.

Goals cause us to grow and become better professionals. They rarely involve a complete change in direction. More often, they're course corrections that open new doors for the partner and the firm.

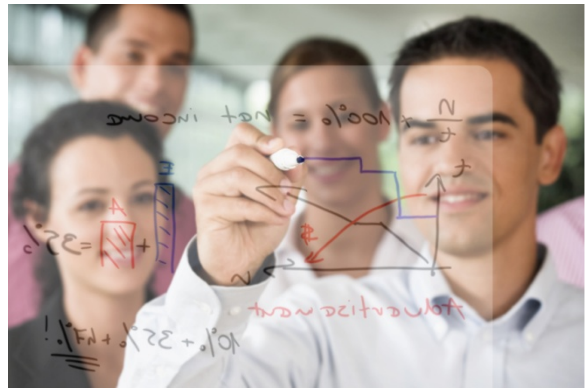
Let's examine these six performance categories and consider possible goals in each one.

### Financial Performance

*Performance Considerations*

- Strong personal revenue production - always at or above budget
- Strong department revenue production - always at or above budget
- Strong realization on revenue time
- Timely and effective billing without reminders
- Proactive in collecting outstanding AR
- Good track record of entering personal time in the practice management system daily



As discussed above, items such as these should essentially be “non-negotiables” in partner performance. They’re areas where every partner needs to perform, and it’s generally not a stretch goal to achieve these objectives. However, every firm has partners who are challenged in financial performance. For these partners, rising to a level of acceptable performance is the starting point. If they can’t get to these targets in a reasonable amount of time (two or three years), you likely have an individual filling an equity seat who shouldn’t be there.

All of the performance criteria in this section are quantifiable and measureable through the firm’s practice management system. Be sure numbers are specifically identified for each person. Remember that not every partner should have the same required production level. For example, partners who fill significant leadership positions in the firm should not have the same billable hours requirement as those who are production partners.

There may also be differences in realization expectations since an audit partner will generally have a lower realization percentage than a tax partner. The goal should be to continually improve financial performance until the numbers meet firm standards. Once a partner has achieved firm standards, it’s more about maintenance than it is about stretch goals.

### Client Management

*Performance Considerations*

- Proven ability to provide consistently great client service
- Proactive in reaching out to clients – a true trusted advisor
- Clients consistently rave about the quality of service they receive
- Proven ability to grow the average revenue per client
- Proven ability to transfer clients to others
- Willingness to remove D-level clients

While many of the performance criteria listed in this section are difficult to quantify, this area holds many possibilities for creating meaningful goals.

The low-hanging fruit in this section is found in the last two bullet points: transferring clients and removing D-level clients. Healthy firms have a culture where partners regularly transfer clients to others in the firm. Partners who struggle with client transfers present a huge risk to client retention when it becomes time for them to retire. Likewise, partners who struggle to release D-level clients are often unable to upgrade the level of clients they're serving because they're consumed with the challenges presented by those D-level clients.

*Meaningful goals in this area might include:*

1. Successfully transition 5 to 10% (measured either by numbers of clients or by net revenues) to other members of the firm. A few firms have set this as one of their non-negotiable minimum performance standards.
2. Identify and remove D-level clients from your client responsibility list.
3. Increase the average revenue per client on your client list by 10% or more.
4. Increase the number of services you're providing to clients with the goal of providing at least two forms of service annually to the top 25% of your client list and adding a third service to the top 10%.
5. Identify your top five clients, conduct a service review, and issue a management letter on issues you think are important for these clients to address over the next 12 to 18 months.
6. Meet with at least two different clients at their place of business every month and take at least one other member of the firm to every visit.
7. Depending on the firm's vision and strategy, partners should be charged with the responsibility of focusing on specific niches or entities or increasing the number of clients served. For example, a stretch goal might be to transition clients and obtain new clients so that 70% of your client list is ________ (healthcare, banking, franchise, construction etc.). Such a goal might coincide with another goal to get your client list more in alignment with firm niches.

### Business Development

*Performance Considerations*

- Consistently strong personal marketing efforts
- Above average personal marketing results
- Consistent ability to cross-sell firm services
- Commitment to firm/office marketing efforts
- Consistent ability to generate additional revenue from existing clients
- Continually building strong relationships with the business community

*Beyond a goal that addresses business development effort, stretch goals in this area might look something like this:*

1. Secure additional work from clients on your client responsibility list equal to a set percentage of total billings in the prior year.
2. Secure new clients equal to a set percentage of your total client billings in the prior year.
3. Mentor a manager to help establish a strong referral source base and hold him/her accountable for achieving a new business goal.
4. Work with a manager to increase that individual's client responsibility list to a set dollar amount.
5. In keeping with the firm's strategic plan, secure a set amount of new work with clients targeted within the strategic plan.
6. Involve a younger member of the staff on a set percentage of marketing visits.
7. Lead a departmental or office marketing push, ensuring everyone in the office is connected to the plan.

Currently, business development is a hot topic throughout the profession. Partners developed some bad habits during the 1990s and early years of this century because new work seemingly came out of nowhere with little or no individual effort. The non-negotiable in business development is a significant marketing effort. One consulting firm promotes the concept that at least 20% of a partner's non-billable time should be spent in meaningful

marketing activities. I've followed this approach for several years and believe it's a solid target. However, this percentage probably applies best to the more traditional services of the firm, audit and tax. If a partner works in a consulting area where work is largely one-time projects, this percentage will likely need to be closer to 30% of non-billable time.

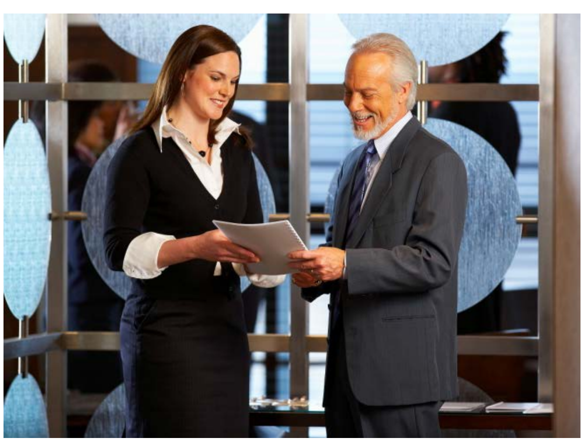
 

### Team Development

*Performance Considerations*

- Effective delegation of work to team members
- Willingness to provide meaningful coaching and mentoring
- Proven ability to develop leaders within the firm
- Consistently high scores on bottom-up evaluations
- Proven ability to recruit and retain key team members
- Proven ability to provide effective career planning for subordinates

Team development has become an increasingly important role for accounting firm partners. Often, this is an area where partners struggle because of the demands placed on them in other areas (Financial Performance, Client Management, Business Development, and Leadership). While team development is important at all levels in the firm, it is important to keep partner involvement at an appropriate level: newer partners and managers. Partners should not be assigned to coach and develop less-experienced staff members. This is an important role for seniors, supervisors, and managers.



*Consider the following as possible goals in this area:*

1. Coach certain named individuals based on input from the managing partner or the partner in charge of the office. Conduct a specified number of meetings with the individual and develop a system of accountability.
2. Invite selected managers from among your best and brightest to your home (or for dinner out) and discuss their careers.
3. Take responsibility for selected individuals hitting their charge budgets and/or business development targets for the fiscal year.
4. Participate in all of the firm’s social functions and commit to knowing the name of each staff member’s guest. Spend your time at social functions engaged with staff, not other partners.
5. Identify needed performance and behavior changes in managers within your area to bring them into harmony with the firm’s strategic plan. Identify how to engage individuals in your department with specific activities.

### Personal Effectiveness

*Performance Considerations*

- Willingness to get outside personal comfort zone and use strengths to benefit the firm
- Proven ability to create and build skills each year
- Proven ability to be self-accountable to commitments
- Best effort in becoming continually more valuable
- Strong technical expertise in a particular area or industry
- Willingness to live performance standards and be a good example to others

Personal effectiveness is about the personal growth of the individual partner. This can be the easiest area in which to set stretch goals; unfortunately, it often focuses on technical matters and becomes a discussion of which tax or audit update the individual will attend. This is the area where we need to see the partner in totality. We need to examine the overall health of partners to ensure they have the skills, knowledge and energy to function effectively throughout their careers.

*At a minimum, this area should include two objectives:*

1. Complete a personal education plan for the coming year. Pay particular attention to the level of each course and describe how this course will make you more valuable to your clients and/or the firm.
2. Identify your contribution to the success of the firm's strategic plan. Every goal must be specifically tied to the firm's vision and strategy in some meaningful way. This requires careful analysis. For example, if the vision of the firm is aggressive growth, then part of that growth must be organic. You might connect to that vision by specifically identifying the net growth objective for the clients on your responsibility list.

*Additional stretch goals might include:*

3. Develop a personal exercise plan and exercise at least 30 minutes a day.
4. Identify a specific client in a key niche area and attend an industry conference with that client.
5. Complete an education plan that strengthens leadership or business development skills.
6. Identify and obtain a technical certification.
7. Identify an area in which you will become a knowledge leader; describe how you will pursue this designation (education, speaking, writing, etc.) and bring this area to volume within the firm.
8. Develop a specific niche service for the firm and create a business plan that leaves nothing to chance.

### Leadership

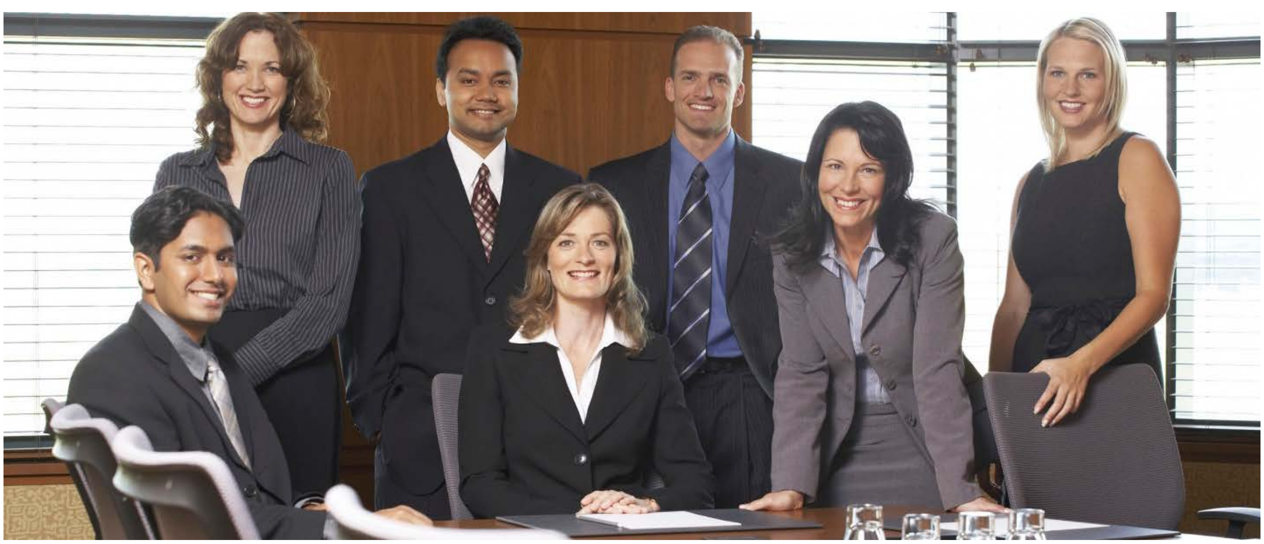
*Performance Considerations*

- Willingness to put the firm first
- Proven ability to speak up constructively on important firm matters
- Ability to commit to firm/office decisions
- Willingness to set and accomplish stretch goals
- Ability to support partners and discuss issues or concerns directly with them
- Commitment to the strategic direction of the firm

There isn't a place for every partner to lead a function within the firm, but partners must understand they are owners and are personally responsible for helping the firm and their local office achieve its specified objectives. Partners give up the right to remain silent; this is particularly true as firms struggle with challenges. Partners must see themselves as part of the solution and ensure they're not part of the problem.

*Here are some goals that might be considered:*

1. Serve as the firm's department head in a particular area. Work with your team to develop specific objectives within the parameters set by the firm's vision and strategy and clearly articulate goals the department will seek to achieve in the coming year.
2. Serve as the leader of a niche practice area. Develop specific objectives to be achieved in the coming year.
3. Serve on a committee within the firm's governance structure and provide valuable input. Regular attendance and meaningful participation are key components of any goal in this area.
4. Identify and fulfill an assignment related to the firm's vision and strategic plan.



## Setting Effective Goals

The key to effective goal setting is to realize that like everything else we do, the more we work at it the easier it becomes. We've all heard of SMART goals where:

S = Specific

M = Measureable

A = Attainable

R = Realistic

T = Timely

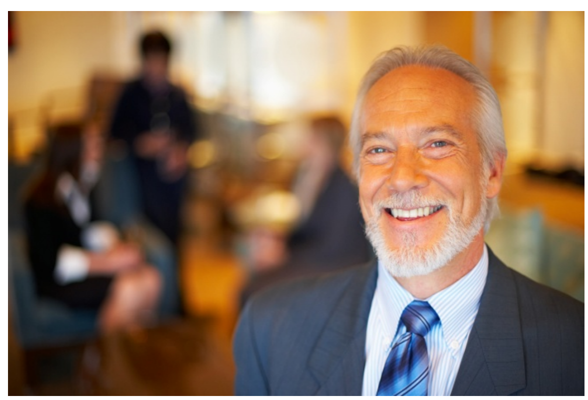
To be effective, goals must specifically identify the deliverable (the measurable result) and an action plan must be developed for achieving the objective. Goals that are not accompanied by a written plan frequently end in failure because little thought has been given to the effort and timing required to accomplish the goals.

## System of Accountability

Another element in an effective partner goal setting process is a system of periodic updates throughout the year to ensure the partner is progressing according to plan. We recommend bi-monthly written updates on goal progress, prepared by the partner and sent to the managing partner. These updates should focus on what has been accomplished toward achieving the goal since the last update. Periodic face-to-face meetings with each partner to discuss the updates should also occur, perhaps three to four times per year. Firm leaders must be intolerant with individuals who are not making the effort to follow their plans.

We believe the three most important roles of the managing partner are:

1. to optimize the horsepower of the partner group
2. to communicate the firm's vision and progress toward achieving that vision
3. to develop the firm's future leaders



The partner goal setting process encompasses all three of these roles. It's not for the faint of heart nor is it something the managing partner can delegate, except to enlist the help of partners who manage separate firm locations.

Finally, there must be consequences for both success and failure in achieving goals. While effort is important, this isn't Little League baseball. Not everyone's going to get a trophy just for showing up. Some firm leaders are hampered by the firm's governance documents because compensation systems have nothing to do with this process. In the most difficult circumstances, there is no authority to demote or dismiss a partner who persists in cruising. If your firm is challenged in its ability to impact partner behavior because of governance or compensation limitations, begin the partner evaluation and goal setting process and then work with your firm to address these two important factors and create a system of rewards and consequences.

Partner reviews are the lifeblood of dynamic firms. Firms cannot grow and improve if the partners are cruising. Some partners are naturally motivated to constantly grow in their careers. Unfortunately, many need a boost and some level of ongoing accountability to avoid settling into comfort zones and stagnating.

Managing partners need to appreciate the value they bring to effective partner review systems and goal setting processes. Bob Bunting, former managing partner of Moss Adams, once told me he considered the time he spent with partners helping them move forward in their careers to be worth $10,000 an hour. It's not an easy assignment, but the greatest thing you can do as a firm leader is manage the partner talent in your firm. This will be achieved by connecting individual performance to firm goals and helping partners reach new heights in their careers.

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