

# **HOW TO ENGAGE PARTNERS IN THE FIRM'S FUTURE**

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The Secrets Every Leader  
Needs to Know

August J. Aquila  
Robert J. Lees

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## How to Use this Book

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The book you have in your hands is more than a book – it’s a practice management tool and if you use it accordingly, we are confident that you and your firm will greatly benefit.

We have made it easy for you to reap the benefits of our 50-plus years of combined consulting to professional services firms around the world. Simply follow the process below and see for yourself how this book can change your firm and engage your partners.

1. We suggest that you read this book with a pencil in hand. You will want to take notes in the margins or on paper. Look for concepts that you would like to incorporate into your firm and highlight those that you are already doing or could do better.
2. Have your management/leadership team read the book so they are familiar with the concepts.

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3. Hold a management leadership team meeting. We have placed a suggested list of questions at the end of each chapter. These can be used as talking points for the meeting. Don't try to address all the chapters at once. We suggest that you take one chapter at a time and have a two- to four-hour discussion about the general theme, the suggested questions and action steps that you want to take.

4. You should expect some robust dialogue at these meetings. If your people are not open or challenging each other, then you need to set the tone for a more constructive meeting.

5. Action steps are critical for you to get real value from the concepts in the book. A robust discussion will certainly heighten awareness of opportunities, but it's the execution – the call to action – that is most important.

6. Finally, we suggest that after each meeting you create a 90-day action plan and then review the progress of the plan every 30 days. Each team member should have only one or two goals to accomplish in the 90-day period. This is a discipline that will ensure that you make progress and get results.

Please feel free to contact Rob Lees or me if you need additional assistance. We stand by to help you achieve your firm's full potential.

– *August Aquila*

## About the Authors

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**August J. Aquila** is an internationally known speaker, consultant and author and has held leading positions in the accounting profession for more than 25 years. He is CEO of AQUILA Global Advisors, a full-service consulting firm to accounting and other professional service firms in the US, Canada UK and India.

August focuses his consulting on designing compensation plans, resolving organizational and partner issues, transition planning and developing strategic plans.

Before starting AQUILA Global Advisors, he held several executive leadership positions with American Express Tax and Business Services, Inc. He was also a partner in a top-50

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firm and regional marketing director for Coopers & Lybrand (now PWC) in Chicago.

In 2003 he was elected into the Association for Accounting Marketing's Hall of Fame and has been selected as one of the "Top 100 Most Influential People in The Accounting Profession" by Accounting Today for several years.

He is the author of hundreds of articles and several books on practice management; mergers and acquisitions and compensation plan designs. Recent books include The CA Firm of the Future (Bombay CA Society, 2013), Performance is Everything (AICPA 2012), Compensation as a Strategic Asset (AICPA 2007) and Client at the Core (John Wiley & Sons 2004).

August is also a co-author, with Robert J. Lees and Derek Klyhn, of Leadership At Its Strongest: What Successful Managing Partners Do (Bay Street Group LLC, 2013), the ground-breaking research on how managing partners drive improvements in their firm's competitive and financial performance, available at [baystreetgroup.com/store](http://baystreetgroup.com/store).

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**Robert J. Lees** is widely known for his expertise in the development of leaders of professional service firms and the creation and implementation of strategies that make a discernible difference to individual and firm performance. Rob advises leaders across the globe and his clients include top tier firms in the law, accounting, and management consulting.

Rob has spent nearly 20 years either consulting to professional services firm leaders or in senior positions in professional service firms. He was Global Head of Human Resources for Ernst & Young, Head of Ernst & Young's Global Leadership Institute, and Global Head of Workforce Effectiveness for Morgan Stanley.

Before joining Ernst & Young, Rob was Human Resources and Marketing Director of a large UK-based multiple retail company. He has also spent time on the faculty of Manchester Business School, and held a number of senior positions in human resources and learning in major UK companies.

Rob is a co-author, with Professors Tom DeLong and Jack Gabarro from Harvard Business School's world-renowned Leading Professional Service Firms program, of the best-selling book *When Professionals Have To Lead*.

Tom, Jack and Rob have also had an article on why

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mentoring is critical in professional service firms in the 100th edition of the Harvard Business Review, and several articles on leadership in professional service firms in journals in both the UK and the USA.

Rob is also a co-author, with August J. Aquila and Derek Klyhn, of *Leadership At Its Strongest: What Successful Managing Partners Do* (Bay Street Group LLC, 2013), the ground-breaking research on how superior managing partners drive improvements in their firm's competitive and financial performance.

In addition to his book and articles, Rob has authored several cases on critical issues in professional service firms, including business development, cross selling, improving practice performance, strategy development and implementation, and change.

## Introduction

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The professional services sector is undergoing a fundamental change. Firms are navigating a tough financial climate, suppressed growth rates, and declining demand. Previous downturns have been transitory, as the industry has been able to recover within a few years. However this time the landscape has changed and the professional sector is not expected to return to previous levels of growth for a long time.

Whatever kind of economist-speak you prefer, there's no getting around the fact that now is a scary time to be the leader of a professional services firm.

The book you hold in your hands provides welcome insight into the issues of performance, values, what being a partner is really all about, and getting your partners involved and engaged in your firm's future. Whether you choose to call it the digital age, the knowledge economy, or even "the New

Normal,” it seems clear that we are in the throes of an economic revolution as profound as that which gave birth to our modern times.

Wherever you look within the professions, you will see two kinds of firms: laggards who have fallen behind the change curve, and challengers who are in front of the curve or at least at the leading edge of it. The laggards fail to see the future coming. They fall out of the driver’s seat. They cede the role to somebody else and then fight to catch up.

There are reasons, if not excuses, for many firms not to take action. From their early days in school, professionals were rewarded for success and still are today, based on their ability to look backward in history – to find precedent, to find the experience-based rule that will control the adjudication of the situation at hand. The need for change is not welcomed and the more dramatic the change required, the more acute the resistance from nostalgic past-worshippers. In order to take decisive action, most firms have some acute change hurdles to overcome – hurdles I have come to label: denial, perfectionism, precedent, competence, and agility.

- **The debilitating effects of denial.**

Many firms are in denial, and the few that aren't move very slowly.

If your firm gets caught behind the curve, it wasn't because critical trends weren't visible; it was because they were ignored. The huge challenge remains that for too many

firms, unless there is acute "pain," there is little incentive to change. History proves that laggards only grab for the new once they are totally convinced the old doesn't work anymore.

And the old doesn't work anymore!

When does a firm's strategy change? Usually only in response to a crisis or because of the initiative of a new managing partner. In many firms we have a generation of stewards rather than entrepreneurs. The power of denial is most prevalent in what you do, when you don't know how to profitably grow. So a firm's typical response becomes let's do more of what we have been doing, or let's cut costs, or let's just merge.

- **The handicap of perfection.**

One of the biggest drawbacks to embracing change or innovation is the professional mindset and desire to get things just right, the first time. This may be a highly desirable trait in your work on behalf of clients. If you are a lawyer preparing pleadings in litigation or an accountant preparing an audit report, it is essential to have a watertight document – that is what your client is paying for.

Unfortunately, many professionals approach many performance and management issues in exactly the same way, striving for perfection from the outset and unwilling to go public until they are entirely happy. The downside of this approach is that opportunities are lost as other firms steal the

advantage and the limelight with their own initiatives.

Today, we operate in a rapidly evolving market, where firms are going to have to reinvent themselves and their business models. So rather than striving for perfection, it is better to launch a limited risk field trial, a pilot project, and as soon as possible – then modify, adjust, revamp and fine-tune . . . on the fly. In other words, better to take action, throw the competition into disarray – then worry about ironing out every wrinkle. The shape of any new initiative can change dramatically, over time, as your efforts begin to generate valuable feedback.

- **The threat of precedent.**

*“If the medical profession was based on precedent,  
we would still be using leeches.”*

Many great firms began with the initial vision of one of their founding partners. That vision was most often the creation of a single individual and became the essence of “how we practice and how we do business” in this firm.

Anyone who has ever spent time in a number of different firms has come to recognize that “how we do business around here” is rarely codified but often deeply rooted within the subtleties of the firm’s culture, operating style, and campfire stories. This vision, over time, can become an intellectual straightjacket as the firm misses out on exploiting opportunities due to blind spots caused by its reliance on history and precedent. The last seven words of a dying firm

are often, “we’ve never done it that way before.”

For those who built the firm’s past successes, the temptation to preserve the status quo can be overwhelming. The battle is not globalism versus regionalism, it is innovation versus precedent.

A quick example makes this point rather succinctly. Strategy requires choices. But it’s not good enough just to be different. You’ve got to be different in ways that involve trade-offs with other ways of being different. The trouble is that professional firms hate making choices, because doing so always looks dangerous and limiting. They always want the best of all worlds.

It is psychologically risky to narrow your range of services, to narrow the range of prospects you are targeting. But we all instinctively know that a firm simply cannot be all things to all people and do a very good job of it.

Gone are the days of trying to be all things to all clients. Here are the days of having a few signature practice areas with corollary supporting specialties.

- **The danger of competence.**

Professionals are understandably discomfited when faced with the fact that the intellectual capital accumulated over a lifetime may be of little value in a radically changing environment.

Competence is the enemy of change. Many professionals get locked into a successful mode of behavior and in some cases, arrogant manner. They are the ones who will do everything in their power to fight change because they are in love with the status quo.

Competent professionals resist change because change threatens to make them less competent. Competent professionals like being competent – that is who they are and sometimes that is all they've got.

Just think of the risks that come with embracing anything new. A fresh approach to serving clients – one that would prevent me from maximizing my billable hours and force me to be more productive and practice differently. No wonder they're in no hurry to rock the boat.

Many firms have atrophied in their ability to think and act strategically. I consistently see evidence of short-term thinking. It's all about immediate results. Too many firms seem to have lost the habit of investing for their future. Increasingly, the firms that will be the true leaders will be those who reshape and redefine their profession.

- **The over-reliance on agility.**

“The world changes,” says the managing partner of a prominent professional services firm. “And an institution like this, which has been around for over a hundred years, survives and thrives because it is able to adapt to the changes that take place.”

I say, “Good luck.”

Most believe that they can quickly adapt if anything dramatic finally manifests itself. And agility is great, but if you become nothing more than agile you will remain a perpetual follower – and even fast followers find few spoils. The goal is not to speculate on what might happen, but to imagine what you could make happen.

- **Dare to be first.**

“The first one to the future has the best view. There is no limit to what can be accomplished when you keep looking beyond the horizon. Not just to see what’s coming next, but to create it.” Those are the headlines from an advertisement sponsored by Hughes Electronics Corporation. And never has a message been so appropriate for the professions.

In summary, this book is about providing you with the blueprint you need to overcome the hurdles of change – to take action and to take control over your probability of future success.

It’s time for all of us to take responsibility for our destiny, time to stop whining about the challenges of a zero-growth economy, time to focus energy on applying the skills and knowledge required to enhance our odds of winning in this hypercompetitive world of professional services.

– Patrick J. McKenna  
*Professional Services Firm Consultant and Author*

## Preface

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The world's population is becoming increasingly aware of the importance of sustainability. For several decades we've developed an understanding of preserving our planet's resources. The recent sustainability conversation has amped up the focus among corporate executives on their social responsibility to insure our world's future.

It's an especially relevant time, therefore, to discuss the sustainability of our firms. And that's what this book is about. Managing partners spend significant time pondering their firm's strategy. One of their greatest challenges is engaging their partners to be as committed as they are.

There are lots of reasons for the challenge. These include a "nose to the grindstone versus up to the wind" mentality, partners not spending enough time dedicated to the task,

abdicated their leadership role, putting their own interests before the firm's, or just plain apathy. It's easy for a partner group to sit around a table and discuss their future. But talk is cheap. After the strategic planning is done, leaders actually have to do something. It takes significant effort to develop as a leader, work as a team, subjugate one's own interests for the greater good, learn new competencies, solve complex problems, and exhibit leadership behaviors.

Most CPAs don't give a thought to being a leader until they're thrust into the role. And when that happens, everyone is watching. Firms take on the personality of their leaders. Followers mirror their leaders' behaviors. A unique culture develops. Is your firm one where you are pleased with your leaders' behaviors? Are behaviors guiding the performance you want to see? Are these behaviors and performances driving a sustainable future? Aquila and Lees lay out the challenges facing firms, and offer up advice about securing their leaders' commitment to the firm's future.

I've worked with many organizations over the years. Some cultures were healthy and prosperous, creating job satisfaction, career opportunities, and conditions enabling high performance. Other cultures were troubled, making it hard to get up on Monday morning, where employees had knives in each other's backs, and people were unmotivated to do their best.

One can read down the list of challenges summarized by Aquila and Lees, and identify organizations with vision, core

values, role clarity and the like; or conversely identify organizations where these are lacking. I remember to this day IBM's first core value was respect for the individual. It was etched on a lobby sign in every IBM office, and was a constant reminder of cultural expectations. On the flip side, the two most troubled companies I worked for are no longer in business. The CEO of one is in prison. Another met an untimely end.

One can never take for granted the importance of a compelling vision, core values, leadership, teamwork, and aligned motivators. They drive behaviors which can build or destroy a firm.

As consultants, we see firms up close. In the healthiest ones, the managing partner and leaders create their unique vision of their future, and then they live it. It's a beautiful thing to see a team where leaders respect each other and work closely. In these firms, the key leaders talk to each other several times a day. They move together as a group, like a well-oiled machine. There is a certain one-ness about them. They work hard at discussing and debating openly and honestly, getting everyone on board.

In the movie *John Adams*, Adams worked relentlessly to get all the colonies to sign the Declaration of Independence. What a mountain of conflicting interests he and our other founding fathers climbed. Their success, pulling together for the common good, laid the foundation for our great country.

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My hope is this book will end up in the hands of partners serious about their firm's sustainability.

The future is not an occasional topic to be parked once a year for a strategic planning discussion. But rather, it should be a living, breathing topic, enabling partners to grow their understanding and commitment, and lead their firm to a growing, thriving, sustainable future.

*– Gale Crosley, CPA  
Consultant and Author*

## Chapter 1: Engaging Partners in the Firm's Future

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No one would ever question that a firm's success is ultimately tied to its partners' performance. And yet, increasing partner performance, getting the partners to work across practices, is one of the key issues facing the majority of firm leaders we talk to.

Our advice on how to resolve the performance issue comes from our work over the last twenty years in all sizes of firms across Europe, US and Canada and confirms what we all intuitively know - the more the partners are engaged in the firm's future the better they perform.

So, before you can work on performance, you need to work on getting your partners involved and committed to the firm's future. Partners won't be committed to the future if they haven't had any involvement in deciding what it should

be. And if they aren't committed, they essentially work for themselves not the firm.

Partners are the culture in a professional services firm – what they believe, what they reward, what they do and how they do it determines what and how things get done. And, if they don't believe in what the firm is doing, they will never be effective role models who think firm first and actively bring the whole of the firm's services to their clients.

## **Challenges**

In our work we have identified six major challenges that firms need to address to engage their partners and to ensure every one moves forward together. They are:

1. Un-motivational firm vision.
2. Lack of clearly defined core values.
3. Lack of clarity around what being a partner means.
4. Ineffective or non-existent partner performance reviews.
5. Performance systems not tied to strategic initiatives.
6. Lack of successful firm leaders.

Most firms consider the above six challenges to be merely “touchy feely” aspects of running a professional services firm. They take time to implement and the common

## Chapter 2: Building a Bridge or Welding Girders Together?

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The more partners are engaged with the firm's future the better they perform. So, the picture of the firm's future has to be compelling. It has to persuade people that they want to play a part in making it a reality. Nearly all of the firms we know agree with the sentiment but getting the partners engaged isn't always easy. So, how do firms go about engaging the partners and making sure they remain that way.

We used the girders or bridge analogy in Chapter 1. Both have value but building a bridge is a lot more compelling to most of people. But the picture becomes even more compelling when it's a bridge to somewhere people want to go. It's the ultimate destination that people engage with. And, the journey is a lot more enjoyable (even if you're not actually that keen on parts of it) if the end point is exciting and has benefits that you share in.

# Review Questions for Chapter 2: Vision

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1. Does the firm's vision motivate its owners?
2. Do partners understand and see what the endgame looks like? Does the vision have a clear end game?
3. What percentage of your partners is engaged in the firm's vision?
4. Has the firm identified three or four most important goals that need to be accomplished this year to move closer to achieving its vision?
5. What are you doing to get the influential partners on board?
6. Do you have a system in place to measure the firm's progress in realizing its vision?

## Chapter 3: What Do Core Values Have to Do with It?

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The concept of core or shared values gets a lot of press and most professional service firms' websites promote their core values to prospects, clients and recruits. But, like so many management ideas that are on the soft side, they are often more talk than reality.

For too many firms, their espoused core values don't actually represent what the firm stands for and don't guide individual behavior. Often, in fact, neither the partners nor the employees know the firm's core values and no one in the firm is evaluated or rewarded on how well they live them.

But, in our over twenty-year association with professional service firms one of the things that we have found time and time again is that the truly best firms have a core set of values that they live by. The values do describe what the firm

## Chapter 4: What Does Being a Partner Mean?

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Partners are the culture in a professional services firm – what they believe, what they reward, what they do and how they do it determines what and how things get done.

But, one of the problems we consistently hear about is the lack of clarity in what being a partner means. And, in the absence of clarity the partners typically fill the gap by doing what they think it means, with all of the differences of thought and behavior that inevitably brings.

It's these differences in behavior that result in firms failing to maximize their potential. So, how do firms overcome this lack of clarity and ensure the partner group set the right example and consistently deliver the performance the firm needs to be successful?

<b>Different Views of What Being a Partner Means</b>	
<b>Individual &gt; Firm</b>	<b>Firm &gt; Individual</b>
My clients are mine	My clients are the firm's
I don't trust others with my clients	I introduce other people to my clients
I hold on to what I know	I pass what I know on to others
I do things best and interfere in what others do	I have a role and let others have theirs
My interests prevail	The firm's interests prevail
My rights are paramount	Shared responsibility is paramount
Management interferes in my plans	Management adds value through coordination
I operate at arms-length to the firm	I am actively involved in the firm's initiatives
The whole is less than the sum of its parts	The whole is greater than the sum of its parts
The initial ideas for this table were developed by Des Woods of Moller PSFG Ltd in his work on the impact of different collegiality models on market performance.	

## Chapter 5: Tie Performance Systems to Strategic Initiatives

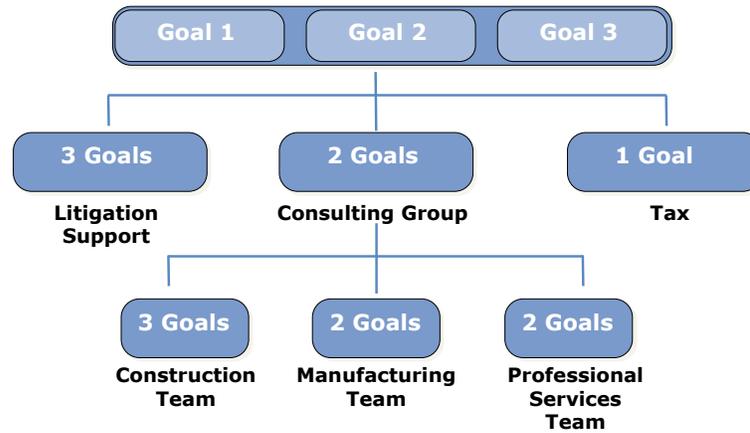
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The correlation between partner engagement and firm performance is at the core of this book, and this penultimate chapter addresses one of the inhibitors to that engagement – when the partners’ performance goals, either individually or as a team or department, are not aligned with the firm’s strategic initiatives.

When misalignment occurs, what the partners do on a daily basis isn’t coordinated and can result in individual partners, teams, or even whole departments, emphasizing different elements of the firm’s strategy – usually the one that resonates most with them!

We see this too often in multi-location, multi-national firms where what’s important in one location isn’t in another and, as a result, it’s downplayed in favor of local priorities.

## Alignment of Firm Goals



on client delivery and development, we have found that team goals are aligned more with the firm's strategic initiatives in a much more effective way. Working in teams is one of the best ways of achieving goal alignment throughout the firm. Just as it's a much more effective way of promoting cross-selling and the creation of mutual support and accountability.

### **Focus On A Few Goals – And Don't Assume Everybody Can Do Everything**

Current thinking suggests that people who focus on a few key goals have a greater chance of achieving or surpassing their goals and all of our work confirms this is true.

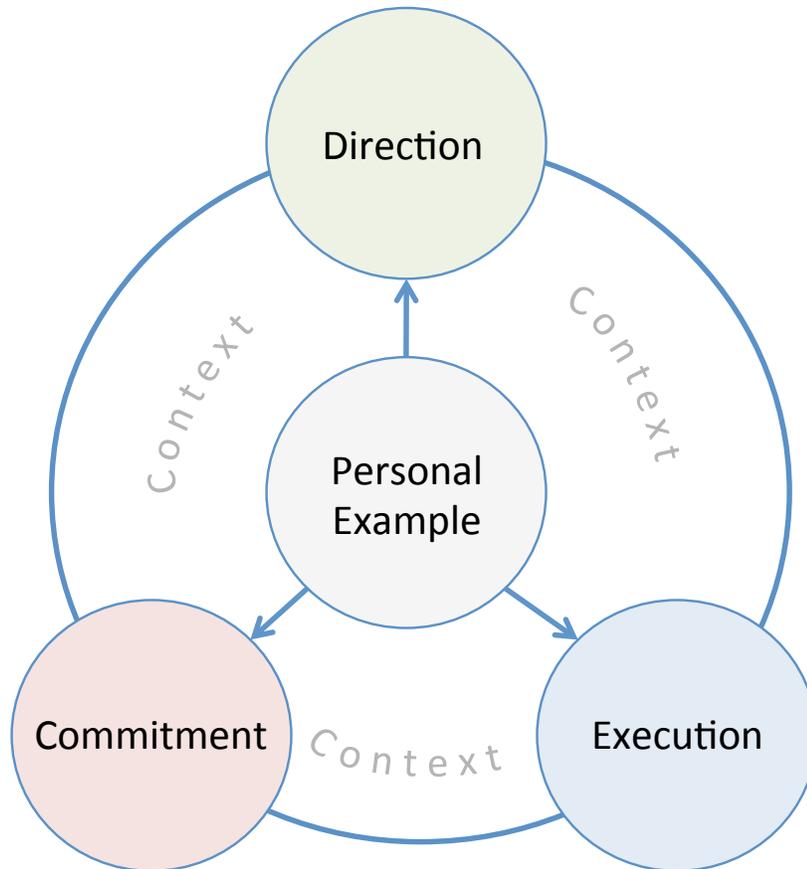
In our research into what truly successful managing partners

## Chapter 6: How to Use Compensation to Keep Partners Engaged

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A critical element in keeping partners engaged is having a compensation system that rewards them for doing the right things. Every compensation plan should be constructed to help the firm enhance its ability to service clients, achieve its strategic goals and to attract, reward and retain the right people. If a firm's plan does not accomplish these objectives, it needs to be restructured.

Internal discussions around compensation are often loaded with emotions and fears given the very real impact compensation has both materially and psychologically. Perhaps that is why so many large firms are moving toward a closed compensation system. It may be easier on management and the individual partners not to know where



Adapted from the Leadership Model in *When Professionals Have To Lead: A New Model For High Performance*, Thomas J. Delong, John J. Gabarro, Robert J. Lees, Harvard Business School Press, 2007

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In an attempt to build on our anecdotal knowledge, we interviewed 150 practicing and managing partners in a cross section of law, accounting and consulting firms across Europe and the U.S. to ascertain what they believed successful managing partners do. And specifically, what they do to create and sustain their partners' commitment to actively participating in delivering the firm's future.

## Key Concepts in Review

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### Chapter 1: Engaging Partners in the Firm's Future

A firm's success is ultimately tied to its partners' performance.

- And yet, improving partner performance is one of the key issues facing the majority of firm leaders today.
- Partners are the culture in a professional services firm – what they believe, what they reward, what they do and how they do it determines what and how things get done.
- And, if they don't believe in what the firm is doing, they will never be effective role models who think firm first and actively bring the whole of the firm's services to their clients.

## More from the Publisher

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