Dealing with Underperforming or Dysfunctional Partners

By August J. Aquila

About the author: *August Aquila is dedicated to helping firms in the area of strategic planning, succession, mergers and acquisitions and partner compensation. He can be reached at 952-930-1295 or aaquila@theaquilaadvisors.com.*

Underperforming and dysfunctional partners have been around a long time --probably since the beginning of the profession. What has changed is the way firms are dealing with them.

The "white gloves" in the accounting profession are now off when dealing with these two types of partners. In addition, modern technology such as time and billing and client relationship management (CRM) software, can and does generate every conceivable productivity report. Partners are ranked from top to bottom in terms of billable hours, dollars collected, new business developed, collections, *etc*. There is no place for these partners to hide.

Once a firm sets a standard or benchmark, there will be partners who are way above, above, average, below and well below the firm's standard. When a firm raises the bar, those who were average before now become below average, even though they aren't doing anything differently.

The problem is not identifying underperforming partners. The real issue is deciding how to deal with them.

Traditionally, firms tended just to ignore them. Today, ignoring these partners may cause significant damage to your firm. Staff may leave. Profitability may suffer. Time is wasted solving the problems created by these individuals.

What, then, are your real choices? There are only a few options. You can

I accept them as they are
I try to rehabilitate them
I help find them employment somewhere else

l outright fire them
Accepting them as they are is not a viable option because of the negative effects on the firm. That leaves finding a way to motivate them to again be productive. Although you should try this before taking more drastic measures, teaching an old dog new tricks is a difficult undertaking. You will need to work closely with the person to determine why their productivity has slipped and then structure a plan that addresses the cause.

The last two choices --find employment for them somewhere else or outright fire them --are your last resort. Some partners will just be more content being employed outside of the public accounting arena, or perhaps working with a smaller firm. The firm should work with the partner to determine the best future course of action.

Finally, partners are frequently let go in today's environment. Being a partner for life is no longer guaranteed. This is often one of the most difficult decisions for firm management to make. It is done because ultimately, the firm is more important than any one partner.

Perhaps the most effective thing you can do for your firm is learn how to avoid creating new unproductive partners.

Existing Partners --Conscious or Unconscious Decision to Slow Down?

At some point in time, most partners will decide to slow down. This may be due to age, health or a change in lifestyle. It's fairly straightforward to identify those partners who are on the slowdown track. You merely need to review monthly production reports. When you identify a downward trend in production, a red flag has begun waving.

***Partners who consciously decide to slow down*.** Before taking any action, you need to determine whether the slowdown is a conscious or unconscious decision. Dealing with a partner who consciously decides to cut his or her hours is usually pretty straightforward. If this happens to be the case at your firm, here are some concrete steps you can take:

l Review the partner's productivity reports for the last two years. You want to have information on both billable and non-billable time.
l Have a one-on-one meeting with the partner to discuss his or her future plans and gain an understanding of the partner's goals and needs.
l Being a part-time partner is no longer a no-no. Develop an agreement with the partner, whereby the firm and the partner both win. The partner's compensation and responsibilities may be reduced along with the partner's

compensation and share in any profits.
l You can consider changing the partner's status from equity to non-equity.
l Make sure the agreement is specific. Does part-time or reduced status affect the partner's voting rights, retirement benefits and current medical benefits? How long will the agreement last?
l Set the agreement to writing and make sure that all parties execute it. Without a written agreement, it will be difficult to determine in the future what was agreed upon.

Partner's who make unconscious decisions. You need to take a completely different tack for partners who make an unconscious decision. These are the partners who have cut back but forgot to tell anyone about it, and in their minds, they believe they are still contributing as much to the firm as before.

Many times, the actions of partners who act this way are recognized only after a period of years. Today's management needs to spot such trends as soon as possible and bring them to the partner's attention. Unlike the partner who makes a conscious decision to slow down, a partner who falls into this category truly believes he or she is still carrying their weight. The situation is much more difficult to handle. Here are some steps to follow.

l Get productivity reports for the last two years. You want to have information on both billable and non-billable time.
l Get several other partners involved in the process to gain their insights and thoughts.
l Determine who (an individual or group) would be best to meet with the partner.
l Determine what is happening in the partner's life --health, divorce, *etc*.
l Determine if the partner's individual goals are still aligned with those of the firm.
l Develop an agreement with the partner, whereby the firm and the partner both win. The partner's compensation and responsibilities may be reduced, along with the partner's compensation and share in any profits.
l If the partner is unwilling to accept the new working agreement, then firm management must decide if rehabilitation is the answer or if the firm needs to terminate the underproductive partner.
l Whatever the firm decides, make sure that everything is documented in order to avoid litigation.

Sometimes partners just need a change of duties, or to focus more time on non-production activities and more on capacity-building ones. For example:

l Have the partner spend more time developing new business and less time on production.

l Let the partner develop new service lines.
l Use the partner as a trainer and mentor of future partners.

The dysfunctional partner

A dysfunctional partner is one who never follows firm policies, is not a team player or is the one that staff does not want to work with. A dysfunctional partner may be very productive. Some unproductive partners also become dysfunctional ones.

Unlike an unproductive partner, who generally is a problem only within the firm, a dysfunctional partner can create both internal and external problems for the firm.

The dysfunctional partner is probably the worst of the two types. He or she weakens the partnership by adversely affecting the interpersonal relationship between the partners and even among the staff. This, in turn, affects the economic output of the partnership by reducing efficiency.

Depending on the type of dysfunctional behavior, these partners can also create external problems that adversely affect the firm's image, marketing ability, reputation, client satisfaction and loyalty.

Dysfunctional partners usually need professional help and the best thing you can do is help them find that help. Here are some steps to follow:

l Identify the dysfunction --lack of self esteem, aggressive behavior, alcohol, *etc*.
l Point out specific examples of the behavior
l Suggest that the partner discuss the problem with a local psychologist, or perhaps a family business consultant who deals with behavioral issues

Don't create a new batch of unproductive partners

Often, it is the firm that is to blame for creating unproductive partners, or for hiring or promoting dysfunctional ones. If you want to lessen the number of unproductive and dysfunctional partners in the future, follow these steps.

1. Identify and define the values and behaviors that are acceptable in your firm, and evaluate annually how well everyone --partners included --is living these values.

2. Develop clear and specific minimum objective and subjective standards for partner performance. The minute that any partner tends below these standards, start carefully monitoring that partner's progress.

3. Don't make marginal employees partners. They are not going to get any better. The employee, who could not bring in business as a manager, isn't going to be a rainmaker when he or she becomes a partner. Most problem partners today were mediocre employees.

4. As much as you would like to, you can neither ignore them nor accept them as they are. Doing that would be unfaithful to your core principles and ultimately cause more harm to the firm than any one of them are worth. Management cannot permit partners to get into this type of situation. Partner nonproductivity does not happen overnight. Firms need to start working with partners the minute a red flag goes up.

5. Get your partners doing and learning new things. You do this by requiring all partners to practice what I call the "push-down theory of accounting." Under this theory, partners are required to push a certain percentage of their work down to either younger partners or managers. This provides them with available time to learn and do new things.

Conclusion

Whatever the firm decides to do, it must be done fairly. I believe it is easier to work with unproductive or dysfunctional partners if you set high standards. Don't make it easy for someone to become an equity partner. And once an individual enters into the partnership ranks, make sure that they are held accountable for meeting those standards.