

RedZone Play of the Month

ACCOUNTANTS ADVISORY GROUP, LLC
PRACTICE MANAGEMENT • MARKETING • HUMAN CAPITAL

Taking Successful CPA Firms to the Next Level

May 2009

Partner Compensation

Arriving at partner compensation amounts and developing formulas, structures and programs is a common problem and one of the most controversial in many accounting firms. These problems have been further compounded by the changing economy, succession planning issues, the need for partners with niche expertise, and mergers and acquisitions of multi-partner practices.

A most important and often overlooked aspect of distributing annual profits is the message that each partner receives from the results of the allocation process. Communicating why and how, year-end distributions were computed can be in many cases more important than the actual computation, especially if all partners are privy to the results.

Erroneous perceptions about partner compensation can be avoided by following these suggestions:

- Having a strategic game plan that has been communicated to the partners that is aligned with the partner compensation program.
- Documenting and communicating the method by which partners will be evaluated.
- Communicating the statistics that firm management will be reviewing and analyzing in the decision-making process.
- Establishing and documenting goals and objectives for each partner prior to the beginning of the year. The partner's personal goals and objectives should be directly related to assisting the firm in achieving its overall strategic plan. It's helpful to have a mid-year review of the status of such goals and objectives rather than waiting for year-end.
- Have each partner complete an annual performance self-evaluation. This will increase the chances of a productive counseling session and increased communications.
- Most importantly, the person or people responsible for determining partner compensation should be fair, take time to review all available information, and be trusted by the partner group.

A firm's compensation program should be an evolving dynamic model that is modified to take into account changes within a firm such as:

- Mergers and acquisitions
- The marketplace that the firm is competing in
- Retiring and new partners
- Goals and objectives
- The economy
- Culture and environment

Partner compensation systems need to be customized to meet the needs and challenges of each particular firm. This is not a "one size fits all" type of model. To be truly successful, a compensation system must communicate the guidelines for rewarding the achievement of agreed-upon partner goals and objectives that are clearly aligned to the firm's core values and strategic plan.

Executing the right
"game plan" to ensure
future success.



Accountants Advisory Group, LLC is a strategic consulting firm that incorporates state of the art practice management, marketing, and human capital strategies to assist CPA firms in achieving long-term success and profitability. Our **RedZone Practice Management** is designed for accounting firm partners who are ready to take their firms to the next level of success. For more information contact Joseph Tarasco.