KPIs: Going Beyond the Numbers

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Accounting firms of all sizes have been challenged to measure and manage partner performance using quantitative Key Performance Indicators (KPIs) for partner performance. Such KPIs include revenue per partner, new business generated, chargeable hours, partner realization rates and write-offs. Certainly, these metrics are fundamental measurements of a partner's performance. Quite often, however, the details are buried in the metrics and overlooked, and analyzing them may tell a different story.

For instance, if KPIs are designed with an emphasis on strict metrics based on current-year results, then investments of partner time to secure the future success of the firm will suffer. Partners will aim to achieve those KPIs for which they will be rewarded today. For example, if "book of business" is a significant measurement, then partners will be less likely to transition clients to younger partners. If chargeable hours are highly emphasized, then partners may not spend the time necessary to nurture and monitor staff or devote time to firm management.

While traditional quantitative KPIs are valuable, they are retrospective measures that only provide a view of the past and lack the ability to reveal a comprehensive mode for future partner performance and strategic goal setting. A proper balance of quantitative and qualitative criteria works best for the one firm-firm philosophy and for implementing succession plans.

To follow are some examples of qualitative KPIs for partner performance:

- ✔ Has a clear understanding of **what clients need and deserve**. Clients seek the partner's advice and counsel and the partner is truly considered a trusted advisor in all aspects of their clients' major business and personal financial decisions. Generates additional revenue from clients.
- ✔ **Respects other partners and employees** of the firm and is both client and staff centric. Is a mentor and counselor who is fair and objective. The firm comes first before personal gain.
- ✔ Is **entrepreneurial** and takes calculated risks to grow and improve the firm. Is willing to invest personal capital into the firm.
- ✔ Has **a strong network** of relationships with professionals outside of the firm, such as attorneys, bankers, high-net-worth individuals and corporate executives. Has excellent practice development skills and engages an appropriate volume of new business each year. Consistently receives referrals from "centers of influence" and clients.
- ✔ Recognized by partners and staff as a **trusted leader and manager of the firm**. Is a role model to young and aspiring partners. Willing to make tough business decisions for the firm. Has the ability to remain calm in times of crisis. Doesn't make emotional decisions.
- ✔ Has a **vision for the firm's future** and works towards achieving personal and firm goals and objectives. Is a team player. Prioritizes the needs of the firm, and takes the initiative to complete needed tasks and projects on a timely basis.
- ✔ Is willing to **delegate interesting and challenging work** and transition clients to up-and-coming partners. Understands the benefits of continuously upgrading the client base and the value of succession planning.
- ✔ Is willing to be **held accountable** for performance. Makes no excuses for underachieving.
- ✔ Continuously **stays up-to-date** on market and business trends and upgrades technical skills each year.
- ✔ **Communication skills** are clear, concise and confident when dealing with clients, staff and prospects.
- ✔ Has **enthusiasm and a positive attitude** for the profession, the firm and clients.
- ✔ **Understands the business of public accounting** and the importance of increasing profitability each year. Has a history of timely billing and collections, along with high client realization.
- ✔ Is willing to assist in **resolving conflict** between partners and the staff by acting as a liaison between people in the firm.
- ✔ **Leads change initiatives** and projects. Inspires and persuades partners to adapt to the changes and trends in the marketplace.

There is no universal model for using KPIs in identifying, measuring and developing the performance of partners and aligning performance with the strategic goals of the firm. Every partner's performance situation is different. Some partners possess natural talents to achieve the required KPIs on their own and others need to be guided. Nonetheless, all partners can benefit from a formal partner mentoring and coaching program. This process should include structured and ongoing efforts to assess partners' progress toward developing expected competencies and achieving or exceeding KPIs.

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