ACCOUNTABILITY FOR PERFORMANCE MANAGEMENT (COLUMN 2)

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In my last column, I commented that accountability is often the topic of discussion regarding other people. In other words, someone wants other people to behave as appropriately as they are. I also ended my last column with quips like:

- "Everyone wants accountability, but few people are willing to 'Do the Work' to manage a system this complex,"
- "We are confused by the function of Human Resources versus Human Development," and
- "We think the administrative and training time required to teach people is lost production."

However, as I said, accountability is something we can all achieve in our organizations. Let's take a closer look at what accountability might look like. Let's start with the partner group and then work our way down to the staff.

For partners, accountability is best described as having a system in place that rewards partners for following processes and procedures, living up to their roles and responsibilities, and implementing the firm's strategy. And on the other side, it provides sanctions when partners don't do the above. Rewards usually take the form of public praise, financial stimulus (incentive pay), and promotions (from non-equity to equity partner, being appointed to coveted committee assignments, etc.). Sanctions can include private reprimands, reductions in pay, greater reductions in pay, and can end in job demotion or termination.

The goal of accountability is simply to motivate everyone in an organization to work toward the goals and objectives established by the organization. The hope is to be able to use positive reinforcement to reward those acting in accordance with and exceeding expectations. However, experience dictates that it is equally important, even if only as a deterrent, to clearly identify sanctions for the lack of compliance or marginal performance. These sanctions often take the form of income losses or reductions.

In our way of thinking, accountability has to be firmly entrenched in ideas and ideals like:

- Each partner should know exactly what he or she is accountable to perform,
- Whenever practical, each partner's accomplishments or progress should have some form of an objective component attached to help measure or monitor the results,
- Partners should be able to assess easily whether they are meeting or exceeding expectations,
- Expectations should remain constant and not shift to fit performance. There are circumstances where performance expectations can shift, but these drivers should be out of the control of the person being measured (major economic shift during the assessment period, major health issues, etc.), not just because management wants to avoid an uncomfortable discussion, an unhappy partner, or the stressful role of administering whatever sanction a partner earns.

- It is up to the partner, not the managing partner, to ensure that the proper levels of output are achieved. It is up to the managing partner to monitor performance, report to that partner (and at some point to the board) on perceived levels of accomplishment, offer resources to provide assistance, enforce the agreement, but not to ensure performance. If the managing partner's job is to ensure performance, then the partner is no longer accountable (it's the managing partner's fault that the partner did not perform as expected). In other words, the partner should be receiving exactly what he/she has chosen to earn based on the upfront agreement.
- While personal growth goals can be customized to stretch each individual's capabilities, performance measures should be set at a level that in a normal year with a reasonable effort they will all be met and exceeded. Therefore, by definition, performance goals should be established in a way that allows very good or exceptional effort to be classified and rewarded as over-achievement.
- Achieving less than the organization's minimum level of performance, at some point of consistency, means the partner doesn't get to keep his or her job. This is a good sanity check for performance expectations. Just ask yourself the question when putting together a partner's annual goals, "If the partner I am assessing falls short of these expectations regularly, would I be comfortable asking the board of partners (directors) to demote or fire this partner?" If the answer is "yes," then we believe you are approaching this correctly. If the answer requires a longer response like, "No, while the partner should do better, consistently falling short would never bring about that level of action," then maybe you are setting your expectations too high. That is why you can't take action … while you would like the partner to achieve the goals, falling short doesn't mean anything either. Remember, under our concept of accountability, we expect everyone to meet their performance goals because they are hardworking, firm-focused, qualified partners. And if they don't have all of those qualities, then why are they partners? Therefore, it is easy to see why we also expect many of them to well exceed the goals we are setting, which is how they earn even greater rewards.

Accountability is not passive. Accountability usually requires a change in the philosophy of most corporate and CPA firm cultures. It demands that partners (and employees – a future column in this series on this topic), not management, be and feel more empowered regarding their performance. It is up to the partners to live up to the expectations of their jobs, impact how much they earn, determine how much work product they produce, and so on. It is up to management to become the resource to help those who want to help themselves. If a partner wants to perform at just the minimum standard or expectation, that's fine. Don't kid yourself … the "minimum expectation" level of accomplishment should be "satisfactory" and therefore represent a good level of performance. This satisfactory level of performance should earn a base wage and maybe even some amount of incentive pay. And from this point up, the more people accomplish, the more they earn.

An important point to keep in mind is that we, as human beings, have good months and bad ones, good years and bad ones. What is going on in our personal lives has a lot to do with how we perform in our professional ones. Therefore, if someone is going through a difficult time, like a divorce, death in the family, major conflicts with extended family, etc., we can expect those events to spill over into our work life. Good performance systems allow people to have good years and bad years, with the result simply being a change in pay. And this is reasonable because in the good years, if the organization is doing better, it can share that gain with those who had the greatest hand in impacting that success. And even when the organization has achieved about the same or worse regarding its overall performance, when one person performs exceptionally, that effort is usually making up for someone else's shortfall. In essence, good performance systems allow and support the natural ebbs and flows of our productivity.

Before I leave this column, I want to talk a little about objective and subjective performance expectations to set the stage for our next column. Objective expectations are easy to process. If I expected a partner to bring in $150,000 of new business (with the assumption that this number is based on a satisfactory performance level, not an outstanding one), then the question is simply, "How much business did the partner bring in and how does that compare to the goal." If the partner brought in $250,000, then clearly, over-performance occurred. If a partner brought in $100,000 in new business, then the partner clearly under-performed. We will get into how these two different actions might be treated under incentive pay systems later. For now, the point is that, with objective criteria, it is easy to assess the level of accomplishment. A few common examples of objective criteria, both financial and non-financial, in addition to new business are:

- Additional services to existing clients
- Substantial increase in fees for the same project
- Profitability of client work
- Profitability of a department
- Billable/collectable hours
- Leverage of work being done (ratio of partner to staff work)
- Book of business managed
- Client satisfaction goals
- Total billings
- Write-offs
- Realization
- Collections
- Lunches or staying up to date type of meetings with clients
- Lunches or staying up to date type of meetings with referral sources
- Networking events attended
- Speaking engagements to promote the firm

While this list just scratches the surface, it shows that assessing whether any number of these is accomplished is fairly straight forward.

On the other hand, subjective criteria make the assessment of achievement much more difficult. Training and development goals, delegation goals, and proper client transition are all examples of a more subjective expectation. In cases such as these, we need to come up with some form of objective support tool to help us assess progress. For example, with delegation, I might ask that person to keep a diary of projects or work tasks that they have performed in the past that the partner delegated to someone else. I might then, on a monthly basis, sit with that partner and discuss the delegation experience, whether the proper monitoring was performed over the newly delegated task (in other words, was it actually delegated or "dumped"), etc. With training, we might survey the employees being trained at the beginning of the year and then a couple of times throughout the year to see how they feel about their training experience. I might ask for a development plan for each of the people the partner is responsible to improve and then discuss at specific intervals their assessment as to the success of the training implementation.

The point here is that, even with subjective criteria, we need to devise systems that allow us to catch people doing what they committed to do. Performance management is about putting systems in place that support personal evolution and success. It is about a structure that allows the people you are evaluating to demonstrate their progress over time, with ample opportunities along the way for you to provide insight, guidance and resources when necessary. Unfortunately, most people implement performance systems that are only visited twice a year – when they are created, and when it is time for the final assessment. These kinds of systems, while requiring less effort to implement, are often not even worth the time invested in them because they are not designed to help people meet and over-achieve their expectations, but are simply in place to allow someone the ability to subjectively -- with limited knowledge –judge others.

We will pick up at this point in my next column as we give examples of partner accountability and the goal setting process. Until then, may your tax season be whatever you hoped it would be!!