More on Partner Roles and Responsibilities

I told you in my last column that partner rainmaking skills are not as important as most firms think. Here is why:

For most firms, new business comes through referral. Therefore, the bigger a partner's client base, the more likely that partner will bring in new business (which simply means that the more clients a partner knows, the more referrals that partner is likely to receive (not in percentage, but in raw numbers). Other drivers of referral success are long-standing service (seniority) and position in the firm (being one of the named or senior partners). In both of these cases, there is extended opportunity for referral simply because:

- these CPAs have been active in the community longer (so they know more people),
- the people they met 20-30 years ago are now in high management positions or have achieved a great deal of success and can direct opportunities to the firm, and
- they are the named or power players in their firms. Therefore, more blue-birds (new clients that no one knows) call and specifically ask for them.

The point is that 1) the bigger the book, 2) the more people you know, 3) the longer you have been involved in the community, 4) the higher your status within the firm, the easier it is for you to bring in new business. Now don't get me wrong, it doesn't mean that these partners will bring in business … however, I am saying they don't have to do much to make it happen.

What ends up occurring is that we constantly reap exactly what we sow. For example, in smaller firms, one or two partners can easily generate all of the new business needed to maintain constant growth. Because the issue then shifts from one of "attracting new work" to one of "getting it done," the partners start recruiting future partners that are more technically oriented and are happiest working in the office all day cranking out work. This model works great and the firm continues to grow. Here is the problem … it will grow to a point, and then all of the sudden, revenues slow down and start flattening out.

So what has happened? Well, the one or two rainmaking partners are still bringing in as much business as they ever did, but the situation has changed. Consider the impact of attracting $300,000 of new business in a year when the firm has net revenues of $1 million. That is a 30% growth – fantastic! Now consider the impact of bringing in $300,000 of new business when the firm has net revenues of $5 million – that is only 6%. And the bad news about a number as low as 5% or 6% is that this amount might only be enough to offset the business that was lost that year. In other words, clients die, projects end, businesses are sold, and at no fault of the firm, work is lost. At $5 million in revenues, it often takes 5% growth or more just to replace the normal shrinkage that will occur year-to-year.

While you absolutely can operate a successful firm with one or two rainmakers and a number of technical partners, please understand that this model has limits. The limits are simple: once those rainmaking partners have committed all of their available time to either growth of client management activities (the amount of time they are willing to work), the firm is done growing. At this point, rainmaking skills become a scarce and unavailable resource. This problem is compounded by the fact that "book of business" plays such a large part in the power structure of most small to medium sized firms. In order to free up more time of the rainmakers, they would have to give up some of their book of business. But they won't give up part of their book because that is both a source of power and compensation. Therefore, at a certain size of book, the rainmakers time will be completely utilized and the firm's growth will stagnate. At this point, firms' have to decide whether to expand their current model, or consider using a new one.

If you continue with the old model, you will start focusing on finding another rainmaking partner. In other words, you will look for another superstar to come in and drive the firm (which by the way is the most common choice). The problem is … every time you add a superstar, it doesn't take long before they want to either 1) hold you hostage for money and power (the "I am better than everyone else so I need special accommodations"), or 2) once firmly established in the community, split off and run their own firm. So, we see firms, typically between $3 and $7 million in revenues grow, then split, then grow, then split, until half of the competitors in their community are spin-offs from the original firm.

Another model, a model which helps you grow through this threshold size barrier and stay connected as one firm, is to understand that it is not about rainmaking, but about client account management and marketing infrastructure. If you are a firm under $10 million in size, you don't likely have room for more than 1 or 2 technical partners at most, if any. Therefore, it is not about one or two partners bringing in $300,000, but about every partner growing his or her book by extending services to their existing clients every year. It is about every partner staying on top of the needs of their key clients to either find new work, or stay top-of-mind with those clients to leverage referrals. Simultaneously, it is also about the firm investing in marketing infrastructure and making sure the firm's name and services are constantly in front of their clients, friends, and professional networks. Remember from a previous column on partner roles and responsibilities, I talked about "active" and "passive" marketing. The firm has to make a financial investment every year to support "passive marketing," and the partners have the make the commitment and be held accountable to the "active marketing" or client account management.

This is why in the bigger firms, often, personal rainmaking skills are less important. Why? Because marketing becomes process driven, it has significant administrative support and it permeates into job responsibilities that managers and partners are all held accountable to achieve. While one or two people in a firm being the rainmakers works well for start-up through smaller firms, it rarely works well beyond that. Marketing, just like technology, just like training, is a firm-wide function.

For those that say that "rainmakers are born, not made," you would have to argue with Troy Waugh, CPA, MBA, a nationally known CPA firm consultant who specializes in marketing training. I was at a conference with him recently when I heard him make the comment "an interested introvert makes a better rainmaker than an interesting extrovert." Marketing success is more easily sustained when every partner and manager has some role in it as well as when the firm culture adopts marketing as a fundamental and necessary support function. The sooner marketing becomes a core process of the firm; the sooner your firm will start breaking it previous revenue barriers.