Mission Impossible? Managing Performance in the Partner Group

A Special Report

A Special Report giving our perspective on the 'Partner Contribution and Reward Survey 2017' by Performance Leader, Managing Partners' Forum (MPF) and Internal Consulting Group (ICG)

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Performance management has been a hot topic within professional services in recent times with reports suggesting firms including Deloitte, PwC, Accenture, Kelly Services and IBM choosing to either stop or redesign their performance review activities.

Up until now most research and writing around this subject has assumed the context of a classic hierarchical organisational structure, where leaders manage subordinates to maintain and improve their performance in line with the firm's objectives.

An area that has received far less attention however, is how performance should be managed within the unique dynamics, politics and structure of the professional services firm's Partner group.

One of the best descriptions of the unique leadership dynamics found within many professional services firms is by Professor Laura Empson:

"In the context of professional service firms, concepts such as 'leaders' and 'followers' are problematic. Traditional hierarchical power dynamics are replaced by more ambiguous and negotiated relationships amongst professional peers.

The distinctive leadership challenge posed by professional service firms derives from two interrelated organisational characteristics: extensive individual autonomy and contingent managerial authority."

Such a complex, political environment inevitably throws up difficulties for the traditional approach to performance management which assumes 'leaders' managing 'followers'.

How do you manage performance in a Partner group where no one and yet everyone is a leader? How do you, the firm's leadership, manage performance and portray yourself as a leader when "Your most valuable colleagues are likely to resent being cast as your followers?"

In this Special Report we have chosen to approach the topic of performance management within Partner groups from two perspectives – 'Macro' and 'Micro'.

We then put forward our recommendations to improve the management of performance within the Partner group.

Openside

Part 1: Is the definition of Partner: No more development required?

Straight away, the survey's authors make an intriguing decision about how they will refer to the management of performance in Partner groups:

"We use the term 'contribution management' in this report due to the negative stigma associated with 'performance management' in many cultures"

'Negative stigma' is an interesting choice of phrase and hints at the strength of feeling held by many in the Partner group towards performance management. It also intimates the principal ambition of many Partners: ensuring they meet their contribution targets, usually billable hours or utilisation.

A 'stigma' is defined as: "*a strong feeling of disapproval that most people in a society have about something, especially when this is unfair*" and its synonyms include *shame*, *disgrace* and *dishonour*.

Why is performance management (or contribution management) held in such low regard by Partners?

In our view, it stems from one of the primary characteristics of Partner groups previously identified by Laura Empson: **Extensive Individual Autonomy** and the continued focus on **short-term, financial, activity-driven targets**.

Crucially, the low value placed on performance management also implies a low value on a Partner's individual development because personal development plans are often a key output of any performance management conversation.

Above all, it could be inferred that once you make Partner, performance management – and any potential personal development – aren't something you need to, or have time to worry about.

While many firms undertake training programmes for their managers and have their own variation of a Partner 'academy' for their future Partners, once individuals reach the level of Partner, future development appears sporadic at best.

Extensive Individual Autonomy

Partners in professional services firms need and expect autonomy. They expect to be able to make their own decisions about how to apply their knowledge and expertise and manage their client relationships.

Autonomy is exacerbated because, perhaps more than any other industry, professional services leaders hold considerable leverage over the firm. Why? Because "The core value-creating resources of a professional service firm – technical knowledge and client relationships – are often proprietary to specific professionals."

The result of extensive individual autonomy is that Partners don't like to, or expect to have their performance managed or challenged. It could also be suggested that those responsible for managing performance are reticent to undertake performance management conversations for fear that the Partner in question might take their proprietary client relationships elsewhere.

This is backed up by the report which suggests that rather than holding formal, structured reviews which might question Partners' autonomy in some way, conversations usually take the form of impromptu catch ups or as the report describes them "fireside chats".

Likewise, the report suggests that "while project-based feedback can provide Partners with ongoing, work-based feedback from peers, team members and even clients and fulfils the parallel goals of performance and process improvement **only 6%** of respondents agree that project reviews are 'part of how we work' and only 15% say they're done 'regularly'."

Focus on short-term, financial, activity-driven targets

It would be unfair to suggest that it is simply an attitude problem that inhibits performance management and subsequent development activities. The firm's performance metrics have a significant role to play.

Once you make Partner, in most firms, the only metrics that matter are your annual contribution targets.

We have previously written about the negative signals that an ongoing focus of performance management on short-term, financial metrics send to the firm's clients and employees but there can also be little doubt on the impact these metrics have on a Partner's motivation – and time – to undertake personal development.

This is backed up by the research that finds that rather than ongoing regular reviews, most firms only undertake annual formal reviews with an emphasis on the past – whether financial targets have been met – rather than future objectives.

As long as performance continues to be judged on activity-driven, financial metrics (utilisation/hours billed) and rewarded accordingly, Partners will have little time or inclination to undertake professional development activities and will prioritise short-term objectives over development activities that might not yield results until some time in the future.

In our own recent experience, we have often found it is becoming ever harder for Partners to justify taking the 'non-chargeable' time to attend a development programme, despite the long-term benefits for the firm.

Finally, as if to highlight the standing placed on performance management conversations in many Partner groups, the research suggests:

"The connection between contribution management and compensation is highly variable. Only 26% of respondents consider formal reviews substantially affect the pay result. That is a low result, even allowing for those firms that operate a pure lockstep."

In other words, in nearly 3/4 of firms, performance reviews have little or no impact on Partner remuneration at all…

Perhaps the definition of Partner: "No more development required" is close to the truth after all?

Part 2: Underperformance all round? The Performance Management Conversation in Partner Groups

While the 'Partner Contribution and Reward Survey' provides a useful update on the emphasis (or lack of it) placed on performance management within the Partner group of professional services firms, it also offers a fresh insight into the performance management conversations that do take place among some Partner groups.

In short, performance management conversations are often ineffective within Partner groups because poor performance is rarely, if ever, addressed. In contrast, high performance is rewarded and praised.

We believe there are three key factors behind the current ineffectiveness of performance management activities: 'Contingent Management Authority'; not knowing how to undertake peer-to-peer coaching conversations and underdeveloped emotional intelligence.

Contingent Management Authority

Why is management authority contingent in professional services firms? Professional services firms are usually owned by the Partnership group. Partners who have been in the Partnership group for some time are elected by their peer group to the formal positions of authority, such as Managing Partner or Chairman. Equally, as the peer group can elect someone to the position of authority, they can also be removed if they do not keep the support of their peer group.

As a result, as Prof. Empson points out: "The formal authority of senior executives in professional service firms is limited. They can only lead by consensus and need to be acutely aware of the implicit power structures and shifting networks of influence among their colleagues."

It is easy to understand why Partners in senior positions might not like to undertake difficult conversations with their peers, for fear of upsetting an ally in the Partnership group and losing their leadership mandate. These dynamics are far more prevalent in professional services firms as they do not follow the hierarchical leadership structure found in most industries.

Difficult coaching conversations with peers not juniors

It is our belief that some leaders in professional services firms haven't sufficiently developed the skills and behaviours to undertake difficult conversations or 'coaching' sessions with underperforming Partners.

The study suggests that feedback conversations are rarely 'formal' or 'structured' and don't follow a typical 'coaching-oriented approach' which should be the main method used:

"Qualitative feedback from our survey suggests that more rigour is needed, with respondents calling for 'accountability', 'structure', 'discipline' and 'support'.

Coaching-oriented conversations provide an ideal framework for peer-to-peer accountability: a nurturing mix of support and challenge."

Undertaking reviews with people who have performed well is easy and these types of conversations take place regularly, but knowing how to have difficult, challenging and potentially emotive interactions **with peers** is something different entirely.

Many Partners may have learned the basics of coaching on manager training programmes earlier in their careers but it is likely that this training will have assumed a manager-subordinate interaction.

In fact, because of the previously identified unique dynamics found within the leadership group of a professional services firm these peer-to-peer conversations could be even more complex than in traditional hierarchical organisations. That is, everyone in the Partner group perceives themselves as a leader, expects a high level of autonomy and will resent being cast as a follower to anyone.

Emotional Intelligence

The third question is whether the Partners have developed the emotional intelligence skills to navigate difficult conversations?

The critical skill required for building consensus, finding common ground and taking decisions – even within challenging performance management conversations – is emotional intelligence.

Unfortunately, emotional intelligence is often underdeveloped in professional services firms as greater credence is given to technical/functional/sector knowledge over 'soft' skills.

At the start of their careers, employees usually find themselves valued for their generalist abilities but, as they progress and eventually make it to Partner level, they are increasingly encouraged to become specialists and are praised and promoted for success in their field. The result is that Partners can end up narrow and specialised not having developed the required emotional intelligence skills to undertake difficult peer-to-peer interactions, or difficult conversations with clients.

Additionally, when competing with colleagues for promotion to the Partner group, it is perhaps easier for an individual to distinguish themselves based on their level of knowledge and expertise than their level of emotional intelligence. Emotional intelligence is a skill. It is not 'self-confidence', 'initiative' or 'charisma' as is often misinterpreted in professional services but a skill that can be trained, practised, developed and improved.

Part 3: How to Improve the Management of Performance within the Partner Group – Our recommendations

Up until now, performance management has assumed the context of a classic hierarchical organisational structure, where leaders manage subordinates.

As the 'Partner Contribution and Reward Survey 2017' shows, managing performance within the unique dynamics, politics and structure of a professional services firm's Partner group requires a different approach and skillset.

We believe, at a higher level, that Partner groups need to reframe their perspective of performance management. For individual Partners, it is clear that a lack of performance management, and the learning and development opportunities that might result from reviews, negatively impact their ability to achieve their potential.

Scaled up across the Partner group, the repercussions on the future growth prospects of the whole firm, in a world of greater competition, market entrants and disruptive technologies, are potentially catastrophic.

Our recommendations therefore are:

1. Reframe your perspective of performance management:

A key problem within many firms is that 'performance management' is almost always approached from a defensive point of view – "*Don't question my position*" – rather than as an opportunity to outline areas that could be developed or improved. 'Performance management' has connotations of being 'judged' or 'assessed' and therefore is bound to create emotional fallout.

Rather than taking such a defensive approach, this well-known quote by Michel Legrand may be a little trite but it neatly sums up the alternative attitude that might be taken by Partners:

"The more I live, the more I learn. The more I learn, the more I realize, the less I know."

2. Move beyond short-term, narrow, financial metrics:

The top performing firms measure and reward additional behaviours beyond simply utilisation and hours billed. Metrics that focus on the past and are based on short-term results will yield corresponding performance from Partners.

We suggest performance management conversations should instead be based on broader metrics and multiple inputs that reward and recognise the behaviours you want to see demonstrated and developed by the Partner group, including: client, staff and peer feedback, brand development, people development, collaboration efforts, client relationship building, client service, innovation, pro-bono commitment, thought leadership generation and public speaking. How firms choose to measure and reward these behaviours will require some innovative thinking.

3. Develop the coaching skills to have difficult peer to peer conversations:

We strongly support the recommendations in the Partner Contribution and Reward Survey 2017 that Partners move beyond occasional, friendly, impromptu fireside chats to regular informal coaching conversations that provide a mix of support and challenge. To achieve this ambition will require a development of the requisite peer-to-peer advanced coaching skills.

4. Give emotional intelligence the credence it deserves:

For Partners to undertake potentially difficult and emotive performance management conversations, while safely navigating the unique politics and leadership dynamics of the wider Partner group (such as extensive individual autonomy and contingent management authority) a high level of emotional intelligence will be required.

It's time for professional services firms to give these skills the priority they deserve and ensure they are developed within their workforce throughout a career. There needs to be a recognition among the Partner group that there is nothing 'soft' about soft skills.

5. Use objective outside parties – such as HR – to undertake performance conversations:

In many firms surveyed, Managing Partners retain responsibility for performance reviews. One option for firms to consider is to use employees from outside the Partner group to carry out performance management and coaching. This would remove much of the politics and emotion involved in a peer-to-peer conversation while retaining objectivity.

The most obvious place to look within the firm for an objective view would be the HR function. However, as the Partner Contribution and Reward Survey 2017 suggests, HR Directors are still regularly excluded from the process with firms "overlooking the vital process design and execution expertise they could bring."

As Prof. Laura Empson suggests, HR departments are still dismissed as "functionaries"' enacting the instructions of the Partnership. For HR to become involved in any performance management conversations will require Partners to change their attitude towards HR, which will only happen if HR personnel can prove their strategic worth beyond simply acting as an admin function.

The **Openside** Approach

We are not a "training" firm

Too often, "training" is a standalone, off-the-shelf, tick box solution delivered by trainers who are parachuted in, work from a manual to deliver a fixed programme – often based on a standard process or mnemonic – and have no clear idea of the context you operate in. The result is that learning is rarely shared, exemplified or even used after the learning event.

The Openside Approach is different

- We ensure your professional development is directly aligned with your firm's strategic objectives.
- We invest significant time understanding your current context, firm-wide strengths and weaknesses and the strategic position you want to reach.
- We don't force you into our programmes. Our content is designed and delivered to fit your context.
- We believe that intensive and interactive classroom-based programmes are the best way to develop the behavioural skills required in professional services.

We'll work with your best and brightest, and meet them at their level

- Our tutors all have senior backgrounds in professional services. They are not 'script readers' but have the calibre and experience to include live opportunities and live cases into most programmes.
- Our deep knowledge and experience within professional services ensures we can help you make the strategic case for your professional development plan.
- We know that post-programme feedback is important — but ensuring measurable and demonstrable value well after the programme has ended is more important.