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everything else possible. Adopt a corporate governance structure that allows most decisions to be made by the MP and a small management team. Keep partners out of ...

**Marc Rosenberg** • Apr. 23, 2015



I've been spending a lot of time with firms recently on profitability, a topic that's easy to get partners' attention. The following profitability best practices have a major impact on the bottom line.

**Management and leadership.** This is the first item on the list because it makes

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**Metrics:** *Growth rate, marketing expenses as % of revenue, fees per partner, mix of services-A&A, tax and consulting, client retention rate, referral rate from clients.*

**Pricing.** In 20 years of consulting, the single biggest impact I have had on profitability is convincing partners to bill more aggressively – not gouge – but bill what they are truly worth. Firms should strive to be higher priced/lower volume instead of low price/high volume. **Metrics:** *Partner billing rate, overall net firm billing rate, realization.*

**Talent management.** A relatively new umbrella term for how firms acquire, engage, develop and retain talent. **Metrics:** *Staff turnover, staff comp, use of non-equity partner title, hiring new college grads, dress code and staff assessment surveys.*

**Time management.** Of key importance is how firm personnel, especially partners, spend their most precious resource – their time. Make sure each person dedicates the greatest amount of time to their top goals and priorities. **Metrics:** *Equity partner billable hours, equity partner total work hours, MP's billable hours, average billable hours of prostaff, utilization.*

**Partner accountability and performance.** Accountability is the most elusive of all practice management activities, but if given proper attention it can produce a huge payback. Clarify what each partner is accountable FOR and then counsel them on meeting their goals and expectations. **Metrics:** *Staff to partner ratio, performance evaluations of partners by management, upward evaluations of partners by staff, age of WIP and A/R, realization, chargeability of the firm during the tax season.*

**Partner compensation system.** Make sure that your system allocates income consistently with what the firm needs. Achieve a healthy balance between production, intangibles and strategic planning objectives while discouraging partners from hoarding clients and billable hours. Ensure that allocating partner

income, achieving strategic planning goals and partner performance evaluation all

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*consulted with hundreds of firms throughout his 20+ year consulting career. He shares his expertise regularly on The Marc Rosenberg Blog.*

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