

Promotion to partner

Perhaps the ultimate accolade for a professional is to be invited to become a partner in the firm where he/she is working. Not only does this recognise the value of one's contribution it represents a significant career and personal milestone. How easy it can be to be swept up in the excitement and expectation!

Years ago, one became partner at "The Firm" by mid 30 and stayed in that role for the next 20 to 30 years until retirement. Friends and clients often still have that expectation. Older members of one's family give a silent sigh of relief – "*Ah, Johnny's made partner*". However, if ever being a partner in a professional firm was assurance of superior income and a comfortable existence, this is not the case now. Practices are faced with all sorts of business issues and competitive pressures in a rapidly evolving technological and economic environment. It's therefore critical to ensure that you are going into the right business for the right reasons.

For those contemplating partnership here are some issues to assist in making a more informed decision.

- (a) Is this what you want? Putting aside the expectations of others, consider whether you want to be a partner at your firm. Take a good look at the current partners. Do you want what they have? How hard and how long do they work? Do they have good lifestyles and sufficient time to enjoy life away from the office? Are you ready to undertake the financial commitment and responsibilities of ownership? Keep in mind that getting out of a partnership is less than straight forward. Only go into partnership when you are professionally up for the long haul!
- (b) How will your role change? Does the role of partnership require you to take on extra responsibilities in terms of running the firm, managing team members and/or bringing in work? Will you now have more support by way of a personal assistant, a manager to delegate to, your own office and/or a marketing budget? Will you still be expected to generate the same level of income in addition to taking on additional responsibilities?
- (c) Do you understand the deal being offered? Existing partners typically provide sketchy details of what is being offered. They also frequently leave very little time for the candidate to consider the offer. This is not intentional. They just don't look at the matter sufficiently from the candidate's perspective. This can result in uncertainty over simple details such as who gets the capital contributed and the percentage of the business being acquired.
- (d) Do you know enough about the firm and its prospects? Just because you have worked there for a number of years does not mean that you are familiar with the firm's finances.

Yet your future financial well being depends upon the firm being capable of rewarding your commitment. It can be difficult for a junior person to undertake a thorough due diligence without seeming to be “making waves”. Yet it is critical if an appropriate decision is to be made.

- (e) What is the motivation behind the offer? The people who are making you this offer bring their own motivation and emotion to the table. Be it to fund a comfortable retirement, retire personal debt, the desire to ease back working hours or fear of you leaving, the existing partners will have their reasons to make you this offer. All the more reason for you to give it your full consideration!
- (f) Where will your capital go? Particularly in large firms the trend has been for the capital contribution paid upon joining the firm to be in the form of a working capital loan. Funds thus paid in are simply repaid on exit – straight forward but no capital appreciation. In smaller firms, the capital is usually paid to one or more existing partners. Where then does this money go – loaned back to the business, repaying monies owed to the firm or to buy someone a beach house?

A professional who is contemplating an offer of partnership would be well advised to engage a specialist accountant to undertake a thorough due diligence of what is on offer. Don't be embarrassed or uncomfortable. An astute business person would do nothing less.

Also, seek out a mentor to discuss the opportunity – someone who has been in and around professional partnerships who can pass on experience and enhance your appreciation of the issues involved. Once you are in a partnership there are always financial commitments – leases, premises, bank guarantees – that make it difficult to walk away.

Excerpt from *Professional Headspace*, Scott's book on professionals in practice.