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205 | Why the Partnership Model Doesn't Work

The partnership model doesn't work since it relies on people and not on systems. People come and go. But you own your system.

Why the Partnership Model Doesn't Work

The partnership model doesn't work. It never really worked – at least that is how Ed Chan, co-founder of WIZE Mentoring and founder and non-executive chairman of Chan & Naylor, sees it.

Here is what we learned from talking to Ed but please listen in as Ed explains all this much better than we ever could.

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Traditional Partnership Model

The traditional partnership model never really worked for accounting, tax and advice practices. This model never worked for four reasons. It is people dependent – depending on great finders who are not that easy to find. It mixes skills and ownership. And the model tends to result in slow decision making.

1 – People Dependent

The partnership model is people dependent and not system dependent. It relies on more and more finders joining as partners. It relies on people. But people come and go. Systems stay.

2 – Depends on Finders

The partnership model is all about great finders. Minders have a chance. Grinders need not apply. But great finders are a scarce resource. It is hard to find great finders, limiting your potential for growth.

3 – Mixing Skills and Ownership

In a partnership model you are mixing skills with ownership. If partners are good at something, the practice will be good at it. Just because somebody is a partner doesn't mean they have the skills the practice needs at that moment.

4 – Slow Decisions

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Partnerships are often slow in making a decision. Every partners wants to have a say. There is a lot of ego in play. Endless hours are easily wasted discussing trivial issues.

Corporate Model

A corporate model is better placed to navigate the issues a partnership faces. It depends on systems, not people. Ordinary people is all it takes. It separates skills from ownership and allows faster decision making.

1 – System Dependent

You don't rely on people, but instead you rely on systems. And that is better since you own your systems, but you don't own your people.

2 – Ordinary People Ok

With an extraordinary system you can hire ordinary people. Ordinary people are much easier to find. So you no longer depend on extraordinary people walking the walk with you.

Instead of relying on great finders to grow your practice, you have a marketing department. Your marketing team fertilises the soil, attracts good leads, works the leads and then it just takes ordinary people to convert. You have streamlined systems that allow ordinary people to deliver a great service.

3 – Separate Skills From Ownership

A corporate model separates skills and occupation from ownership. As a result, you get a much more effective management structure.

4 – Fast Decisions

The decision making process is streamlined. People have clear roles and areas of responsibility. No big egos who think they know it all. You don't get a say in something just because you have an ownership percentage. You get a say if you have the skills. This way there are less egos in the way and the work gets done.

Think Corporate

Think corporate no matter what size your practice is. When your practice is small, you may be the CEO, CFO and COO. You may be the client manager as well. But having a corporate structure in mind will shape your thinking. It will make it easier to slowly move out of those roles and hire others to fill the gaps.

To hear more of Ed's business growth strategies for accounting firm owners, please visit www.wizementoring.com/taxtalks where you can download a copy of WIZE Mentoring's free eBook – The Accountants 20 Hour Workweek.

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