



# Partner recruitment in professional services firms

## Five steps for success

### WHY RECRUIT A PARTNER EXTERNALLY?

Twenty years after it was identified as a major strategic challenge for organisations, the ‘war for talent’ continues unabated. Today, professional services firms are caught up in this war as they seek to strengthen their client advisory teams by recruiting outstanding talent with a variety of backgrounds, skill sets and sector experience.

Many professional services firms are expanding and unable to bring the next generation of talent through quickly enough. As the challenges their clients face become more complex they also need to add industry or consulting experience to ensure their firms remain at the cutting edge. The sought-after expertise may lie in sectors such as utilities or financial services, but it is just as likely to be found among those disciplines bringing both disruption and opportunities to today’s organisations, such as digital, innovation, AI, robotics or cybersecurity.

Recruiting externally is not merely necessary, it sends a signal to the market about a firm’s ability to attract talent from leading roles in industry as well as from the competition. By hiring a highly regarded individual, a professional services firm enhances its reputation and differentiates itself further from its competitors.

## PARTNER RECRUITMENT IS FRAUGHT WITH RISKS

Recruiting a partner can be a long, protracted exercise that is painful and risky for all involved. While most professional services firms have developed well-oiled machines for recruiting graduates and junior-level employees, they are less practised or effective when it comes to hiring partners from outside the business and making them successful.

Here are some of the most common risk factors:

- » **The process takes too long.** A partner recruitment typically involves dozens of interviews and several rounds of discussion inside the firm to achieve alignment and obtain sign-off on the decision. Since candidates and interviewers have limited availability, and since re-scheduling of interviews is all too frequent, it is not uncommon for an interview process to last up to 12 months. Even when a candidate gets to the offer stage, formulating that offer may take several more weeks. Losing momentum during the interview process regularly results in candidates dropping out, which is a waste of time, resources and opportunity.
- » **Compensation issues are addressed too late.** Failure to tackle the question of compensation early can cause unnecessary complications later, or derail the process entirely. Existing compensation structures vary, particularly over long-term incentive plans, and candidates' expectations are often poorly managed – a situation that can easily be avoided by discussing compensation openly at the outset.
- » **Culture fit assessment is subjective.** A significant factor in partner recruitment is whether or not an individual will be a good cultural fit. Unfortunately, those responsible for hiring rely too much on instinct or 'gut feel' when it comes to assessing the suitability of a prospective partner. Since poor cultural fit accounts for most failed partner hires, a more robust approach to assessment is needed.
- » **External recruitment creates internal friction among partners.** The decision to hire a partner from outside the firm can cause friction and resentment among existing and aspiring partners alike. If they are not persuaded of the need to hire externally, or feel that it is not in their own best interests, they may try to derail the process.
- » **Onboarding and support plans are weak.** Once a partner has been hired the onboarding process is key to making him or her feel welcome and engaged. All too often a new partner is like a transplanted organ with a high risk of rejection.
- » **Failed hires are damaging and expensive.** Given the effort that goes into most partner recruitments, the failure to make a hire can be very costly to the firm – first, in terms of opportunity cost; second, in terms of reputational damage; and third, because a failed hire makes it that much harder to recruit partners in the future. For candidates whose hiring failed, the damage is significant, too – they may well have burnt bridges at their own firm, harmed their personal brand and even hindered the chance of being hired elsewhere.

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Based on our extensive experience working with professional services clients across multiple markets, we have identified five steps that increase the likelihood of a successful partner recruitment.

## IDENTIFY PROSPECTIVE CANDIDATES

Once the decision to recruit has been made, the first task is to ensure that your partner group is aligned on two things: the target profile of the new partner and the recruitment process to be followed.

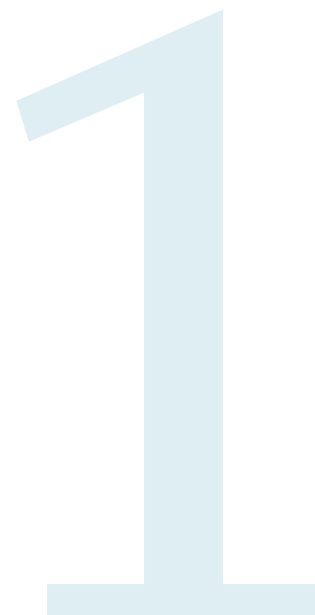
Securing upfront agreement on the job specification saves time in the long run and helps achieve clarity and consistency throughout the interview process. Decide early on exactly who will be interviewing candidates and brief each interviewer on what areas to probe (whether professional, cultural or personal).

Set compensation ranges at this stage. The more recruitment parameters you decide at the outset, the easier it is to avoid endless internal challenges later on.

Select candidates from a long list drawn up by an executive search firm on the basis of a rigorous and agreed-upon search strategy. This search strategy will typically involve targeting obvious prospects (partners from competition or boutiques) and less obvious prospects, such as those working in senior industry roles and executives living abroad.

After discussing these profiles, produce a short list of the most promising candidates based on the following considerations:

- » The candidate's industry and/or functional expertise
- » The candidate's track record of performance (including directly attributable fee generation)
- » Details of existing compensation including LTIP and equity holdings; projected earning power over the next 3-5 years
- » Details of any non-compete, non-solicitation clauses (where possible, the hiring firm should review relevant contractual clauses early on)
- » The candidate's motivation for joining a new firm
- » Potential references, from clients and former team members of the candidate (these will be taken up later in the process).



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## MANAGE THE INTERVIEW PROCESS

To avoid losing momentum, manage the interview process tightly. Coordinating diaries can be tricky, so it helps to have the flexibility to mix in-person interviews with interviews held over the phone or via video conference. Consider having a list of ‘back-up’ interviewers as an alternative to re-scheduling.

Ensure that interviewers understand the value of selling your firm to candidates instead of assuming that potential partners will be desperate to join. Seek out an objective view of your firm’s brand and value in the market. Executive search firms are particularly well positioned to provide this kind of market intelligence.

Gear your interviews towards assessing a candidate’s capabilities and fit with the firm’s culture, with finalist candidates undergoing more structured assessments. As the interviews progress, it is helpful to introduce concrete discussions about how an individual will build and leverage a commercial platform and how the firm can support business development.

It is important to manage expectations throughout the interviewing phase. Be transparent about the firm’s remuneration model so that when the time comes to make an offer there are no surprises for the candidate, who will have formed a good idea of likely remuneration potential and the opportunity for progression over time.

Round off the interview phase by making a detailed business case, incorporating details of the candidate’s profile, strengths, and development points and cultural fit with the firm. Add to this a realistic commercial plan that takes into account pre-existing clients, non-compete clauses, and the support the firm can provide in the development of future client opportunities.

Finally, perform thorough reference checks and use these to help direct the development of the new hire. Take references from clients, peers, direct reports and other people who may have an interesting view on the candidate, such as current or former executive assistants.

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## PREPARE EARLY FOR THE OFFER STAGE

There is nothing worse than putting a candidate through an extensive series of interviews and then keeping them waiting while an offer is prepared. Comparing different remuneration models can involve complex calculations, so, armed with as much information as possible, prepare an offer in parallel with the final stages of the interview process, sharing it with the candidate within days of the final interview.

Ideally, you will talk through the offer with the candidate in person, providing a clear and detailed explanation for all aspects of the remuneration package and contract.

It is particularly helpful to prepare a spreadsheet that breaks down the different elements of the remuneration package; this would show how the candidate can expect to be paid over, say, a three to five-year period, should he or she perform in line with (or above) expectations.

We recommend that any offer should leave little or no room for negotiation. Fixed compensation (or base salary) should be transparent and based on seniority. Long-term incentives and bonus schemes should be clear, so that candidates know what compensation they can expect based on target, best-case and worst-case scenarios.

The one exception in terms of negotiation would be if a signing-on bonus is needed to compensate for lost income such as a forfeited bonus or equity holding.



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**GO THE EXTRA MILE IN ASSESSING CULTURAL FIT**

Our research shows that poor cultural fit accounts for just over two-thirds of executive hires who fail within their first year. It is therefore critical that professional services firms invest time and resources in determining a candidate's capacity to adapt to the existing partnership culture.

To this end, we recommend that you adopt a proven, systematic approach, using diagnostic tools that will show how an individual is likely to align with the prevailing organisational culture (see box-out). Armed with this insight you will make better hiring decisions and, by tailoring the onboarding process to address potential challenges, improve the chances of the new partner making a successful transition.

**HIRING FOR CULTURAL FIT**

The concept of “culture fit” is not a new one. Well before the rise of various models and frameworks to evaluate organisational culture, companies recognised the risk of hiring a cultural mismatch — such as the lone wolf inside a company that values collaboration. New employees, especially leaders, who clashed with the culture might never be effective, and were likely to depart quickly for a friendlier environment.

As appreciation has grown for the power of culture to influence individual, team and business performance, many leaders are looking for more systematic approaches to evaluating culture, personal fit and culture impact. With this insight, they can make better decisions about hiring and promoting; improve the success rate of leadership transitions; and ensure that they develop people who are able to positively influence the culture.

Culture analysis is, therefore, a critical action for a company to take — and a complex one, as well. The Spencer Stuart culture approach is based on the insight that an organisation's culture is defined by where it falls on two dimensions: how the organisation responds to change and how it views people. Organisations can range from highly individualistic to highly interdependent, placing greater value either on autonomy and

individual action or on collaboration. Similarly, an organisation can be more or less open to change — focused on maintaining consistency and predictability at one end of the spectrum or emphasising flexibility and creativity at the other. We use this framework, which includes eight distinct cultural styles, to evaluate organisational culture and understand how an individual is likely to align with — and shape — that culture.

Organisations that analyse, understand and emphasise their own culture are better equipped to hire or promote people who align or add to their current culture, as well as help define and deliver a new aspirational culture. By taking a thoughtful, data-based view of where the culture is today and where the culture should be to support the business strategy, companies can more accurately assess how individuals impact and fit with the team or organisational culture — an important input when hiring, promoting, planning for succession. Without thoroughly evaluating their culture, though, organisations can make assumptions about culture fit that can lead to hiring failures and bumpy transitions. By ensuring they have a clear-eyed vision of their culture, organisations can ensure they will find people who will give them the likeliest odds of success in the future.

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## CREATE A TAILORED ONBOARDING PLAN

Designing a thoughtful and tailored onboarding plan is a critical aspect of a successful partner hire. The onboarding plan should clearly identify stakeholders and include milestones, for example meeting all partners within the new hire's practice and local office within three months of joining. Combine generic elements such as the firm's history, culture and values, performance reviews, etc. with tailored activities such as meetings with key colleagues and potential mentors. We recommend assigning an integration coach for at least the first year. This person should be a senior figure in the organisation who is both well connected and knows all the inner workings and politics of the firm. It is worth arranging informal chats with other partners who have also joined the firm from the outside, since they can show the new hire how best to navigate the organisation.

It can be helpful to build in a transitional phase during which the new joiner stops working on his or her own clients and works alongside 'mentor' partners on client accounts of the new firm. This allows the new hire to see how the firm works, gain new working habits and adapt more quickly to the culture.

Finally, make sure that the onboarding process involves the new joiner in inter-office and cross-practice initiatives, such as the development of intellectual capital. This is a good way for them to meet other partners and employees and become known both inside and outside the firm.

## CONCLUSION

Hiring partners from the outside remains an attractive option for professional services firms as they seek to acquire new competences and expand their businesses. However, the recruitment process is a delicate one during which much can go wrong. By following these recommendations, hiring firms can make the process less painful and more likely to generate a positive outcome.

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## ABOUT SPENCER STUART

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