

A dictatorship no one wants to leave....

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“This is a dictatorship”, said John Birkhoff, Managing partner of Birkhoff, Hendricks & Conway, and then proceeded to describe a company with almost unlimited opportunity. He is a managing partner of a consulting firm whose clients are municipalities. They design the infrastructure such as roadways, water and sewer systems – all of the things that

make city living tolerable for the rest of us. They can handle complex engineering challenges but like everyone else, their biggest challenges walk around on two legs. The people in his consulting engineering firm are his biggest assets and often the biggest headache. “The young engineers want flex time. They want to make big money right away and the generational expectations are challenging,” said Birkhoff. So why does he hire so many young engineers?

He hires them because they are an integral part of his business model which is based on “growing your own” professionals. He and his 6 other partners embrace the idea of hiring people right out of college and developing their talent. As soon as that young talent is seasoned and proven, the firm offers a share of the business to their brightest young leaders. This best practice is part of an overall business model that addresses some of the fundamental questions facing the small entrepreneurial firm. How do my partners and I keep control of a successful business and when it is time, stay profitable and transition the business over to the next generation while pulling out our investment?

It seems simple enough. If you sell shares to “partners”, you will recoup your investment. However, what if you are incompatible with one or more partners? I have worked to salvage many sour partnerships – where partners were not aligned and disagreements were the norm. Until the working relationships improve, the cost in productivity is staggering.

Often in order to stimulate growth, companies bring in established rainmakers and/or gurus as minority partners. That is a fine model but sometimes in small firms, it backfires. What can and frequently does happen is that the guru begins to want more power and the challenge is on. Growing your own professionals takes longer but it reduces the likelihood of this scenario because 1) there is time for relationships to build, and 2) mentoring encourages an alignment of values.

Birkhoff and his partners have developed some best practices in their firm that are useful to anyone thinking about bringing on partners as part of their business and ownership transition plans. Any small business can profit from adapting and implementing some of their strategies.

1. Operate as a “dictatorship” – put in your partnership agreement where the buck stops and who has that “final say” authority.
2. Hire talent right out of school and train them in your culture and methodology. If you have people, who have grown up in the organization, the culture is ingrained and you will not encounter the power struggles that often happen when you hire a guru in as a partner.
3. Give significant ownership – no one in Birkhoff, teal owns over 25% of stock. Senior management is achieved on experience much like a publicly traded company. This alleviates the common complaint that workers are making the boss rich – everyone benefits from the arrangement.
4. Run a flat organization Part of the fun of being a partner in Birkhoff et al is being able to manage your own part of the business.
5. Encourage each partner to accountability in his or her part of the business. Partners need to be demonstrably contributing to the overall financial success of the company. Therefore, it is important to hold partners accountable to produce in their area of business.
6. Keep turnover low by making ownership a significant accomplishment Employee/owners are more motivated to make the company succeed. Their performance is above average. They stay where they perceive they have a strong future.
7. Maintain a wide age range of ownership – Birkhoff’s company ranges from age 30 to 59. This develops future leaders and provides good mentoring.
8. Make buying and selling a flexible option. People have different life situations and the ability to exit the company may be different for each professional.

Birkhoff et al developed a business model that addresses recruitment, retention, profitability, motivation and transition. With above average retention and profitability the company partners, present and future, are enjoying and sharing success.

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