

RICS Practice Standards, UK

Practice management guidelines

The management of surveying businesses

3rd edition, guidance note



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3rd edition (GN 12/2010)



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Contents

RICS guidance notes	1
Acknowledgments	2
1 Introduction	3
1.1 Background	3
1.2 Format	4
1.3 Network of relationships	4
2 Practice establishment: starting up a new business	5
2.1 Some basic business issues	5
2.2 Business structures	6
2.3 Compliance issues	6
3 Practice context: understanding the business environment and markets	7
3.1 Scenario thinking	7
3.2 STEPE analysis	7
3.3 Consequences for small to medium sized firms	8
3.4 Strategic questions	9
3.5 Market analysis	11
4 Practice strategy: developing or reviewing a strategy	12
4.1 Sources of competitive advantage	12
4.2 Statement of practice direction	12
4.3 Communicating and protecting your strategy	13
5 Practice planning: developing a business plan	14
5.1 Common components	14
5.2 Budgeting basics	15
5.3 The people side of planning	15
5.4 Monitoring performance	15
6 Practice finance: getting the numbers right	17
6.1 Understanding the RULES	17
6.2 Following the RULES	18
6.3 Conclusion	21
7 Practice relationships and service: client relationship management	22
7.1 The ladders of CRM	22
7.2 Networks	23
8 Practice development: targeting marketing and business development	24
8.1 Introduction	24
8.2 Targeting the marketing effort	24
8.3 Understanding the target's buying criteria	24
8.4 Assessing the target	25
8.5 Conclusion	25

9	Practice people: developing staff and skills	27
9.1	Introduction	27
9.2	Practice learning	27
9.3	Continuing professional development	27
9.4	CPD requirement for RICS members	30
9.5	Obligations for firms	31
10	Practice policies and systems: ensuring effective and efficient delivery	33
10.1	Where to get advice	33
10.2	Policy manual	33
10.3	Legislative issues as the practice grows	34
10.4	Quality assurance and professional indemnity	35
11	Practice leadership: leading your management team	36
11.1	Understanding your team members	36
11.2	Providing regular feedback to your team	38
11.3	Developing effective top team working	39
12	Conclusions	41
12.1	Must do	41
12.2	Recommended	41
12.3	Advisable	41
References and further reading		43
Appendices		44
A	Practice management – key questions	44
B	Business Link’s legal structures definitions	55
C	Reviewing potential targets	58

RICS guidance notes

This is a guidance note. It provides advice to RICS members on aspects of their profession. Where procedures are recommended for specific professional tasks, these are intended to embody 'best practice', i.e. procedures which in the opinion of RICS meet a high standard of professional competence.

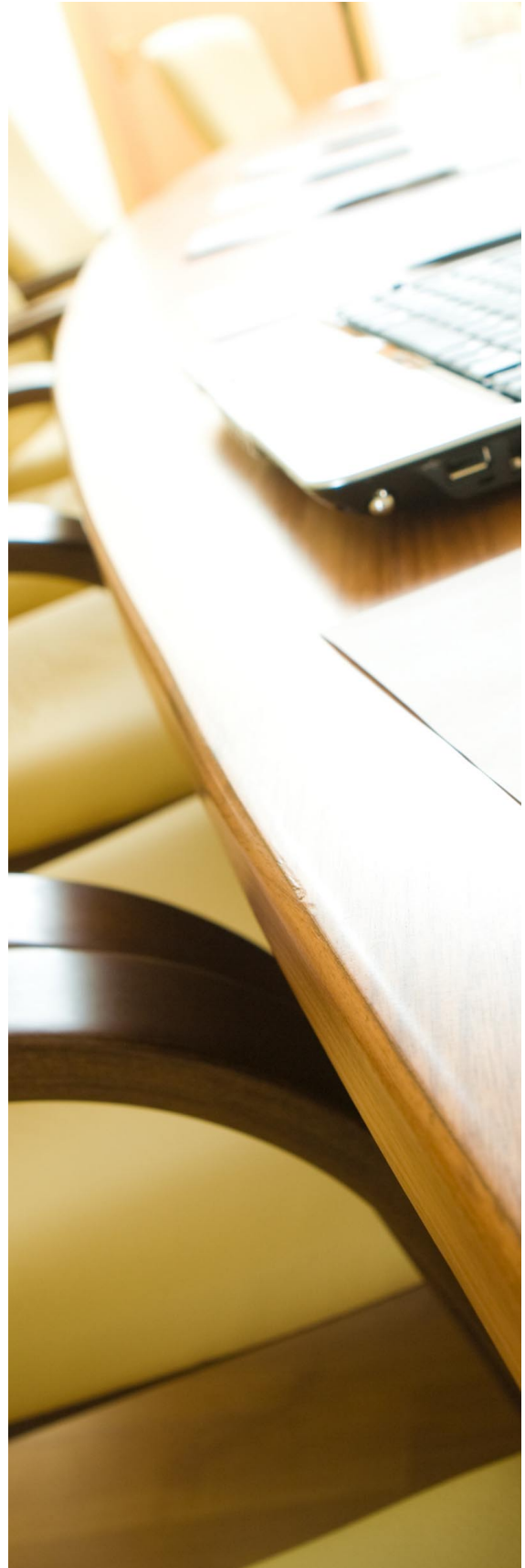
Members are not required to follow the advice and recommendations contained in the guidance note. They should, however, note the following points.

When an allegation of professional negligence is made against a surveyor, the court is likely to take account of the contents of any relevant guidance notes published by RICS in deciding whether or not the surveyor had acted with reasonable competence.

In the opinion of RICS, members conforming to the practices recommended in this guidance note should have at least a partial defence to an allegation of negligence by virtue of having followed those practices. However, members have the responsibility of deciding when it is inappropriate to follow the guidance. If it is followed in an inappropriate case, the member will not be exonerated merely because the recommendations were found in an RICS guidance note.

On the other hand, it does not follow that members will be adjudged negligent if they have not followed the practices recommended in this guidance note. It is for each individual chartered surveyor to decide on the appropriate procedure to follow in any professional task. However, where members depart from the good practice recommended in this guidance note, they should do so only for a good reason. In the event of litigation, the court may require them to explain why they decided not to adopt the recommended practice.

In addition, guidance notes are relevant to professional competence in that each surveyor should be up to date and should have informed him or herself of guidance notes within a reasonable time of their promulgation.



Acknowledgments

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1 Introduction

This is a new edition of *Practice management guidelines* which builds on earlier editions published in 1997 and updated in 2003. In view of the major changes that have taken place since then, it seemed timely to revise and update this guidance note to reflect new considerations a practice may face. The guidance note is structured around a framework of ten key elements that chartered surveyors involved in the management of a professional practice would be expected to address. The framework is introduced in section 1.2, and each component is then explored in the subsequent sections.

The note concludes with appendices, the first of which (Appendix A) provides a set of questions to help practitioners evaluate their current approach to managing their business and, on the basis of their responses, identify their strengths and areas for further development. The other two appendices provide, respectively, details about each type of legal business structure as defined by Business Link (Appendix B), and a questionnaire to help assess the target clients to which the practice should focus its marketing efforts (Appendix C).

This new edition also gives more attention to a number of themes that have become increasingly more important in recent years. More specifically, the note includes:

- New material on the importance of horizon scanning
- An expanded section dealing with the development of a practice strategy
- Recognition of the important part that space and its utilisation play
- A greatly expanded section concerned with client relationship management (CRM)
- Recognition of the growing importance of social media in relation to CRM and business development more generally
- Extended coverage given to continuing professional development (CPD)
- An enhanced section concerned with policies and systems

- Links to resources which may be of value throughout.

The note concludes with a more prescriptive set of ‘must do’, ‘recommended’ and ‘advisable’ actions that are key for the management of any professional practice.

1.1 Background

Chartered surveyors may work for themselves or for private practices of various sizes, or in-house for commercial companies or public sector organisations. While their professional specialisms will vary, their business environments can be even more diverse. With that variation comes a range of managerial practices and challenges with, or more often without, access to other specialised departments.

In 1996 RICS worked with chartered surveyors from 11 practices for over a year to identify the ‘core’ components of effective practice management, which led to the first edition of the RICS *Practice management guidelines* published in 1997. After using those modules with a number of other practices and further action research, a first guidance note published in 2003 was designed as an easy-to-use self-assessment tool with case studies based on real-life application of the guidelines.

The business environment has continued to change. For larger practices especially, business has become increasingly global, with technology enabling the availability of knowledge from virtually anywhere and at any time. Property and construction industries have boomed through private finance, though ‘best value’ and other changes have added uncertainty to the public sector. Developments such as Official Journal of the European Union (OJEU) notices and framework agreements have added complexity, especially to government procurement. Adjudication and latterly mediation have joined the suite of dispute resolution processes, and building contracts have become longer and more cumbersome.

The *Companies Act* 2006 has placed new burdens on directors, whether they carry that title or not,

and other legislative requirements have been enacted. Environmental concerns have increased, and at the time of writing (mid 2010) a new government promising significant austerity has presented further challenges. The Social, Technological, Economic, Legal and Environmental (STEPE) framework in which businesses operate is shifting rapidly. For the fortunate individuals and practices, some of those changes may have opened new professional and business opportunities. For others, they have further challenged the status and income of the classic independent professional.

1.2 Format

Figure 1: The practice management framework



As a basis for exploring the key components of effective practice management, a simple framework

has been devised (see Figure 1) for use in this guidance note. This graphic is designed to provide you with a means to navigate through the note by highlighting the key areas that require your attention.

1.3 Network of relationships

There are many reasons for investigating practice management. Perhaps you are:

- Considering setting up your own practice
- Considering an application/invitation to partnership in your present firm or another
- Already a partner/managing partner considering your practice's health check or strategy.

The common feature of all these positions is that they involve some network of relationships between you and key colleagues, prospective or actual partners. If your business model is itself a network, as is common for many start-ups and a growing number of established businesses, then your network will include key associates. There will also crucially be relationships with key clients or external contacts. Indeed, your own portfolio of the latter may be a critical element in your business model (see section 3).

When assessing these relationships, it is sound practice to ask the following questions:

- Is there a basis for trust and common interest?
- Who are the key clients?
- What are they after?
- What value do you bring to them and vice versa?
- What values do you share?

2 Practice establishment: starting up a new business



2.1 Some basic business issues

Keeping a professional firm in a good state of high, long-term profitability is theoretically simple: sell as much time of your fee-earning staff as possible and at the highest possible price; keep costs as low as possible, while adequately resourcing the business and ensuring its long-term health; bill promptly, while persuading clients to pay quickly; and keep an eye on the vagaries of cash flow. Those who manage firms, however, know that the story is not so straightforward. Every firm has particular challenges it has to meet to improve its financial performance and the ease with which that performance can be managed. This section identifies the basic financial and related management challenges firms typically face.

Plan: The future is never certain but it is sensible to set out a plan of where you want the firm to be in, say, three to five years. Within that framework you should identify the expected resource consumption and income of each fee-earning unit and any central function. Without a forecast you cannot monitor changes or anticipate problems.

Determine risk: It is good practice to identify and review periodically prospective risks, their impact and what can be done to ameliorate them.

Decide financial structure: The shape you choose for the practice impacts its income-generating potential and operational costs. You have to decide whether to own or lease the infrastructure of the business, i.e. its premises and equipment. This, along with the speed with which you pay suppliers and get paid by clients, determines the funding requirements of the business. If you chose to fund the firm through partners' equity, retained profit or debt, can you also ensure that funds can be accessed if you hit a period of negative cash flow?

Manage performance: A challenge for any firm is creating a systematic approach to the management of financial performance. This requires the partnership to delegate true control to nominees. Authorities and responsibilities should also be clearly understood and owned by everyone who has a role in financial management, whether at firm, department or individual client level.

Monitor performance: Enabling financial management requires current performance information to be collected and made available regularly. The challenge is to identify indicators which will quickly and comprehensively tell you how well the business is running. All aspects of operation should have a performance measurement system in place, including (sometimes controversially) that of individual partners.

Control margins: Professional firms tend to be fixed-cost businesses: income fluctuates, yet costs remain almost unchanged. In today's world, however, there are increasingly more support services available from agents. Serious attempts at cost cutting are likely to involve dismantling part of the practice, thus losing past investment, as well as short-term cost increases through redundancy charges and lease surrender penalties.

Price right: A big challenge for professional firms is pricing work at a level that maximises returns while maintaining competitiveness. To establish the price for a service requires an appreciation of what the market can bear allied with understanding of the resources required to complete the task and their

cost. In competitive tender situations, pricing requires a grasp of how discounting below desired price levels will affect profitability and an appreciation of the risks and possible losses of the job. Therefore, you should create the machinery to enable resource planning and consequent costing of work, as well as measurement of the job cost of individual fee-earners.

Manage cash flow: Firms can go bust if they experience a period of adverse cash flow that they cannot fund, even though many are normally profitable businesses generating a good margin. In these circumstances, financial managers must have the authority to suspend or reduce partners' monthly drawings, or even penalise those who are failing to manage client payments well. Sound short-term debt arrangements must also be in place to create a cushion against the worst conceivable cash deficit.

Manage partners' investment and return: A final challenge is to ensure fair treatment for equity partners that brings in sufficient funding and gives individuals a return reflecting their personal contribution to fee-earning and the management and development of the practice. The exit route for retiring partners should fully reimburse their equity contribution and recognise their undrawn profits and contribution to the practice over the years.

The following sections will look at these basic issues further.

2.2 Business structures

One of the key decisions to be taken when establishing your practice is to consider the pros and cons of the alternative legal structures available. Guidance given here and in Appendix B is based on information available from Business Link, in its very comprehensive portal for starting up in business (www.businesslink.gov.uk).

Business Link identifies five different structures: sole trader, partnership, limited liability partnership (LLP), limited liability company or franchise. The relative merits of each are highlighted in the Appendix B under these key considerations: management and finance, records and accounts, tax and National Insurance, and profits and liability. Evaluating which is the most appropriate business structure for your needs is often a straightforward process.

The decision requires a detailed understanding of the legal and tax regime at a particular moment in time. For this reason it is recommended you take professional advice from a qualified accountant.

2.3 Compliance issues

Policies and standards along with their systems for compliance often appear as, and can become, massive burdens, but they have their uses. Some firms, for example, make their staff development or service quality policies fundamental parts of the unique selling proposition they present to their clients. Established ways of doing things can also enable people to operate on their own initiative without having to demand time and attention from partners or other income generators on trivial issues.

Firms ultimately depend on reputation, and the loss of the latter with customers, the local community or staff damages their cash flow. Corporate social responsibility – an ethical stance and policy on employment, community and environmental issues – makes good business sense. It may also be legally necessary to have policies and standards, for example in areas of health and safety or employment regulations.

Faced with a claim, you will need to be able to produce evidence of a policy that mandated reasonable precautions and an audit trail that shows established policy was followed. It is good professional practice to:

- Review which policies and procedures the firm has and why
- Take and evidence the necessary actions to ensure any new policies are implemented
- Remove any policies and procedures that are no longer appropriate, perhaps having pertained to a past business.

The operation of a formal or informal quality assurance system is a topic likely to exercise the mind of many partners. Some practices have found registration for the international quality standard ISO 9000 (ISO, 2005) to be a benefit. Others have found it unnecessary or even unhelpful. Those who want details are referred to *Quality Assurance: Guidelines for the Interpretation of ISO 9000 for use by Chartered Surveyors and Certification Bodies*, Second Edition (RICS, 1996). Further details can be found later in section 10.

3 Practice context: understanding the business environment and markets



Much has changed business in the last decade, which has seen attempts to reform the construction supply chain after the Latham and Egan reports, the rise of adjudication and, more recently, mediation and the introduction of construction and design management (CDM) regulations. It has also seen the growth of contractual complexity, the blurring of professional boundaries, the shifts of power and authority in the domestic valuation market and the rise of private finance initiative (PFI) and related forms of government procurement. Along with these changes have been the explosion of distributed computing and the realisation by many property occupiers that they can service their business property needs with far less space per person.

If you want to stay in practice it is sensible to conduct horizon scanning, the strategy of identifying and being ready for changes in the business and professional climate in which your practice is operating. If you are reading these guidelines, it is at least probable that you and your practice have navigated through some of these shifts (and, of course, the credit crunch) successfully. What is coming over the horizon? When anticipating future prospects, two approaches – scenario thinking and market analysis – can be used and are discussed in this section.

3.1 Scenario thinking

For long-term planning, much credit has been given to an approach known as scenario thinking, not as an exercise in predicting precise futures, but as an approach in developing a collective managerial ability to react to changes more quickly. In essence, the technique operates by considering a range of possible future circumstances (including social and political changes) which might occur, and the consequences for such scenarios on the business sector being considered.

Some examples of scenario thinking: What would be the effect on your clients and your business if high cost oil is here to stay and transportation costs become as important as labour costs in location decisions? What would be the consequences of your clients wanting to do the same business from 25 per cent less property? What will happen once the baby boom generation retires? What will be the advantages of the rise of a European economic hub linked by high speed rail and the economic disadvantage of cities and regions not on the network?

3.2 STEPE analysis

To recognise and appreciate the changes impacting the profession, you can obtain a sense of perspective by considering some of its major influences. The following list highlights some of the key changes impacting it in a global sense – a STEPE analysis – together with some potential scenarios. This is followed by an interpretation of the consequences for small to medium sized firms.

Social (S):

- Continuing trend towards fragmentation of the profession, e.g. growth of new disciplines such as facilities management, geographic information system (GIS) consultancy, etc.
- Increasing blurring of the boundaries between allied areas of professional activity
- Continuing concern about the image of surveying and difficulties in many countries of

attracting the most academically able candidates to consider surveying as a career

- Gender imbalance across the profession (Why is the profession not as attractive to women when other equally male dominated professions, such as civil engineering, architecture, law, etc., have been much more successful at attracting female entrants?)
- Increasing trend towards early specialisation in professional activity.

Technological (T):

- Impact of global communications technologies and the Internet
- Move towards more open access to data (including GIS related data)
- Growth of powerful commercial bodies that are developing data warehouses of economic and spatial data
- Entry of new competitors, such as Tesco's recent move into residential agency
- Use of IT to develop new services and to facilitate new ways of delivering existing services
- Impact of IT as a means of offering some professional activities as 'commodities', with a consequent impact on the skills and education required by professionals.

Economic (E):

- Increasing interdependence and instability of global economic and financial markets, and their impact on all aspects of professional services
- Growth of multinational, multidisciplinary 'super-firms' in several sectors of professional services (e.g. the Big Four accounting/consulting firms).

Political (P):

- Increasing political emphasis towards the establishment of global free markets
- Ongoing liberalisation of trade boundaries through the influence of the World Trade Organization (WTO), the General Agreement on Trade in Services (GATS) and other global international quasi non-governmental organisations
- Attempt of powerful regional trading blocks (European Union, North American Free Trade Agreement, etc.) to develop common currencies

and approaches to trade and to have common legislative/regulatory powers

- Continuing trend towards the privatisation of government services and the outsourcing of service delivery
- Deregulation of many occupations and professions
- Enhanced consumer rights and more transparency in the work of professional bodies
- Changing political role for professional bodies, with an increased role in lobbying activity and a possible reduction in their compliance monitoring role.

Environmental (E):

- Emphasis on all aspects of business activity to ensure they are environmentally friendly
- Increased regulation on environmental issues from the regional political bodies
- Ongoing concern about the impact of planning and other political decisions on the environment
- Demand for detailed understanding of the impact of local decisions on global environmental issues.

3.3 Consequences for small to medium sized firms

Some questions to consider when interpreting how these factors might affect small and medium firms are: How might these factors play out in relation to the future of professional bodies and practices? What potential scenarios might be created? The following scenarios illustrate three examples of how differing future events may affect the profession.

3.3.1 Scenario one: technology dominance

Here, technology de-skills the activities of the majority of professional work to the extent that it can be undertaken by para-professionals/technicians. Commercially, the work of surveyors is polarised into a few global commodity suppliers and a myriad of very price-competitive sole practitioners operating as cottage industry suppliers. The market is now dominated by a nucleus of global suppliers, all of which are part of larger multidisciplinary professional service firms.

Consequences: In this scenario small to medium sized firms are unlikely to survive. Those firms that attempted to offer a generalist service will have been priced out of existence. Others that have invested heavily in technology or have other sources of competitive advantage may have survived and may continue to if they can carry on funding, out of retained earnings, the heavy investment required to remain competitive.

3.3.2 Scenario two: brand over professional body

Scenario two is the doomsday scenario as far as traditional professional firms are concerned. Increasingly the reassurance factor, previously provided by professional bodies, becomes the global or local brand, not membership of a professional body. The dominant global players in the markets traditionally associated with surveying (the term by now having disappeared from day to day usage) develop their own accreditation centres and publish their own code of business values.

Consequences: Small to medium sized firms become suppliers to large national, international or global players. At one end this would take the form of an intermittent ad hoc arrangement with work only being offered as and when the larger players have a capacity overload and require an additional resource. An alternative situation could be that small and medium sized firms become niche suppliers to larger players providing a highly specialist service to a single major player. In this relationship those firms become more of alliance partners possibly with some cross ownership from the larger players. In return for this privilege, the smaller players may be required to undergo regular re-accreditation to provide reassurance that the brand value is being retained.

3.3.3 Scenario three: integration

In this third scenario the dangers of the previous two scenarios are recognised, and a new, more integrated profession develops. The strengths of the profession are enhanced as it becomes even more powerful as a lobbying body and driver of commercial enterprise. It is seen as crucially important to the major firms operating in this multidisciplinary future. The focus of this new global professional body is especially client and

business oriented. The surveyor becomes more of a project manager and technical/business consultant.

Consequences: In this scenario small to medium sized firms develop into multidisciplinary practices providing a wider range of services to clients. The multidisciplinary nature of the firms will depend on the needs of existing or future clients. For some it may involve developing an architectural or consulting service, or general business support or management consultancy for others. Increasingly, the service will have much less to do with professional disciplines and more to do with a thorough understanding of client needs.

3.4 Strategic questions

How then might the owner-managers of small and medium sized firms respond to the changes outlined in section 3.3? Since no single solution exists it is important to identify, in general terms, first the different types of firm that constitute this sector, and second some of the issues that might affect each type of practice. In broad terms it is possible to identify four forms of small to medium sized firm. In each case some strategic challenges and opportunities which each firm is likely to face have been provided in the following paragraphs.

3.4.1 Sole general practitioner

The sole general practitioner is a single individual providing a wide range of services, often within a limited geographical area. Questions that may help identify some specific dilemmas and opportunities for this individual is given in this section.

Strategic dilemmas:

- Should this individual merge with other general practitioners?
- How can the right balance be struck between servicing existing clients and developing new clients and services?
- How can the practitioner keep up to date in knowledge and skills?
- How can the lack of specialist knowledge/skills be overcome?
- How can the resources be obtained to keep up to date in areas of new technology?
- How can the investment to use online data and provide online services be obtained?

- How can the threat of large multinational organisations be overcome?
- How can the practice avoid becoming solely price driven?

Opportunities:

- How can the capability to provide a more personalised/tailored service to local clients be maximised?
- How can local knowledge and strong links with the community be enhanced and used to the practitioner's advantage (particularly in rural areas)?
- How can those clients who will value a local general practice service be identified?
- What opportunities exist to collaborate with other local surveyors in order to compete more effectively?

3.4.2 Sole freelance contractor or niche specialist

This is an individual surveyor who contracts his or her services to another organisation for the duration of one or more projects, or who offers a specialist niche service. Many of the dilemmas and challenges facing the sole general practitioner also affect both freelance contractors and niche specialists, but other issues and opportunities might also arise, which are given here.

Strategic dilemmas:

- How can this individual develop a more sustainable client and project workload?
- How should the freelancer or specialist decide what sector to concentrate his or her efforts?
- Where are the areas of greatest need for project contractors?
- What might be the long term impact on the freelancer or specialist's professional standing in this type of business relationship? How should either maintain an awareness of the market for the niche services and avoid too great a specialisation?
- How can the specialist remain fully aware of the impact of technology, deregulation and other external influences of the niche service?
- How will the specialist gain knowledge of larger competitor organisations who may be considering offering the same service currently provided by the specialist?

Opportunities:

- How can a closer partnership arrangement be created with the client?
- How can the relationship with the client be developed to broaden the range of services being offered?
- How can the contractor be 'written into' the tendering process for new projects?
- How can strategic alliances be formed with larger organisations, so reducing potential competition?
- How can such alliances be used to provide funds to invest in new technology?
- How can wider virtual networks of specialists be created for mutual benefit?
- How can the Internet be used to promote those specialist services which are marketable beyond the local market?

3.4.3 Small generalist/specialist partnership

This set up generally involves a two to five partner practice providing a range of complementary or highly focused surveying services, often within a limited geographical region. Its dilemmas and opportunities are the following.

Strategic dilemmas:

- What balance of skills and services should be on offer?
- How can the partnership identify what other services it should be offering?
- If the partnership wishes to grow the practice, what options exist?

Opportunities:

- How can the partnership maximise opportunities to cross-sell complementary services to existing clients?
- What can the members within the partnership do to learn from each other?
- What areas of activity could be developed in partnership with some of its larger clients?

3.4.4 Medium sized generalist practice

This practice usually has more than five partners and possibly up to 30 staff offering a range of services in both local and international markets.

The dilemmas and opportunities this type of practice faces are provided in this section.

Strategic dilemmas:

- How can the firm compete across a wide range of practice areas?
- What distinctive competencies does the firm possess? Are these known to the market?
- What can the firm offer experienced staff (e.g. an equity share)? How can it provide attractive career routes?
- How can long term, sustainable alliances and partnerships be developed with private and public sector bodies?

Opportunities:

- What opportunities exist to develop links with niche specialists or professionals in other disciplines in order to provide a wider range of services?
- How can the firm's structure be designed to become more heavily leveraged, which could lead to potential gains in profitability?

3.5 Market analysis

For more immediate planning than that resulting from scenario planning, market analysis is concerned with how well you know your current market. Some entrepreneurs have an intuitive feel;

others need to set aside time for research. Some questions to ask: How is that overall market changing? Is it expanding or shrinking? What new pressures will it face? Do you know which clients and which sorts of jobs generate most of your current profit? Do you know how that picture has changed over the last 12 to 36 months? If you do not have this basic numerical information, you are not in a position to plan your forward marketing.

If you do, then you can start to estimate the likely size of the total market for different service lines/client groups and the share of the market you hold. There may be more information available than is normally realised by staying in touch with trade associations, reading business journals and using other resources. After a failed bid (or even a successful one) some clients will reveal what the winning tender price was, if you ask. You could also keep data on your successes and failures, and that of your competitors, to have an idea of who is bidding what.

Appreciating the current market allows the framing of strategic questions. What do clients actually want that they might not be getting? What sectors of business are expanding or contracting in your geographic area or market sector? What systems do you have in place to capture changing trends in the markets you serve? What do your clients think of you now compared to a year ago?

4 Practice strategy: developing or reviewing a strategy



Horizon scanning, whether for the long term as in scenario planning or the short term as in market analysis, is the basis for developing or reviewing practice strategy. Much has been written on strategy, the high ground of managerial theorising, but no one has found the perfect way of formulating and delivering any particular one. This guidance does not try either, nor has it since its first edition. What it does instead is report on the interviews of partners of firms that have developed and thrived, or have shrunk. Strategy should be seen in terms of each firm's development over time, and the different ways it develops and uses a distinctive set of capabilities. It is good business practice to be aware of these factors and their development.

4.1 Sources of competitive advantage

Firms are founded when typically one or more individuals with particular professional knowledge and, more importantly, a particular set of contacts with key clients or suppliers decide to 'go it alone'. Do you have a particular niche in an aspect of property or business? Do you have clients for that expertise? The strategy is often the ad hoc exploitation of that niche while it lasts. Management is either the loose activity of a few

key individuals, or the influence of a dominant founder acting as a 'benevolent dictator'.

Firms may grow reasonably large, sometimes achieving professional employees numbered in tens, before the senior partner's span of control is exhausted. At this stage, the senior partner will have to delegate more responsibility for particular business segments or activities to another more junior partner. Frequently that partner may want to develop a strand of business away from the founder's core. In this scenario, the question that should be addressed is: How can the founding knowledge and the experience of growth be taken into new services or markets?

The period of transition when a founder retires is often a challenge for any firm, especially if the retiree was the sole founder. Rarely has a practice made the transition by sticking to the founder's knitting, although there are examples of practices that have attempted to do so. As a result, they often have shrunk dramatically because they failed to diversify their offering or market. Niche practices are most vulnerable to a change in demand. If the transition is made, strategy depends on a group of partners/managers that has a sufficient collective sense of what differentiates it from other groups within the practice.

Management structures vary. Some firms are governed by a loose coalition of heads of individual business areas or regional offices, which has the risk of schisms or of not dealing with under-performance. Others select or appoint a senior managing partner and form a management committee. If the firm continues to grow, the managerial structure is likely to become increasingly corporate, with the emergence of a chief executive officer and other directors. Strategy for this management structure is beyond the scope of this guidance note.

4.2 Statement of practice direction

Much contemporary strategic literature talks about the importance of 'vision', to the point where the

term has become hackneyed. That said, most successful practices have a sense of where they are going. Therefore, it seems sensible to have a statement of practice direction, rather than a vision statement. It is likely to be ambitious and challenging, while also be uplifting and inspirational (without being unrealistic). More importantly, it should be focused on promoting the benefits of the practice direction to clients and to the market. The practice should be committed to the statement, with a 'will do' by the partners, not a 'want to be'.

In the case of the statement of practice direction, this should aim to clarify the purpose of the firm and also:

- Confirm responsibility to those working with you
- Capture the essence of your practice and what makes it different from others
- Establish criteria for decision making
- Encourage consistency of action
- Create coherence and a sense belonging and pride in the firm.

This statement should not:

- Create confusion about the identity of the firm
- Mistake responsibility with promises
- Create some bland copy which is virtually identical to that of many other firms
- Become a catch-all for any decision
- Lead to contradictory outcomes and unintended consequences
- Be viewed by others as vague and uninspiring.

It is much harder to express a genuine sense of direction that also contains some expression of the core values underpinning this direction. The process of developing a statement enables issues, such as the future structure of the firm, to be considered. For example, should the firm expand and form strategic alliances with other practices or with national or international associations? What benefits could be gained from a merger? Should it address the issue of a takeover?

Visioning is difficult, particularly for the owner, principal manager or key fee-earner. To retain objectivity, enlisting external help can be useful to ensure your perspective is challenged.

4.3 Communicating and protecting your strategy

To be effective and have a positive impact on the practice, it is vital that the statement of practice direction is communicated to the members of the firm who will have to make it happen – in effect all members. This does not mean simply copying the entire plan to everyone (indeed, this would be commercially dangerous). Rather it means simplifying the plan and engaging people in its development in an iterative manner. Top management rarely has the monopoly on innovative ideas, but it does have to be seen to walk the talk.

When evaluating management's communication, a possible checklist of questions is as follows:

- Is it understood?
- Is it believed?
- Is it compatible with the firm's culture, ethos and traditions?
- Is it being evaluated?

The first two questions should be self-explanatory, as any communication strategy needs to be understood and believed if it is to be effective.

For the third question: while some would suggest the firm's culture, ethos and traditions can be modified over time, they are very powerful sources of positive reinforcement for the status quo. Therefore, trying to implement a major change through a strategic plan without considering whether the proposals are culturally, structurally and, most importantly, politically compatible with the firm's traditions is inadvisable. This is not to say that a plan should not challenge the existing systems; however, if it does plan to introduce significant cultural change, it needs to be done in the full knowledge of the existing culture. This is of critical importance in circumstances where the plan suggests significant structural changes (re-organisation of departmental boundaries, or a merger or take-over).

Finally, no plan has any real value unless it can be evaluated. It is often suggested that to be effective, all objectives should be able to satisfy the SMART (specific, measurable, achievable, resourced and time-limited) criteria.

5 Practice planning: developing a business plan



A statement of practice direction has a likely timescale of three to five years at least. A business plan suggests the steps to be taken to realise that strategy and provides a basis against which to evaluate progress.

A business plan is a more formal document of immediate goals to be taken in pursuit of the practice direction and may be required by lenders if a practice is seeking finance. It may also set out agreed plans, responsibilities and targets shared, or owned, by particular partners. There is no single format, although most banks now offer templates for the financial aspects of a plan. This section examines the common components likely to be found in a business plan, the basic budgetary and people requirements, and the monitoring process.

5.1 Common components

Common components of a business plan are likely to include:

- Good accounting practices in respect of management control (see section 6)
- Division of the business into components, by either service type or client segment (it is advisable to consider both, since success with

one service for a particular client can often generate openings for other profit centres in a practice)

- Measure of the current performance and profitability of each component
- Financial performance target derived from practice direction
- Identification of any investment requirements
- Indication of allocated staff resource
- Assessment of how sensitive the plans are to changes in the main forces that might affect those plans. This not only implies being ready for business not materialising, but also suggests planning for circumstances of greater than expected demand.

Good plans are also likely to be compatible with the structure of the firm. Some questions to aid in good planning are as follows:

- Do equity partner numbers ensure sufficient work procurement, department management, quality control and equity funding, while also ensuring sufficient returns for individual equity partners?
- Does the departmental/profit centre structure best reflect the product line/client/resourcing mix of the practice, thus maximising fee-earning potential and optimising practice costs?
- Does the fee-earner structure best reflect the job requirements of each department/profit centre, optimising fee income against employment costs?
- Is the firm sufficiently supported by non-fee-earning central functions, such as marketing and finance? Is the provision cost effective, inadequate or excessively costly?
- Are fee-earners sufficiently supported by direct support staff to enable their full effectiveness? Is the level of direct support inadequate or excessively costly?
- Are buildings and equipment owned, leased or rented? Would changing this mix improve practice value, operating profit or funding requirement?

- What is the mix of funding by partners' equity, retained profit or long/short term debt? In the current business environment, is the mix optimal in terms of risk, the tying up of partners' funds and debt costs?

5.2 Budgeting basics

Cash is the lifeblood of a practice, and numbers are the language in which a business plan proves or disproves itself. Until a business plan, for the next quarter, year or longer, is expressed as a budget it has not been completely tested for its feasibility. In other words, unless you are monitoring your expenditure and income against some form of budget, you will not know how well the practice is performing, or where and how management efforts should be directed. A budget is also the basic document where the sensitivity of the business to changed market conditions can be measured.

At its simplest the practice budget has only four components. The first component is the amount of resources available. This includes the amount of hours of potentially productive work that are available from the fee-earning staff or any associates in the firm. Then there is the cost of maintaining those resources, including a real or notional salary paid to partners, and the fees needed to be earned to cover those resources. Finally, the resulting margin or loss, if the fees expected are not generated, is considered. Whether the expected reward justifies the possible losses if the firm does not generate the income expected is an essential consideration of the budget plan.

A normal budget is also expanded beyond these basic components so that managers can see how sensitive their profit and loss is to particular assumptions. It also considers the options managers have to reduce costs or increase financing when reality refuses to match their assumptions, and how much or little particular jobs or clients are contributing to the business.

The structure of a budget stays much the same and is shown in Table 1. It starts with a forecast of

earnings for the period concerned and the direct costs estimated to be incurred in realising those earnings. The resulting gross profit (which may be summed over several business lines) must also be sufficient to cover the overheads of the business to yield a net profit.

5.3 The people side of planning

The availability of the people resource has been accounted for in section 5.2. In making your plans, however, you should consider the skills you are expecting, their development and the engagement of staff. This then assists partners in delivering the plan, which in turn promotes their involvement and effort. Their safety or exposure to hazards of various kinds must also be addressed, as should the manner in which measures will be perceived, keeping Goodhart's law in mind. Formulated in 1974 by the then chief economic advisor to the Bank of England, Charles Goodhart, it states that if an indicator is used to influence policy, its value as an indicator drops. Essentially, performance measures can often have unforeseen side effects.

5.4 Monitoring performance

Monitoring performance has two components: measuring present performance and improving for the future. 'What gets measured gets managed' may not be a slogan to everyone's taste, but the fact is that measuring focuses the mind. If you are not setting some targets to measure yourself against, how do you know how well you are doing? Some performance measures will focus people on the immediate term, and others on the longer term. No one has yet found a perfect blend of strategic and tactical performance indicators.

One very useful balanced scorecard of performance assessment was created by David Maister, often cited as the guru of professional firm management, and is summarised by the acronym 'RULES'. This has become an industry standard for professional firms and is explained in-depth in the following section on practice finance.

Table 1: Structure of a budget

Item	£	Comments
Forecast earnings	A	May be a forecast professional time available multiplied by billing rate, or may be a projection based on an assessment of trading conditions
Direct expenses <ul style="list-style-type: none"> – Professional salaries – Associate fees – Other direct costs and expenses 	B	May also need to be broken down by job type, client, office or area of the practice <ul style="list-style-type: none"> – Notional salary for partners – Fees payable on a per job basis – Other expenses only incurred if jobs are won and then charged directly to the particular job
Gross profit	C = [A – B]	
Overheads <ul style="list-style-type: none"> – Non-chargeable staff costs – Premises – Facilities services – Office equipment – Marketing – Telecommunications – Stationery, printing, etc. – Professional fees – Vehicles – Insurances – Practice development 	D	How these are broken down depends in part on the practice; major items are shown <ul style="list-style-type: none"> – Excluding capital invested, if vehicles are owned – Training, quality assurance, improvement and any investment made out of operating budgets
Operating profit	E = [C – D]	
Finance <ul style="list-style-type: none"> – Finance costs – Depreciation – Interest – Dividends – Taxation 	F	
Net profit	G = [E – F]	If partners' notional salaries have been included in direct costs to indicate the trading health of the firm, the notional figure should be added back in at this stage

6 Practice finance: getting the numbers right



6.1 Understanding the RULES

Those with a management role within a surveying practice should be able to refer regularly to a simple scorecard that tracks the drivers of financial performance. These key performance indicators (KPI) will help them safeguard the profitability and solvency of the practice by taking appropriate action if problems arise. Maister, a consultant who has written seminal books and is a regular commentator on the subject, summarises the key performance factors which determine practice profitability, through the acronym RULES: rates and recovery; utilisation; leverage; expenses; and speed. Each area is described in the following paragraphs.

6.1.1 'R' for rates and recovery

Rates refers to price, whether commissions charged on agency sales or charge-out rates associated with the selling of surveyors' time.

Recovery refers to how much of the potential income from work done for clients is actually collected as cash. Leakages arise from discounts on rates, measured as the percentage off of the headline rate, and client work which is written off or not billed, measured as the percentage of work-in-

progress value which is not included in the bill to the client. Leakages also come from bad debts, measured as the percentage of irrecoverable debts of clients and downward renegotiations of the bill.

At an individual level, practices sometimes use the recovered rate as a summary of the impact of these leakages. A fee-earner may have a headline charge-out rate of £200 per hour, yet dividing the cash actually paid by clients for the work by the chargeable hours recorded might show the recovered rate to be £150 per hour.

6.1.2 'U' for utilisation

Utilisation is about how hard the fee-earners are working in generating time which can be charged to clients or successful agency sales. In surveying practices where the client time is recorded, this is usually measured as the percentage of the fee-earners' chargeable time targets which are actually achieved for a particular time period.

6.1.3 'L' for leverage

Leverage is an indicator that relates to the structure of a surveying firm. Less useful for short term management of a practice, there are nevertheless a number of structural measures that contribute to the strategic management of a practice or of its component parts. These are:

- Ratio of equity partner (i.e. those earning only by profit share) or owner-directors to other fee-earners (true leverage)
- Ratio of all partners (including salaried partners) or directors to fee-earners
- Percentages of fee-earners at different levels
- Ratio of qualified to unqualified fee-earners
- Ratio of trainees to fee-earners
- Ratio of fee-earners to support staff (both direct support to the fee-earning departments and central administrative staff).

6.1.4 'E' for expenses

Expenses refers to the annual operating costs borne by the firm, which are summarised on its

annual profit and loss statement. The bulk of costs within a surveying practice are fixed, meaning they remain the same regardless of the level of income generated at any point in time. If clients have booked no work, the firm still pays salaries, rent and rates, rentals for office and IT equipment, insurance and so on. Changes in costs are tracked as variances (increases or decreases) against the expenditures planned in budgets set at the beginning of the time period.

6.1.5 'S' for speed

Speed measures how quickly work done by fee-earners turns into cash received by the firm. It is evaluated as how quickly clients are billed in days (since the work began) and how quickly they pay, again in days. The amount of unbilled work (work in progress) and unpaid bills (debtors) carried by the firm is referred to as 'lock-up', i.e. potential cash locked up on the balance sheet and yet to be realised. The speed of billing and collection is an important issue in managing cash within a firm. Both it and the scale of costs determine how much funding a firm requires to support its working capital needs. Because a surveying practice generally receives income some time after it has paid the costs necessary to generate that income, it needs to fund the gap.

Herein lies one of the sources for business failure. Insolvency arises from an insufficiency of cash to pay creditors. This, in turn, most commonly stems from reduced income due to cancelled or postponed contracts, a sudden and unexpected liability or a disruption of the billing and collection cycle from debtors defaulting or taking longer to pay their bills. A prudently managed business guards against these risks by maintaining a strong cash surplus.

6.2 Following the RULES

6.2.1 Rates

Where work can be charged on an hourly basis, firms will set rates according to what they believe the market will bear. They might base this on their costs with a margin added to cover risks and add profit, or might simply increment their rates by a percentage each year to take account of inflation. Rate changes have a big impact on profitability. If a

practice with a profit margin of 20 per cent increases its rates by just 5 per cent with no increase in costs and full payment by clients, its profitability would increase by 25 per cent, as all extra income would be pure profit. The impact of falling rates on profitability will be similarly dramatic, as will the failure to increment rates annually.

6.2.2 Recovery: discounts

Although discounts occur for a range of reasons, they are typically associated with either competitive tendering resulting in the discounting of headline rates to win work, or existing clients negotiating reduced rates for repeat and/or volume work. Discounts greatly depress profitability. They may seem inevitable, but sometimes firms give too much. If it is apparent that your firm's normal way of working cannot be priced within a client's budget, review the job plan and consider if everything for which you have scoped needs to be included. You should also reassess whether the job could be done 'smarter' using cheaper staff, but with better supervision and systems to ensure good quality output. This may reduce pricing without requiring discounting.

6.2.3 Recovery: write-offs

Write-offs represent a diminution of the value of work in progress; in other words, the amount that the client is billed is less than the value of what the fee-earner has done for the client. There are several situations that may result in a write-off, which are discussed in this section.

One category is **time that cannot be fairly charged**, such as the work that trainees do for the purpose of their development that does not contribute to the assignment, or work that has taken too long or has been done poorly and consequentially has to be redone. Other scenarios are where a fee-earner has left, leading to duplication of work by someone else, or a new joiner is on a 'learning curve' with the work and consequently takes an excess of time. Sometimes there are too many senior fee-earner hours charged on an assignment due to inadequate junior fee-earner resourcing, or an unusually high need for supervision.

Another write-off category is **overruns**. This is where the price for the job is fixed in advance, and

no additional fee seems possible. Sometimes the person who does the billing is embarrassed at the size of the fee, leading to a consequent 'moral editing' of the bill downwards. Additionally, overruns occur when work is charged on a 'blended rate' basis, which is typical of governmental and local government work. A write-off due to **contingency fees** is where reward is directly related to success – 'no win, no fee'. For this agreement, only a basic fee is earned unless a third party is successful in a project.

Work that may be offered to a client as a non-charged 'freebie' is considered a **business development** write-off. Such work might be part of the tendering process and therefore be prior to the 'clock starting'.

Variations are apparent excesses of time on a job that are consequently written off, but may actually be due to the client asking for additional work to be done within the transaction that proves to be more complex than anticipated. Sometimes they are also due to client inefficiencies which result in jobs taking longer than anticipated, while other times they are due to time recorded on the job before it is formally secured, or after its closure.

As mentioned earlier, every extra hour charged to the client will see a three- to fourfold increase in profitability; conversely write-offs decrease profitability by the same amount. Some recommendations on how to minimise the occurrence of write-offs are:

- Plan the job carefully at the outset, so that the quote to the client is what should be billed at the end with no overrun
- Be precise in what is included within the quoted price and what is excluded, so that if variations occur they can be charged additionally
- Ensure that job recording is sufficiently detailed so that the charge to the client can be explained and justified
- Bill assertively for everything that should be charged.

6.2.4 Recovery: bad debts

Bad debts are underpayments or non-payments of bills that have been invoiced to clients. Three common causes of bad debts are client renegotiating, client insolvency and failure to settle.

Not all clients gladly pay the full bill which is sent to them. Some may have dissatisfaction with the quality of the work done, or feel that the cost has been beyond their expectation, leading to renegotiation of the bill. Others habitually try to reduce the bills sent by their advisors; this is endemic in industry sectors such as building and construction.

Bad debts also arise through clients actually going bust and being unable to settle. However, in times other than severe recession, this is quite rare and is commonly less than 1 per cent of total fees billed. Occasionally, bad debts may simply be due to clients not paying, and so a failure to settle occurs, or attempts to secure payment are abandoned.

The impact here is similar to write-offs, in that every percentage of bad debt has a three- to fourfold impact on profitability. Some recommendations on how to minimise the occurrence of bad debts are:

- Communicate with the client regularly during a job, warn of any changes in the complexity or scope of the work and get the client's agreement to continued working if costs justifiably increase
- Be assertive when defending the bill
- Assess carefully before commencing the work if a client will be capable of paying for it.

6.2.5 Utilisation

This is one of the key measures of performance. Your fee-earners are your productive resource, but how hard are they actually working?

Failure to achieve good utilisation may be due to poor time recording, insufficient work to keep fee-earners busy, chargeable time targets which are too demanding and insufficient support resources for fee-earners to be efficient. Small percentage changes in utilisation deliver big changes in profitability, as illustrated in Table 2. Notice in Table 2 how profit doubles with a 5 per cent increase in utilisation, and more or less doubles again with a 10 per cent overall increase.

To maximise utilisation, you should ensure complete time recording if you use this system. Fee-earners should be made fully aware of what can be recorded as chargeable time and of the importance of fully recording it. Additionally, you

Table 2: Outcome of percentage changes in utilisation

Utilisation	70 per cent	75 per cent	80 per cent	90 per cent
Income	£2 million	£2.14 million	£2.29 million	£2.57 million
Costs	£2 million	£2 million	£2 million	£2 million
Profit	0	£142,000	£286,000	£571,000
Profit Margin	0	6.6 per cent	12.5 per cent	22 per cent

should incentivise fee-earners to work hard and ensure sufficient and a fair balance of work is spread across different departments wherever possible. Where persistent under-utilisation exists, you should review staff structures.

6.2.6 Expenses

The fixed cost nature of surveying practices make them vulnerable to changes in demand for their services. Small percentage changes in income have an exaggerated impact on profitability. If falling income demands cost reductions, the latter are hard to decrease in the short to medium term. As staff costs are the biggest item, income falling of 5 to 10 per cent may be sufficient to demand reductions in staff numbers or short-time working (and earning) to maintain solvency in the practice. Laying off fee-earning staff is, however, a significant disinvestment and reduces the capability of a practice to benefit from economic recovery.

Some recommendations on how to minimise the occurrence of bad debts are:

- Reduce the fixed cost nature of payroll by having lower base salaries incremented by performance bonuses or commissions
- Have flexible accommodation (see section 6.2.9)

- Build flexibility into employment contracts to offer staff short-time working (and consequent reduced pay) as an alternative to redundancy
- Use contract staff and consultants who are not on your payroll to create spare capacity wherever is appropriate
- Be prepared to act quickly to cut costs if work slows
- Control cost overruns by regular monitoring of cost budgets
- Train and develop staff flexibly to encourage moves between different practice areas as some become busier and others less so.

6.2.7 Speed: billing and collection

Fast billing and collection minimises the amount which has to be invested to keep a firm afloat. There are proven links between a firm's efficiency in billing and collection speeds and its recovery of chargeable time value. Table 3 shows the difference in working capital requirement between two hypothetical firms with different billing and collection timescales.

Big bills that are sent infrequently encourage renegotiation and later payment. More regular billing means smaller bills for more recent work. These are more likely to be within the signing authority of the commissioning manager and

Table 3: Comparison of working capital requirement between two hypothetical firms

Requirements	Firm A	Firm B
Average time taken to bill	3 months	1.5 months
Average time to collect debts	4 months	2.0 months
Lock-up	7 months	3.5 months
Time taken to pay creditors	1 month	1.0 month
Costs have to be covered for (before cash payment is received from clients)	6 months	2.5 months
Total costs per year	£5 million	£5 million
Working capital requirement	£2.5 million	£1 million

received when the value of the work is still evident. Therefore, billing as regularly – at least monthly – as possible is recommended, unless the nature of the transaction (e.g. property agency work) makes this inappropriate. Additionally, you should make your terms and conditions regarding speed of payment clear when the client engages you.

Another recommendation on billing and collection efficiency is not to give discounts for early bill settlement, as this will dent profitability more than savings in the cost of capital by earlier settlement. Instead, you could make any discounts given in winning the work contingent upon the client abiding by your terms and conditions for settlement. You should also have a process whereby the people who manage the actual work are responsible for chasing bill payment in the first instance, and use credit controllers as a backstop to ensure payment of the longer-outstanding bill.

6.2.8 Cash flow management

Managing cash flow is essential to solvency. Management of billing and collection and profitability to ensure adequate cash surpluses are the key components of cash flow management. There are cash flows other than those of operating costs within most practices, such as payments to investors whether equity partners or shareholders, along with tax payments, VAT payments, investments in capital (such as commissioning a new office building or a big IT spend) and repayments of debt. These additional outflows can add a considerable burden to cash management and therefore need to be carefully projected along with operational costs.

6.2.9 Space

Facilities, including information and communication technology (ICT), remain the second biggest item (after staff) on most practice's budgets. There remains a strong likelihood that you are paying for too much for unnecessary and inappropriate space. A professional with a laptop and smart phone no longer needs a dedicated desk that is occupied for less than half the working week.

As a general rule, ca. 66 per cent of the cost of your facilities is dictated by the net area. UK government guidelines now advise no more than 10m² net internal area (NIA) per person. Best practice comfortably exceeds that figure while producing high calibre, engaging offices. If the answer to any of the following questions is 'yes', you are probably wasting money and energy:

- Are there dedicated cellular offices for partners?
- Are there more than 2 linear metres of storage for the average staff member?
- Is there one work station (or more) for every member of staff?

6.3 Conclusion

The financial management of a practice is clearly a critical aspect of effective practice management. RULES provides a framework that will ensure your practice or unit maximises its profit potential. As with so many aspects of business management, value lies in the cumulative impact of having a disciplined approach. A number of small actions can collectively have a significant impact.

7 Practice relationships and service: client relationship management



Over the past five to seven years, most large firms of property advisors and a significant number of medium and small sized practices have recognised the value of adopting a much more systematic approach to looking after their key clients, termed client relationship management (CRM).

CRM has recently become a much more established addition to the vocabulary of business vernacular. Despite this it remains questionable how well embedded and deep the commitment to managing key clients is in practice. To judge how well a practice has implemented CRM, a quick self-assessment is provided in the following section.

7.1 The ladders of CRM

7.1.1 Level 1 CRM

At this level there should be evidence of the following.

Where do your current fees come from? A short list of the key clients who constitute the most significant sources of revenue (and risk) for the firm.

Who do you know? A document which summarises the key contacts for each of these key clients.

Who is the steward for this relationship? A list identifying the client partner/director for each key

client. (Note the emphasis in the role is to facilitate, not control, access to the client and has a long term perspective.)

What do you know about the client? A short summary of the current business challenges facing the client and the particular issues facing your key contact.

Where has the key contact come from? A document detailing a good understanding of the key contact's history and whether you share any past connections.

What do key contacts think of your firm? A summary of the informal feedback received from the key clients over the past six to 12 months about the quality of advice and level of service provided.

Are you adequately sharing your business intelligence? An assessment on whether appropriate systems exist to enable some basic client data to be recorded, maintained and made available to those who are engaged with the client.

It would be surprising if any serious player in today's market place could survive without at least these questions answered. Despite this being just good common sense, there is an indication that addressing these steps may not be as common in practice as it should. Assuming your firm has these steps in place, level 2 CRM builds on this foundation.

7.1.2 Level 2 CRM

In addition to the evidence found by completing level 1 CRM, most of the following issues should be addressed.

Where will future fees come from? An extended list that includes the key clients who are the fastest growing sources of revenue and profitability.

Who do you not know in the client organisation? A list identifying who you need to get closer to in order to build a broader and deeper relationship with the organisation.

Who is in the client development team? A file on who else in the firm, particularly from other service areas, is involved in sharing know-how and intelligence about the client.

What do you know about the client's strategic and political challenges? A short summary of the future, more strategic business challenges facing the client, together with an appreciation of the political and organisational context within which your key client operates.

What makes your clients tick? An assessment on how well you know your key contacts as individuals, with whom do they get on or have a tetchy relationship and which teams in the client organisation talk to each other.

What do they really think of your firm? A document outlining, beyond the informal feedback, formal independent evidence that substantiates your judgment that the client really is satisfied with the quality of advice and level of service being provided.

Do you routinely mine the data held on key clients for interesting patterns and opportunities? A routine review and interpretation of the data held on a client (which is sometimes held passively), with a view of exploring for business opportunities.

Level 2 should provide some reassurance to firms, particularly if they are heavily dependent on a few very significant relationships, that they are somewhat insulated from the potentially catastrophic impact of personnel changes on the client side. If your key contact departs, your firm should have a much better chance of retaining the client with a level 2 approach than being at level 1, which would leave you much more exposed. Most firms with some formalised CRM process in place should be operating at this level.

7.1.3 Level 3 CRM

Level 3 is a much more strategic, sector-wide approach to developing existing and new client opportunities. At level 3, the firm would be seeking the following evidence.

How much more business does the firm want to be doing in this sector in three years? A clear strategy that develops this and other key clients in this sector.

Who do you not know whom you need to know in this sector? An extended list of some of the movers and shakers in this sector, and a detailed approach on how to gain access to them (e.g. identify who might be able to broker an introduction).

Who is doing business analysis to understand comprehensively how this sector is changing? A document identifying what is changing or is likely to change in this sector, and how this will play out in terms of the need for the services that the firm provides (e.g. what's likely to increase or decrease in importance).

Where is the sector going? A summary on how likely it is that consolidation will happen in this sector and whether your client will be the acquirer or the acquired.

What does this sector think of your firm? A exploration on the strength of your firm's brand presence in this sector and into partnership with others that may develop its presence further.

Should your firm use potentially challenging business conditions to build your knowledge of this sector? An exploration into options such as the secondment of a staff member into the client organisation, or a shadowing opportunity to a member of the client organisation within your firm.

So where is your firm on the CRM ladder? Is it perhaps time to take stock and refine your current strategy?

7.2 Networks

The day when the firm's CRM strategy has to extend to IT enabled networking may even be here; if not, it is not far away. An even more recent phenomenon than CRM is the extension of social networking into business, enabled by so-called cloud computing. What will and will not represent good practice in this area remains to be seen. If you are on LinkedIn, have you arranged cross referrals? Although you have probably included case material and perhaps a blog on your website, have you examined Ning or MediaFire, which also enable document sharing? They, along with many other types of IT enabled networking, are bringing closer the ability to maintain quality content online without a dedicated Internet service provider.

8 Practice development: targeting marketing and business development



8.1 Introduction

Marketing effort (time and resources) is a limited resource for most practices, and yet it is critically important. Given this, it is vital to concentrate effort by focusing attention on specific potential targets. These targets should be organisations that have a high possibility of being converted into clients and that are also likely to offer a good earnings stream. This section looks at some of the main issues to consider when developing a marketing and business development plan.

8.2 Targeting the marketing effort

In marketing your professional services it is highly likely that you will be trying to displace or supplement an existing professional advisor. In identifying a target, you should consider three key questions: What are the target's buying criteria likely to be? To what extent can you match the target's buying criteria? How strongly in place is the current advisor?

To displace or supplement an existing advisor, you must persuade your target that you have some unique service or spread of services that are better than the existing supplier, or that the delivery of

your service is in some way superior. Another angle is to persuade the target that you are more competitive on price or that using you for advice would not extend the target's risk. If you have evidence that you have built stronger personal relationships amongst decision makers than the current advisor has, this would be a valuable selling point.

Another opportunity you can exploit is catching the target at a time when it has reason to reconsider the service from its existing supplier or needs to supplement the work done by its current advisor with other services that you can offer. Research suggests that to displace an existing advisor, you have to be 40 per cent better, 40 per cent cheaper or a combination of the two.

8.3 Understanding the target's buying criteria

The buying criteria are the factors that will influence the target's buying decision. Some buying criteria are conscious, i.e. specific requirements that the target wants its advisor to match. An example of this is a need for very specific local market knowledge or access to a particularly innovative approach or instrumentation.

Other buying criteria are subconscious, i.e. not specifically recognised but important in influencing the buying decision. For instance, a dynamic young professional team would probably seek to work with a team that has a similar culture. A client seeking advice on better utilisation of its property assets would be more favourably disposed to a supplier whose own offices expressed an understanding of changing workplaces.

The ability to map out the target's buying criteria requires a significant understanding of the target's business. You must appreciate its characteristics, its likely business problems and its culture. This knowledge will come partly from analysis of the available evidence, and partly from informed conjecture. To greater or lesser extents, the factors that are likely to influence the buying decision are

Table 4: Factors generally influencing buying decisions

Resolving the need	<ul style="list-style-type: none"> ● Importance of need; the cost to the business of allowing a problem to go unresolved; its priority compared with other business needs; the urgency of a solution ● Closeness of the match between your service and the solution of the need ● Bespoke tailoring of the service to the client and environment ● Seamless support of your service by other service offerings from elsewhere in the firm
Delivery	<ul style="list-style-type: none"> ● Quality of service ● Price speed of response ● Timeliness of work ● Completeness and frequency of communication on progress and costs ● Integration with, and support for, the client business ● Management and control of work ● Appropriate staffing and support structure ● Availability of national/international support ● Availability of specialist support
Relationship	<ul style="list-style-type: none"> ● Previous contact/mutual history ● Personal liking/trust ● Mutual interest ● Reciprocity ● Joint membership of a group ● Mutual acquaintances ● Appropriateness of style, e.g. advisory (tell) versus consultative (listen) ● Proactive approach ● Frequency of contact
Minimisation of risk	<ul style="list-style-type: none"> ● Individual specialist having expertise in specific professional areas; general commercial sense; knowledge of industry; understanding of specific business ● Good general reputation; a strong client-base that matches with target; reputation for specific work; reputable departments and specialists; similarities in management style ● Contact coming through personal referral by respected intermediary and general industry endorsement

listed in Table 4. By considering these questions and investigating the relative importance of each for your target, you may be in a better position to understand how to pitch the case as to why your firm may be a more suitable supplier.

8.4 Assessing the target

To help you focus your effort further you will need to assess how well your firm matches the client's buying criteria. To provide some help in reviewing a potential target that your firm is considering investing time and effort to win some possible new

business, you may find the set of questions in Appendix C of value in assessing whether the time you are likely to invest is appropriate. Without a high level of confidence that your marketing effort will lead to some profitable outcomes, you may find the cost exceeds the potential benefit.

8.5 Conclusion

So much of what is considered marketing in professional firms is often wasteful of resources and a waste of time. Firms across the world have boxes of brochures that are out of date and remain

unused, or have poorly targeted public relations efforts that do not adequately illustrate the business benefits gained from the use of the firm (to name but two examples). Marketing and business development should be viewed as a contact sport. Armchair analysis, as a starter, can help to focus the effort, but ultimately it is essential to meet prospects face to face, listen to their business needs and try to match your firm's

expertise to eliminating or reducing their challenges. Of course it can be helpful to leave a brochure as a reminder of how your firm has helped others or direct them to your website that highlights current case studies of similar successful projects, but this is not enough on its own. Marketing is central to the success of your firm and needs to be a proactive concern of everyone.

9 Practice people: developing staff and skills



The firm's learning plan should flow from the firm's business plans and business challenges; therefore it should be created from the perspective of the business result you want to achieve. People working towards something that is on the firm's leadership agenda are more enthusiastically supported than those who are doing something in their spare time. To implement this plan, the firm should find providers of learning and development that can help your firm establish a flexible process that delivers results for the firm and recognition for your staff. Finally, your firm should use standards (such as Investors in People) as benchmarks that people and the business will meet through individualised plans, not as prescriptive lists of 'what to do' and 'how to do it'.

9.1 Introduction

The people side of managing a practice places a wide range of requirements and expectations on the owners of the business. To deal with these comprehensively is beyond the scope of this guidance note, but there is a summary of legislative requirements that are of particular relevance provided in section 10.1. In addition to the formal legal aspects of managing staff, it is also critical to consider the importance of their training and development to ensure they are appropriately skilled to meet the ongoing needs of your clients and the marketplace. The following section reviews the process of practice learning and continuing professional development (CPD).

9.2 Practice learning

For the professional firm, practice learning is the sum of all, or parts, of the individual learning achieved by the members of the firm. There are many critical factors that determine whether or not development helps a particular practice. To address them, a firm should approach it as an active learning process rather than a training process. Staff at any level who feel they are encouraged to develop will respond better than staff who are told they need to be trained.

9.3 Continuing professional development

Traditionally, CPD has been interpreted as the measure of that learning. That emphasis is changing, as outlined in Table 5. CPD has been a formal requirement for all members of RICS for over 20 years. Indeed RICS led the way when it introduced a formal requirement for practitioners to engage in CPD. Over the years the process and practice of CPD have evolved and are now much more part of the culture of being a professional as opposed to a compliance issue. This more structured approach to CPD can be found on the RICS website (www.rics.org/cpd).

Effective CPD is creating a structured learning plan that leads to increased and improved performance. The CPD framework asks these basic questions:

- Where are you now?
- Where are you going?
- How will you get there?
- How will you know when you have arrived?

This structured framework can be considered to be a four step cycle: appraisal, planning, development and reflection. These four steps are described in detail in the following sections.

Table 5: Changing emphasis of CPD

From	To
Counting CPD inputs: hours of course attended	Considering CPD outputs: the results, knowledge and skills achieved
Emphasis on formal training	Equal emphasis on informal learning
Emphasis on development of professional skills	Emphasis on professional, interpersonal, managerial and leadership skills
Emphasis on recording CPD	Emphasis on planning and structuring learning

Table 6: Details of SWOT analysis

Strengths <ul style="list-style-type: none"> What are your core skills? What do you do well? What are your technical skills and knowledge? What are your other transferable skills? 	Weaknesses <ul style="list-style-type: none"> Where are your skills/knowledge lacking? What would you like to improve, from your own point of view? What should you improve on, from the point of view of other people?
Opportunities <ul style="list-style-type: none"> What are the opportunities facing you? What are the interesting new trends? Focus on: <ul style="list-style-type: none"> Changes in markets and professional practice Emerging new specialisms Developments in technology Moves towards quality assurance Assuming a management role 	Threats <ul style="list-style-type: none"> What obstacles do you face? Is your professional role changing? Focus on: <ul style="list-style-type: none"> Competition from other businesses Merger with other bodies Legislative changes Different skills required Limited opportunities for progression Threat of redundancy

Note that these relate to individual development rather than practice per se, though practices can use the guidance as a template for all employees.

9.3.1 Structured CPD step 1: appraisal – Where are you now?

In order to identify future learning and development needs, it is important to review your personal and professional experience to date. It is often said that there is no point in deciding where you are going until you have established where you are now. As with other areas in business, identifying what you have already achieved (in this case, in terms of skills and knowledge) can provide a sound basis for planning for the future. An effective method of self-appraisal is to identify your strengths and weaknesses and to examine both the opportunities and the threats you may face through what is

commonly termed a SWOT analysis. Details of what is covered in a SWOT analysis are given in Table 6.

This kind of analysis should enable you to determine areas of interest and ambitions that can be used to shape plans for further development. Although there are clear benefits in planning CPD to develop knowledge and skills in new or weaker areas, you should not overlook the potential for further development in your stronger areas. Building on existing strengths is as relevant an aim as exploring new areas and improving in weaker areas.

9.3.2 Structured CPD step 2: planning – Where are you going?

Having established areas for action, the next step is to detail your priorities for development. Following the completion of step 1, you should be able to identify gaps in your skills and knowledge where

Table 7: Description of levels of skills, competence and experience

Unaware	<ul style="list-style-type: none">● Unaware of subject area and knowledge● Possess little or no knowledge/skills● Require full training and development
Aware	<ul style="list-style-type: none">● Possess basic knowledge/skills● Unable to work without supervision● Require training/development and more in-depth information
Capable	<ul style="list-style-type: none">● Possess adequate knowledge/skills● Able to work with some autonomy● Able to work effectively as part of team● Require guidance/some further training
Skilled	<ul style="list-style-type: none">● Possess requisite knowledge/skills to perform effectively and efficiently● Able to work with considerable autonomy● Need occasional top-up training
Expert	<ul style="list-style-type: none">● Are acknowledged by others as an authority● Have very substantial personal autonomy

you can set specific development objectives. These objectives should contain an element of challenge so that they will carry you on to new ground, but they must also be realistic. At this stage it is also useful to set targets in terms of required levels of competence. Using Table 7, you can decide what describes your current competence level for a particular area and the level you want to attain.

When establishing your objectives, you should also work within practical constraints which may influence methods of development. Factors you may wish to take into account include opportunities and support for learning, as well as the amount it will cost in terms of money, time and conflict with other commitments. Additionally, you should determine what added value, such as qualification, promotion or new business, will result from this programme. Finally, objectives should be set within a realistic time frame. In some cases they will not be easily achievable within a 12 month cycle. However, it should be possible to determine some progress towards achieving an objective within 12 months and to re-evaluate long term objectives in the continuing cycle of development.

9.3.3 Structured step 3: development – How will you get there?

Achieving development objectives requires involvement in a wide range of learning activities on a continuous basis. CPD may take the form of any

appropriate learning activity and need not necessarily be biased towards course attendance. The decision as to what constitutes relevant learning and development must lie primarily with you as an individual. The four major learning styles are highlighted in Table 8, which may help to guide you in choosing appropriate CPD activities. With the growing pace of change in the profession and the need for regular updating, the opportunities to access CPD are increasing, such as:

- Attending large, conference-type, technical-updating events where the focus is very much on being offered the latest interpretation of some legal or regulatory change by a range of experts in the field; these large events can be invaluable also as networking opportunities to obtain new knowledge from discussions with fellow professionals
- Smaller, more focused workshops (typically one day), where the focus is on the development of new technical skills or an understanding of a business or management technique
- Registering for a postgraduate module which forms part of a postgraduate degree and enables you to deepen your knowledge or broaden the range of services you can offer
- Undertaking a distance or e-learning course which may lead to a postgraduate qualification
- Participation in an online discussion on a theme which forms part of a professional network.

Table 8: Learning styles

Innovative learning <ul style="list-style-type: none"> ● Connect new information/skills with personal experience and real-life problems/situations ● Prefer co-operative methods of learning, e.g. seminar groups, brainstorming, project work, etc. 	Analytic learning <ul style="list-style-type: none"> ● Want to acquire knowledge to deepen understanding of concepts/processes ● Prefer to learn from what ‘the experts’ have to say, e.g. lectures, conferences, further qualifications, etc.
Commonsense learning <ul style="list-style-type: none"> ● Interested in how things work and want to ‘get in and try it’ ● Prefer experiential methods of learning, e.g. hands-on tasks, on the job training, etc. 	Dynamic learning <ul style="list-style-type: none"> ● Rely on self-directed discovery and want to teach yourself ● Prefer independent study and training, e.g. simulations, e-learning, etc.

9.3.4 Structured step 4: reflection – How will you know when you have arrived?

To gain the full benefit from any CPD activities, it is necessary to evaluate the outcomes and to establish whether you have achieved your objectives. When reflecting on your activities you should consider whether you have experienced personal or business benefits through the practical application of what you have learned. Evidence of such achievement can be demonstrated in various ways, as illustrated in Table 9. The evaluation stage deserves special attention as it produces a summary of achievements that demonstrate how you have met your original objectives.

9.4 CPD requirement for RICS members

Until 4 June 2007, RICS members were required to undertake 60 hours of lifelong learning throughout every three-year period. Under the current RICS Rules of Conduct for Members, introduced after that date, the requirement under the heading ‘Competence’ is as follows: ‘Members shall carry out their professional work with due skill, care and diligence and with proper regard for the technical standards expected of them’. It also states under the heading of ‘Continuing Professional Development (CPD)’: ‘Members shall plan, undertake and record appropriate continuing professional development and, on request, provide RICS with evidence that they have done so’. The full document can be downloaded from www.rics.org/rulesofconduct.

The new rule provides members with a greater degree of flexibility and autonomy in planning and performing their learning activities, but places additional responsibility on members for evaluating the nature and amount of learning to be undertaken. RICS no longer prescribes the amount of CPD a member should undertake, although it does suggest that it ‘would find it difficult to consider less than 20 hours per year to be an appropriate amount of activity’, as stated on the CPD section of its website (www.rics.org/cpd). When deciding how much and what type of learning is ‘appropriate’, it is important to consider the purpose of your CPD. For example, it could be to:

- Remain competent for the benefit of your clients or your employer
- Gain knowledge needed to move into a new area of business
- Develop a skill needed for promotion, such as management expertise
- Learn a new skill, such as a new language
- Remain up to date with new developments in your area of expertise
- Keep abreast of new advances in technology
- Comply with a statutory requirement, for example the requirement for home inspectors to undertake 20 hours CPD per year in a related subject.

The reasons you identify for your learning development will form the basis of your learning

Table 9: Evidence of skills acquisition and improved competence

Self	<ul style="list-style-type: none">● Measured against own criteria● Discussion with manager/colleagues● Favourable annual appraisal● Recommendation for promotion● Change in professional role/duties
Recognised qualifications	<ul style="list-style-type: none">● Short course completion certificates● Credits for accumulated qualification● National Vocational Qualification (NVQ)● Postgraduate diploma● Certificate in Management Studies (CMS)● Master's degree/Master of Business Administration (MBA)
Colleagues (peers/superiors)	<ul style="list-style-type: none">● Request to coach/advise colleagues● Suggestion to join/lead project team● Request to compile paper/manual
Organisation	<ul style="list-style-type: none">● Adoption of recommendations as policy● Improved business performance● Cost efficiency savings● Safer working environment● Achievement of quality standard
Client	<ul style="list-style-type: none">● Award of further work● Award of commission in new area● Recommendation to other organisation
Public	<ul style="list-style-type: none">● Membership of other professional groups● Solving problem for community group● Publication of papers/research● Request for advice regarding policy/law

plan and objectives. Then you can decide which activities and subjects are appropriate for you.

The amount of learning activities you should complete will depend on your individual circumstances and learning needs. Generally, someone who is new to an area of business or is looking to gain new skills will need to take on more learning activities than someone who is keeping up to date. However, it would be unusual for any practitioner to be able to remain competent without performing at least some CPD annually.

Even an experienced practitioner must keep abreast of areas of change, so not undertaking any learning activities in a given year would not normally be acceptable.

It is important to consider the quality of learning, not just the points or hours. Spending all day in a seminar is of little use if only one speaker or topic

was relevant to your learning objective. Equally, an activity which takes up little time, for example an hour-long breakfast briefing, may be very valuable towards meeting your learning needs. Undertaking learning activities is the key to personal and professional advancement. Although you must be mindful of commercial pressures and may find it difficult to spend time and money on these pursuits, these issues can be taken into account in your learning plan.

9.5 Obligations for firms

Regulated firms also have an obligation to ensure that staff are competent. The requirement in RICS Rules of Conduct for Firms under the heading of 'Competence' is: 'A Firm shall carry out its professional work with due skill, care and diligence and with proper regard for the technical standards expected of it'. Under the heading of 'Training and

Continuing Professional Development (CPD)', it also states: 'A Firm shall have in place the necessary procedures to ensure that all its staff are properly trained and competent to do their work'. The full document can also be downloaded from www.rics.org/rulesofconduct. For their own benefit, as well as to meet the requirements of the RICS rules, firms are advised to have an active involvement in the training of employees. A good

appraisal system will have the capability to identify and rectify gaps in knowledge and skills, and allow employees to record their learning activities.

Firms should also be supportive of each employee's personal development, for example by allowing study and training time during working hours or granting annual leave, or by helping out financially towards learning activities.

10 Practice policies and systems: ensuring effective and efficient delivery



10.1 Where to get advice

Apart from technology, the other dramatic change to the business landscape since the first (1997) and second (2003) editions of this guidance note has been the increase in legislation. There is the consequent need for practices to have in place suitable policies and procedures.

Among the more significant pieces of legislation that may be important to your practice are:

- *Disability Discrimination Act 1995*
- *Data Protection Act 1998*
- *Financial Services and Markets Act 2000 and (Amendment) Order 2009*
- *Sale and Supply of Goods to Consumers Regulations 2002*
- *Proceeds of Crime Act 2002*
- *Serious Organised Crime and Police Act 2005*
- *Companies Act 2006*
- *Equality Act 2006*.

All these contain the same general theme: A firm is at risk if it cannot show reasonable evidence of having policies and procedures in place to comply with recent legislation and to identify and mitigate

risks. Fortunately there are a number of sources of advice and guidance available.

The Law Society produces the *Lexcel Office Procedures Manual*, 4th Edition (Moore, 2007), with a comprehensive introduction to common policy areas and examples of appropriate forms and procedures. Although written for solicitors many of these are readily transferable to other areas of professional practice. The Business Link website (www.businesslink.gov.uk) also contains many useful summaries on each of these acts, along with an online regulation checklist service and a facility to sign up for regulation alerts.

RICS maintains its own guidance, and the Setting Up in Practice section on its website (www.rics.org/newpractice) has summaries of regulatory requirements and sources of information, along with RICS Regulation Helpline contact information.

10.2 Policy manual

What is considered reasonable regarding minimum requirements obviously depends on the size and scope of the practice. A small firm can best meet these requirements by having some form of policy manual. This manual should be owned by an identified partner or individual, accessible to all employees and updated at least annually. At a minimum the manual should include:

- Guidance to its use and purpose
- An outline of the firm's structure and purpose
- A quality policy incorporating a quality assurance system
- A risk assessment register and risk management policy, including business continuity
- A policy on health and safety in the workplace, and other sites where staff carry out their duties
- A policy for the avoidance of discrimination and, especially in larger firms, the promotion of diversity
- A policy on disability for staff and clients

- A policy on IT facilities and systems, including access control data management and document storage and retrieval
- A policy on staff development including CPD, and induction and training for new members of staff
- Policies and procedures, appropriate to the size of the firm, for all aspects of financial management, including time writing and billing
- Grievance (internal) and complaint (external) policies and procedures
- A policy on transparency and money laundering
- A disciplinary policy and procedures, including the enforcement of other policies.

10.3 Legislative issues as the practice grows

As the practice grows, putting policies in place becomes more urgent, but creating policies that comply with legislative requirements becomes more complex. The legislations that are particularly important to consider when drafting a policy manual are discussed in the following sections.

10.3.1 Companies Act 2006

The *Companies Act* 2006 and common law impose certain duties on directors, and partners should be aware of these duties. Some aspects are also mandatory for LLPs. The following actions are required:

- Act within the powers of the company
- Promote the success of the company for the benefit of its shareholders as a whole
- Exercise independent judgment
- Exercise reasonable care, skill and diligence
- Avoid conflicts of interest
- Refuse benefits from third parties
- Declare personal interests (whether yours or related parties) in proposed transactions or arrangements with the company.

While promoting the success of the company, directors must address a number of matters, including at least the following:

- The likely consequences of any decision in the long term
- The interests of the company's employees

- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards of business conduct
- The need to act fairly as between shareholders of the company.

These duties have to be seen in the light of other employment legislation.

10.3.2 Disability Discrimination Act 1995 and Equality Act 2006

The *Disability Discrimination Act* (DDA) aims to address discrimination which people with disabilities may face in everyday life and includes specific instructions on employment rights, which covers all aspects of employment, e.g. hiring practice, terms of employment, etc. It also makes it necessary for a practice to undertake and document reasonable steps to make its premises accessible for those with disabilities. The scope of the act now falls within the powers of the Equality and Human Rights Commission.

Similarly, the *Equality Act* 2006, which formally applies to public sector employers, creates a duty on public authorities to promote equality of opportunity. It prohibits discrimination against race, religion or belief, disability, gender or sexual orientation in the exercise of public functions and in the provision of goods, facilities and services, the disposal and management of premises, education, and the exercise of public functions.

In April 2010, the *Equality Act* 2010 received Royal Assent with a view of the new act coming into effect in October 2010. This new act extends anti-age rules to goods, facilities and services, to prevent, for example, refusal of insurance due to age. Under its provisions, the act's requirements apply to any organisation supplying services to a particular firm. At the time of writing future legislation is uncertain, however, it is necessary for a practice to develop an equal opportunities policy appropriate to its size.

10.3.3 Employment terms and conditions

More generally, a practice should review other legislation and guidance concerning employment

law that currently covers: pay, employment contracts and conditions, working hours, flexible working, time off and holidays, and business transfers and takeovers (TUPE). More specifically, when a practice is drafting its employment terms and conditions, it should focus on the following categories:

- **Pay:** payslips, company sick pay rights, performance-related pay and minimum wage rates
- **Employment contracts and conditions:** contracts of employment, changes to employment conditions and breach of contract
- **Working hours:** working time limits (the 48-hour week), rest breaks and overtime
- **Flexible working:** work/life balance, working from home and part-time work
- **Time off and holidays:** holiday entitlements, time off for dependants (compassionate leave) and for public duties
- **Business transfers and takeovers (TUPE):** employment protection during business transfers and takeovers, transfers of employment contracts and right to consultation.

Good online advice about employment law is readily available on the Employment section of the DirectGov website (www.direct.gov.uk/en/employment/index.htm).

10.4 Quality assurance and professional indemnity

Professional people are legally held to represent themselves as having more than average abilities. In the event that their judgment and expertise is challenged, the applicable test will be whether an

equivalent professional acting with reasonable care would have erred in the same way.

Professional indemnity insurance (PII) is cover held specifically against any claim arising out of failure to exercise that reasonable skill. It is a requirement of institutions granting professional status that their practising members carry such insurance. In the event of any claim against a professional, a likely question that would arise would be what policies, systems and procedures (quality assurance) were in place to anticipate, avoid and mitigate failures of professional judgment.

Covering every contingency of PII is outside the scope of this guidance note. The existence and application of appropriate quality assurance procedures mitigate the risks to which a firm is exposed, so it is advisable that these extend to documentation and records. Recent case law includes examples of firms penalised by an inability to demonstrate complete recovery of pertinent documents.

RICS Regulation Policy on PII states: 'Firms are likely to be able to demonstrate that they meet the requirements of Firms' Conduct Rule 9 if they take out professional indemnity insurance cover in accordance with the standard in this policy sheet... [Rule 9 states that a] Firm shall ensure that all previous and current professional work is covered by adequate and appropriate professional indemnity insurance cover which meets standards approved by the Regulatory Board'. The full document can be downloaded from the PII section of the RICS website (www.rics.org/pii).

The regulation also advises that the PII policy should be on an 'each and every' claim basis and should follow the RICS minimum policy wording, or more comprehensive wording, which ensures that it 'is written on a full civil liability basis'.

11 Practice leadership: leading your management team



Professional personnel are, by definition, skilled and autonomous individuals. They will expect the exercise of authority to flow through a process of influence and negotiation, rather than through reliance on more direct, position-based authority. Their professional activities can produce stronger external relationships with clients or fellow specialists than with fellow consultants in the practice. Similarly, their links within a firm may be stronger with a particular team and business unit than with the firm as a whole.

Problems appear when new business opportunities require more interdisciplinary working and greater flexibility in response to particular instructions. Enabling horizontal communication links between apparently independent cells of consultants thus becomes a key leadership function. Indeed the essence of managing professionals is providing direction and an environment in which they can perform, rather than dictating their performance.

Many research projects into team performance have established that great teams succeed in using and respecting different styles of working at different stages of the task in hand. Many businesses use psychometric tests to give the team leader an insight into different personalities and styles of operating of each individual. There are a

number of psychometric profiles available, from quick self-assessments to expensive computer generated profiles, but none has established an overarching reputation, despite the claims of their advocates to the contrary. A team that uses one common tool together can get a collective insight into each other's personalities and the styles of communication that are likely to work best for a given individual and situation.

All 'equity partners' will wish to exert authority over decision making, at least until a firm reaches the size in which a less collegial structure is apparent. When the personal interests of the owners do not coincide with the interests of those charged with management decision making, an inevitable leadership challenge will exist. Therefore leadership is, to a much greater extent, a responsibility of a wider group of individuals in a practice than in other more corporate environments.

Leadership is vital for a practice, especially in these times of change for both business and the surveying profession, and essential if a practice is to gain value from the complementary skills and expertise of its team members. Concentrating on these three issues is recommended: the ability to understand your own capabilities and those of your team members; the capacity for the team leader to provide effective feedback to his or her team members; and the importance of recognising when team discipline and behaviour is (positively or negatively) affecting the team.

11.1 Understanding your team members

The challenge that leaders face when managing professionals is best described by the familiar saying 'it is like herding cats'. A wise leader knows his or her cats. If all professionals were willing sheep or dogs that could be trained to perform tricks for their devoted partners, life would be easy, but less interesting. Thankfully this is not the case. The leader of a group of professionals must

attempt to guide the work of a wide range of highly talented individual performers.

So consider some of the characters in your team. How do you engage with them? How do you create a collective sense of direction? The goal is to extract and enable the sometimes unique contribution each team member can make. However, the danger is attempting to change their behaviour dramatically, thus playing to their strengths might be a better ploy. To help you identify your team members and their strengths and limitations, here are eight generic types of personalities you might encounter:

- **The independent:** prefers to be left alone and often finds it difficult to work with others
- **The entrepreneur:** highly commercial type who is an excellent networker and deal maker
- **The traditionalist:** considers the former professional ways are not only still best, but the only way
- **The plateaued:** reliable and friendly, but passed over for promotion and lacking apparent motivation to change
- **The former star:** great 'back when', but living on the memory and reputation of past glories
- **The politician:** canny operator, but usually on the lookout for number one
- **The teflon type:** difficult to pin down and make accountable
- **The ego:** has an opinion on everything and is always right (in his or her eyes anyway).

11.1.1 The independent

Many professionals, especially those in highly specialised or technological areas, tend to be solo workers – getting on with the job their way. They work for the stimulation of using and developing their professional skills and relish developing new ideas on their own. It is an easy temptation to ask them to be involved in wider departmental activities, perhaps leading some specialist group or committee, but it rarely pays off. You need to give these types a clear idea of what you want and clear boundaries that cannot be crossed. More is gained by encouraging them to develop and mentor others than by expecting the individual to conform to a collective way of doing things.

11.1.2 The entrepreneur

Entrepreneurs love the thrill of a new deal and the sense that they are taking a risk. The challenge may be to stop them from going so far too fast that they fail to realise how many people are not keeping up. They are motivated by status symbols and titles, and respond well to responsibility and accountability, but may need the latter clearly defined before they overreach.

11.1.3 The traditionalist

'That's not how we did it in my day'. 'Not a professional job'. 'Standards of professional excellence are falling'. Traditionalists, or professional purists, pose one of the more delicate leadership dilemmas. They may be custodians of many of the firm's valued skills, but time is passing them by and their clients are fading away. New incentives and responsibilities can help reinvigorate these people, but the leader frequently has to spend time in one-on-one coaching, inviting and challenging traditionalists to see the world differently. You cannot change them; you can only encourage them to change themselves. Sometimes a complete shift to a different environment helps.

11.1.4 The plateaued

The professionals who are either content where they are, or are disillusioned and withdrawn, need to feel appreciated if they are to deliver value. Unfortunately they may have risen to their level of competence and then plateaued. Honesty is the only answer. If possible you should play to their strengths and encourage them to work in different ways, perhaps as mentors alongside rising stars.

11.1.5 The former star

While the plateaued individual may be content knowing their limits, stars from another era living on past glories may not have realised those limits yet. In order to remain motivated, they tend to require ever-greater doses of recognition. Their great value is in the 'chair of the executive committee' role – the time consuming but potentially value-detracting tasks that other departments or organisations require of you. It may even enhance the firm's status whilst leaving you time to lead.

11.1.6 The politician

Political types just love networking and intrigue, sometimes for their own imagined gain and sometimes for the sheer pleasure of it. You want them doing it where it earns the firm a good reputation with your clients, rather than within the office. Create the opportunity for them to play games and use their real skills where it counts and is positively beneficial for both them and your practice.

11.1.7 The teflon type

Some professionals have the uncanny knack of avoiding any sense of failure and always land on their feet. For these teflon types, nothing sticks and it is difficult to hold them accountable when things go wrong. Use their knowledge of systems and rules to your benefit. They know all the loopholes and dodges, so involve them in reviewing procedures and contracts.

11.1.8 The ego

Some people have a compulsion to look good and be right, to the point of stubbornness. When you want someone to stonewall outside clients and companies in the firm's interests, it is wonderful. When you want this type to follow your lead, it is a different matter. Feed their passions when it does not matter and there is more chance they will listen to you when it does.

11.2 Providing regular feedback to your team

Providing regular and effective feedback is a key, but often under-utilised, element of effective practice management. Whether it is called an appraisal, an annual review, a career development discussion or a performance and development review (PDR), it is important for both parties to make the most of the opportunity and avoid it becoming just an ineffective exercise. At a time when there is an even greater need for a clear focus on business priorities and clarity on mutual expectations, this is an important investment of time from both sides.

So what can be done? Let's consider it from both sides of the coin, beginning with what you should do as team leader. First, do your homework.

Take a dispassionate and strategic look at how your team member has been contributing, not just in the week before the meeting but over the past six to 12 months. Where is your team member strong? Be specific and ensure you can give some, if not a lot, of positive reinforcement of where this employee is exceeding your expectations. Take stock of how he or she is doing relative to others in your team, or across the firm.

Second, get your thoughts down on paper. It is, of course, quite possible to choose an informal setting and approach and take it as it comes with no real agenda, but it is also too important of an opportunity to not be businesslike. In a falling market, thinking about what you want to achieve and having a clear agenda is being professional. Of course do lunch, whether to celebrate or commiserate, but separate the processes.

When creating this agenda, you should think about what you will say to set the context. Next, take soundings from others in order to assess progress over the past review period. This way you will be able to identify potential new objectives. Once you have done this, think about these from the other side so you can present these new objectives in a way which leads to real commitment, not merely compliance. Some other questions you should consider are: What talents and capabilities does your team member possess? Where could this member benefit from some development? Finally when assessing this individual, it is important get the balance of the meeting's focus right; for example spend 20 per cent of the meeting on looking back, 20 per cent on the present and 60 per cent on the future.

There should be no surprises. Your conversation should not be highlighting issues that appear to have come out of the blue. Performance issues do need to be addressed and the PDR has a role to play in the process – but it is only one part. Any issues concerning poor or underperformance should be a continuation of previous discussions. You should make sure you do not rush the meeting and are you willing to invest at least an hour of uninterrupted private time, if not more. Think about the symbolism of where you meet, what the seating arrangements are like and other small details. You should also view this as an opportunity to get feedback too. Are you part of the solution to

enhancing performance, or part of the problem? Do you ask for feedback in a way which is open and authentic?

This leads into looking at this meeting from the other side – the team members' perspective. Here are some ways in which your team members can ensure they get the most out of the process. By being aware of their preparation process, you can also be more primed for this meeting. First, they should not assume that the team leader has done his or her homework, so they should come well prepared. They would be well advised to bring evidence of their successes and achievements. Vague assertions of how well it has been going will not wash, particularly in the current economic climate. Second, team members could try to influence the timing of the conversation. What time of day or day of the week are they at their best? When are you, as team leader, more likely to be in the right frame of mind?

Most likely the best advice for team members is to be imaginative and innovative. It is always important to think creatively about the future, and this is even more so in a challenging financial climate. In a tough market, using downtime well could make a real difference. Just doing more of the same is not enough.

Finally, team members should be realistic and honest. If they have not had the best year or have had a problem with a client or others that proved to be difficult, they need to be open to feedback. Getting defensive and denying what has taken place will not help them. Above all, both parties need to make this a conversation with a real purpose and outcome – a *PDR* where *purpose* plus *dialogue* leads to *results*, rather than a *paper-filling destructive ritual*.

11.3 Developing effective top team working

Many people would say that surveying is a very specific type of professional activity, with individualism and strong-willed egos dominating the top tables of most successful businesses. At the same time, however, the more successful leaders of professional firms recognise the need to recruit others with complementary skills and are adept at surrounding themselves with a good team. The need for effective team working is particularly

important at the top of a practice. Boards are, or should, make a difference. So why do so many fail to operate as well as they should?

One reason is that most suffer from a lack of reality on how they actually operate in practice. Many think they are a team when, in fact, they are only a group of autonomous individuals – at best, a high-performing, single-leader working group. Sometimes, though, they are no more than adequately performing managers delivering on their agendas with their team leaders and the chief executive or managing partner holding them accountable for their area of responsibility.

Many top teams, for the majority of their time, are not teams at all. Some can succeed for a while on this basis, but when conditions tighten, the cracks begin to appear. Ultimately this is a precursor to business underperformance or failure. So what can you do about it? This section outlines the four basic dimensions of team discipline. If your team focuses on these, there is more than a fair chance that it will be more than the sum of its parts. If not, it will likely be operating at less than its optimum, a cost your firm might well come to regret.

11.3.1 The critical 20 to 30 per cent

Any top team should first acknowledge that for a majority of the time, perhaps as much as 70 to 80 per cent of the time, it will not be operating as a top team and this is fine. However, it is equally important to identify and agree on those issues – the critical 20 to 30 per cent – for which it is absolutely essential that it does operate as top team. These are the issues on which each top team member will hold each other **mutually** accountable, rather than the practice head (or managing partner) holding each member **individually** accountable. These are the areas where a lack of team discipline can lead to the collective downfall of a practice. This first issue is really challenging but absolutely vital. In summary: Are you clear what is, or should be, in your critical 20 to 30 per cent?

11.3.2 Agenda setting

It can often be quite insightful to review periodically what a practice or business leadership team is actually spending its time discussing at board or other meetings. So often, the rhetoric of being strategic and operating as a team looks much less

realistic once an actual review of the formal agenda over a couple of months takes place. The urgent requirements force out the important, operational, strategic, short term and long term goals. In summary: Does the board agenda reflect the right issues? Is the team spending enough time on the critical 20 to 30 per cent?

11.3.3 Ground rules

Being promoted to a practice leadership role is typically based on high personal performance and an ability to earn high fees and to lead a team of like-minded professionals. Given this typical career trajectory, it should be no surprise if it is a tough transition for these individuals when they are required to operate with the collective interest of the team as the predominant motive. This is not to suggest that team working does not happen on the way to the top – it does, but it is a different experience. At the top, the issues are generally more complex and yet, paradoxically, often require the top team to reach a realistic, uncomplicated resolution by simplifying this complexity.

In addition, the implications and impact of the decisions taken are more significant, and the visibility of the senior team is more wide-ranging. One or more practice leaders looking dejected or behaving inadvisably can send cataclysmic signals across a business. Given this, it can often be

helpful for the leadership team to consider questions such as: What behaviours and ground rules should the team collectively commit to? How will the team avoid (or deal with) the leaking of sensitive information? For example, how will the team address cases where there is evidence of the political undermining of other members, or a lack of honesty about the performance of a member of the leadership team, or an unwillingness to talk about the elephant(s) in the room?

So often the vast majority of the time that leaders spend together is overly focused on what the team must deliver and not enough on how the team should behave individually and collectively to deliver its agenda. In summary: Has the team spent sufficient time recently thinking about *how* it operates as a team, as well as *what* it needs to do as the top team?

11.3.4 Team performance incentives

High levels of team performance do not just happen. They are often good indicators of what practice leaders give their attention to and value. If all the rewards are for individual performance, the leaders should not be surprised if that is what they get, and should be even less surprised if team working is limited. In summary: Does the leaders' reward structure signal and reward team performance, or is it sending conflicting signals?

12 Conclusions

Since 1997, when the first edition of *Practice management guidelines* was published, many aspects of what was then seen as good management practice have become legislative necessities for which a practice must be able to demonstrate reasonable compliance. Practice leaders can benefit from taking stock of their own approach to practice management by reflecting on the questions which were suggested in the previous editions of this guidance note. For ease of reference these questions have been included in Appendix A.

However, since the second edition published in 2003, the business and professional context has changed and it is critical that practices have in place a number of key practices, policies and processes; these are considered **must do** requirements, listed in this section. There are also other matters which are evidence of sound commercial practice, and these are given in this section as **recommended** practices. Finally, the issues that firms should review and consider implementing are listed in the **advisable** category.

12.1 Must Do

Firstly, firms should have these key policies and processes in place:

- Documentation setting out the legal framework under which they operate and which summarises their business structure
- A policy setting out their response to regulatory risks and requirements including health and safety, data protection, money laundering, equal opportunities and general employment legislation
- Practices which comply with the requirements of RICS including, but not limited to, the need for PII and accounts for clients' monies and for recording the CPD of partners and employees
- Sound systems for financial management and control of their own and their clients' funds
- Procedures for documenting and periodically reviewing policies.

12.2 Recommended

Secondly, as a matter of sound commercial sense, practices should:

- Produce a statement which articulates their strategic direction and business plan, and within this a process that documents the key risks that could impact on their business
- Consider the importance of having suitable contingency and business continuity plans in place to deal with possible difficulties which could reduce, or lead to the failure of, the firm's ability to operate
- Develop an annual budget and cash flow forecast
- Develop a CRM programme appropriate to the size and complexity of their business
- Have a process for regularly identifying prospective clients and develop a business development plan for these targets
- Have a process for the periodic review of those plans annually, at a minimum, by the managing partner(s)
- Have processes in place to obtain feedback periodically from clients on the quality of the service provided, and have means by which this feedback leads to improvements
- Consider whether they should adopt a formal quality assurance system
- Develop a PDR process appropriate to the size and complexity of their business
- Reflect on the methods used to manage and control the flow of documentation and know-how, which is critically important to the delivery of professional advice.

A series of more specific recommendations in relation to financial management and control is highlighted in section 6.2.

12.3 Advisable

Thirdly, as a matter of sound future development, firms should consider the following:

- The potential impact of future strategic changes, and the possible scenarios and risks associated with these changes in the external environment
- Succession plans for key individuals
- Whether they need to enhance their approach to CRM
- Their policy in relation to the environment and sustainability
- The merits of having a more explicit policy on corporate social responsibility (CSR).

The application of the processes, policies and practices explained in this guidance note should not only help ensure that firms will comply with their professional and legislative requirements, but also help firms meet and ideally exceed the expectations of their clients and provide a fulfilling environment for employees.

Following proper standards in practice management should help ensure firms are commercially viable for the long term and can weather any economic climate.

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Appendix A:

Practice management – key questions

1 Introduction

In earlier editions, *Practice management guidelines* was phrased as questions rather than having the more formal guidance note structure. This appendix reproduces the questions from the second edition that individual practitioners and practices would still be advised to review. These questions cover the following:

- Practice establishment
- Practice context
- Practice strategy
- Practice planning
- Practice finance
- Practice relationships and service
- Practice development
- Practice people
- Practice policies and systems
- Practice leadership

2 Practice establishment: starting up a new business

During initial workshops, several people commented that a ‘mini guideline’ would be highly beneficial for those considering establishing a start-up practice to trade on their own.

There are many temptations to make you want to start on your own. For example, you may have developed a particular expertise and/or client base, or you might want a career change and greater autonomy. In some cases, going it alone may seem the only option. The advice of several agencies (commercial and government sponsored), to say nothing of banks and other financial service providers, tends to stress the potential upside of being your own boss. What about all the other considerations? This section suggests some important questions to answer and think through thoroughly before making this commitment.

Are you, and any family/partners who have a stake in your future, prepared for the change to self-employment?

- Why do you and your partners (if you have them) want to establish an independent practice?
- What steps have you taken to understand the work demands and the risks involved?
- How competent do you feel about marketing, administering and financially managing your own practice?
- Have you spoken to, or worked with, others who have succeeded in setting up in business on their own account?
- Have you committed these ideas to paper in the form of a business plan which includes:
 - The objectives of those involved
 - The objectives of the practice
 - The marketing investment
 - How your service will be delivered
 - Your plans for accommodation and administrative support
 - Your personnel plan
 - A budget and cash flow forecast?
- Have you considered the pros and cons of setting up as a sole trader, a limited company, a partnership, a limited liability partnership or a franchise?

Are the aspirations, abilities and relationships of the existing owner(s) clearly understood?

- Has each partner identified his or her personal aspirations and how they affect the practice’s business?
- Does each partner appreciate the contribution of his or her personal skills and capabilities to the practice’s current business?
- Do the partners appreciate the contribution each makes to the success of the business?

Have you identified a strategic niche?

- What gives your service the initial trading advantage:
 - Knowledge of a particular niche in the professional services market?
 - Knowledge of the needs of a particular set of clients?
 - A network of potential, or actual, clients to get you started?
- How do you assess if the demand for these services is what you think it will be?
- What will you do if it is not?
- Who are your competitors?
- Why is your service going to be different?

How are you going to market your practice?

- What marketing outlets do you have (e.g., networks of key contacts, a reputation or an established presence as a seminar speaker)?
- What else do you plan to do to market yourself?
- Is this activity budgeted for?
- How will you know if it is working?
- How familiar are you with the marketing opportunities now offered by the coming generation of business networking sites?

How are you going to ensure the participation of whoever you will need to work with?

- Do your plans assume:
 - One or more partners in the practice from day one?
 - The assistance and support of family members?
 - The support and custom of your initial clients?
 - The services of one or more associates?
- If so, why should those people have an interest in supporting your plans?
- Are you clear on what that interest is?
- What might go wrong?

What policies and procedures do you need from day one?

- How will you assess whether you are providing clients with the services they expect and want?

- Have you established the administrative systems you will need?
- Have you established the quality assurance system(s) you will need?
- Do you have a formal agreement with any partners who will work with you?
- Do you have a relationship with an accountant who will give reasonable service to you?
- Have you budgeted for and acquired the office equipment that you will need to start trading?
- Have you created a simple format for contracting the services of any associates who will work with you?
- Have you researched advice and guidance available locally through RICS, the Chamber of Commerce or local services such as the nearest Business Link office?
- Have you researched the support and advice available from banks and other companies whose own business interest is for you to start a business?
- What systems will you have to put in place in the first year or two of trading to ensure that your plans for years three and onwards are feasible? (Many start-up practices reach a saturation point where the founders can no longer do everything, but the risk of investing in support staff or juniors seems too large to take.)

Have you sorted out a budget for year one and a plan for years two and three?

- When will your cash flow become positive?
- How sensitive is your forecast to your assumptions about the market and the speed with which clients will pay you?
- What investment of time or capital are you making? How will you check that you are getting the return that you want?
- What level of income do you need to reach:
 - A break-even point for your practice?
 - A return commensurate with the time you will be putting in?
 - A return on any loans or other finance that you will be raising and investing in the practice?
- How will you be measuring the performance of the practice and your progress against your plans?

- Where do you want the practice to be in three years' time? What needs to happen in the next 12 months to ensure that you make it?

3 Practice context: understanding the business environment and the market

Are the key trends in the external environment clearly understood?

- Have you considered how medium term changes taking place in the external environment could have an impact on your services?
- Have you given adequate consideration as to how you will respond to these?
- Would it be useful to conduct a more structured STEPE analysis (see section 3.2 of this guidance note)?
- Have you identified some of the longer term, critical uncertainties which exist?
- Should you consider undertaking some limited or more comprehensive scenario planning to enable you and your partners to consider collectively the potential futures that you may have to respond to in the longer term?

Are the external trends that might affect the practice's future business identified and understood?

- Does the practice have plans to improve its services, target new markets, or change its share of existing markets? Does it have confirmation that the anticipated demand for its services will exist?
- Are the practice's plans translated into goals and targets (financial or otherwise) that it aims to achieve within an appropriate strategic time frame?
- How does it propose to review those plans in the light of changing business climates?
- What are the strengths and weaknesses of your main competitors?
- What are the strengths, weaknesses and aspirations of your collaborators?
- What are the strengths and weaknesses of your main clients?
- What are your own relative strengths and weaknesses?

What formal or informal market research do you have that gauges the demand for your particular services?

- What relevant data do you need on your markets?
- How is your business planning adjusted according to market data?
- How often do you compare your performance in particular markets with that of your competitors?
- When did you last review your marketing activities to ensure that they are focused and aligned with your practice strategy?

4 Practice strategy: developing or reviewing a strategy

The first set of questions examines how well the partners understand that each other's aspirations for their relationship is crucial to the success of the business. The rest of the questions then help towards recognising what it is that makes the firm successful now and in the future, as well as what might be preventing it from identifying new opportunities.

A practice may choose to define 'partner' for these purposes in either the strict business sense or as a broader term embracing all the people key to the implementation of the strategy.

Is the current match of the practice's capabilities to its market understood?

- Is there a clear, shared understanding of how the practice's existing capabilities serve its existing market, for example, through a well developed business plan that identifies what gives the practice its distinctive edge?
- Do the partners appreciate the dependence of that plan on their and others' skills and knowledge?
- What do the partners see as the critical success factors to delivering the current business plan?
- Do they appreciate what provides their current competitive advantage?
- What is the current financial situation of the practice, and its likely earnings and investment requirements in the next three years?

- How might the practice's market position be eroded in the future by new competitors or new demands from the market?
- What does your practice plan to do about any such erosion of its edge in the market?

Does the practice understand which unwritten traditions – of its own, its market or its professional specialty – help it to operate and which restrict its success?

- What percentage of the practice's current income is derived from its original business sectors and services?
- Has the practice made an assessment of the possible changes in demand for those services over the next strategic period?
- Has the practice assessed whether there is a changing demand for its services and whether there is a presumption that clients will continue to value the same expertise as they have previously done?
- Has the practice evaluated the need to acquire new skills and knowledge?

5 Practice planning: developing a business plan

How often do you plan the routine financial aspects of the practice?

- How are the financial objectives of the practice set out in a business plan?
- Do you have processes in place to determine your threshold of profitability in different areas of the practice?
- Over what period(s) do you calculate break-even points for the practice?
- For which areas of the practice do you calculate break-even points?
- How accurate is your budgeting and forecasting?
- At what intervals are budgets and forecasts reviewed by the partners?
- Are you getting the advice you need from your accountant, bank manager or other appropriate specialists?
- Are forecasts, budgets and management accounting adequately integrated into a financial management system for the practice?

- How often do you review options for obtaining finance?
- Have you tested the sensitivity of your financial plans to changes in the main factors which might affect them?

6 Practice finance: getting the numbers right

Most partners will be familiar with the major principles of management and financial accounting, profit and loss statements and balance sheets. Therefore this section concentrates instead on their financial management responsibilities. This includes:

- Monitoring actual trading to ensure adequate cash is available to the practice (a point of particular priority for the smaller practice)
- Monitoring actual trading to ensure the practice is maintaining adequate profitability
- Planning capital resources and investment adequately
- Improving financial performance via cost control, fees and credit control, and tax management.

Does the practice have adequate cash flow to meet its projected future commitments?

- What sources of cash is the practice utilising?
- What cash flow objectives are specified in the practice's financial objectives?
- What methods do you use to control sources and uses of cash?
- How often do you do cash flow forecasts? Is this adequate?
- Where cash shortfalls occur, are they accurately forecasted?
- What action is planned in the event of a cash shortfall?

Is this practice profitable?

- What profit objectives are specified in the financial strategy of the practice?
- How regularly do you assess the income and expenditure of the practice?
- How accurately can you assess the match between your profit objectives and your income and expenditure?

- Over what timescale do you forecast profits? How reliably are you able to budget?
- What controls of income and expenditure are in place?
- Are legitimate ways of minimising tax identified and used?
- What profit margins are made on different services, or from different clients?
- How accurately can you apportion significant overhead costs to different areas of business?

What actions have been taken to maintain and enhance performance through performance measurement?

- What measures do you routinely use to assess how well the practice is performing?
- Do you examine performance by:
 - Particular areas of business (or offices)?
 - Particular sectors?
 - Particular clients?
 - Particular types of job (e.g. those charged on commission, versus on a day rate)?
- Do your measures include:
 - Measure of profit against fees?
 - Measure of fee income against time?
 - Measure of billable time per person or partner?
 - Measure of people time billed per unit of partner time?
- Measure of profit against capital employed?
- What actions have you taken to change operational decisions as a result of performance measurement?

What actions have been taken to maintain and enhance performance through cost control and managing overheads?

- What approval procedures for expenditure against budgets are in place?
- Are financial transactions accurately recorded and assigned to the correct accounts against your budget?
- How often are variances between budget and actual expenditure examined? What actions are taken?

- When preparing budgets do you periodically 'zero base'; i.e. examine the necessity for the expenditure rather than project from previous years?
- How often do you review the costs of regular items purchased from your suppliers?
- What policies do you operate for paying your creditors?
- When did you last consider how much space you needed?

What actions have been taken to maintain and enhance performance through effective monitoring of fee levels?

- On what basis do you calculate the fees charged for a particular job?
- How do you assess whether or not the charges are at the level that the market will bear?
- In calculating fees, and assigning overhead costs to particular jobs and tenders, do you take into account the consumption of different overhead costs by the contract concerned?
- How do you assess the possible impact on the practice of raising fees, or a more aggressive billing schedule?

What actions have been taken to maintain and enhance performance through efficient credit management?

- How do you assess the possible impact on the practice of a more aggressive credit control policy?
- How much was owed to the practice at the end of last month?
- How much of that was overdue for payment?
- What interest would the overdue money have earned, even in a simple deposit account?
- How is credit authorised?
- How often are accounts payable monitored and by whom?
- Is there a defined credit control policy in action?
- Are interim accounts rendered promptly?

Does the practice manage its relationship with providers of finance to produce the best effect?

- Are you clear about your objectives from either bank finance or other sources of finance?
- Are you clear about theirs?

- How regular is your contact with your bank (or other investors)?
- When did you last review whether you were using the expertise and experience of the bank (or other investors) to best effect?
- How do you assess the benefits from any financing in the practice against the costs?
- Are you earning less from invested capital than what the financing is costing you?

How are capital investment decisions evaluated?

- When making capital investments, are the objectives of the investment clearly specified?
- What sources of advice are utilised?
- How are costs and benefits of the investment calculated?
- How are sources of funding for the investment identified and costed?
- Is the impact of taxation, grants and allowances accurately calculated?
- What potential cost or revenue variations are identified, and what contingencies are incorporated into risk analyses?
- How is the impact of the investment on the business plans identified?

How often do you review the practice's tax position?

- How well do you understand the options available for minimising the tax liabilities of the practice?
- Have you identified legitimate ways of minimising tax and are they being used?
- How do you know you have a good working relationship with your accountant?

How regularly do you consider retirement financial planning?

- Do the existing partners expect to realise their equity capital upon retiring from the practice?
- If so, do they plan to do it through:
 - Sale of the practice as a going concern?
 - Sale of equity to new partners?
 - Ongoing income from funds loaned to the practice?

- Is it intended that new partners will be chosen from existing employees? If so, on what timescale is the succession planned?

What are the critical financial aspects of succession to partnership?

It is often very flattering to be asked to become a partner; however, before deciding, the potential partner should have an opportunity to appraise the financial state of the partnership and the risks of, as well as possible returns on, the investment they are being asked to make. The practice might like to identify key questions the prospective partner may consider before making this commitment.

- Can the new partner trust and work with the existing partners?
- What is the practice's profit sharing policy?
- What risks might the practice be exposed to (especially if there are any pending or possible PI claims)?
- How confident is the new partner in the practice's strategy?
- How confident is the new partner that he or she will see a return on the investment being requested by the practice? How comfortable is the new partner with the risks he or she is being asked to share?

7 Practice relationships and service: client relationship management

In this section, the questions concerning client service follow the format of the current national standard for customer service, established by representatives of industries who have already learned that service is vital. Good service leading to referrals and repeat business is the most effective marketing strategy a firm can have. The final set of questions in this section complements the first five by asking how well the practice knows its market and how carefully it has analysed its marketing activity.

How reliable are your standards of client service? How do you know?

- What records do you have regarding each client's needs and requirements?
- How does the design of your organisation help you to respond to changes in clients' needs?

- How can you establish whether people work together to deliver better service?
- How do you judge whether all partners and staff are fully committed, in practice, to delivering effective client service?
- How do you know whether the service you provide is consistent?
- What criteria do you use to assess whether all departments/business units provide the same consistent standards of service?

How good is your communication with clients?

- When did you last check your documentation (for example brochures or letters) to see if all of it is still relevant to clients?
- Do clients understand the language used by your practice?
- How do you get information back from clients?
- When did you last seek a new way of getting this information back?
- How sensitive are you to clients' time pressures?
- How skilled are your staff at adapting their communication method and style to the individual client?
- How could your working processes and systems be made more simple and client-friendly?
- How up to date is your network management?

How do you judge the success of your working relationships with clients?

- How often do you ask yourself whether the clients' needs and feelings are identified and considered?
- Do you adapt your behaviour to suit any given situation?
- What standards of courtesy, accessibility and speed of response do you have and maintain?
- When a client's request does not seem possible, how much effort do people in the practice put into exploring ways of meeting the request?
- If the request cannot be satisfied, how do you explain why not?
- What is your success rate at retaining clients?
- How often do existing clients recommend you to new clients?

- What records do you keep of 'occasional clients'?
- What systems do you have to remind them of your firm and its services?

What effort do you put into understanding the client's perspective?

- When did you last ask yourself what the real problem appears to be from a client's perspective?
- How do you judge how proactive you are?
- When was the last time someone found a way of improving service?
- If you cannot meet a client's needs, would you recommend them to a practice that you know can?
- How do you vet those which you would recommend to clients?
- How do you monitor the client's perception of the value of your services and the value for money that you deliver?

How often do you look for ways to change based on feedback from clients?

- How often do you seek and obtain feedback from clients?
- Who is able to suggest improvements in service?
- Are complaints encouraged and taken as opportunities for corrective action?
- Who is able to implement improvements?
- Are staff encouraged to treat clients as they would like to be treated? How do you know?
- Have you tried to monitor the impact of staff morale on client service?
- When did you last look at the image a client has of your practice from that client's point of view?

How well do you manage relationships with your key clients?

- How often do you 'audit' and 'value' your client relationships?
- Do you have an explicit process for identifying, monitoring and reviewing key client relationships?
- How do you identify and develop the skills of your client partners and client service teams?

- What processes and technologies do you have that enable you to share information about your clients?
- How well do you really know your client's business?
- If clients visit your offices, what messages are they getting about your services?

8 Practice development: targeting marketing and business development

In this section, the questions concern benchmarking and other methods of comparing oneself to competitors or collaborators. Whilst benchmarking in the strict sense involves other organisations, various professional and national standards for professional work – as well as for management and service – can be seen as ready-made benchmarks against which to judge the practice's performance. Although imposed standards have been met with negative reactions in many professional service organisations, when used as benchmarks they provide targets for future business development.

Do you have formal or informal methods for benchmarking the practice's performance?

- How does the practice monitor the success of its business operations versus those of potential competitors?
- What formal or informal processes do you have in place for evaluating the performance of the practice relative to others?
- What formal or informal processes do you have in place for evaluating the operations of the practice compared with others in similar or other markets?
- What do you regard as critical to the practice's success? On what basis do you judge the standards you achieve in these critical areas?
- How much encouragement is given to staff to experiment with different ways of operating?

Do you use existing standards and guidelines as benchmarks?

- How do you decide what standards of performance are expected of staff or professionals at various levels in the practice?
- How do you judge professional work against the relevant professional standards?

- How do you judge your standards for managerial and administrative procedures, client service or other business activities of the practice?
- Which of the following have you formally adopted or considered as an informal check on current activities:
 - Relevant professional standards?
 - ISO 9000 or similar?
 - Investors in People?
 - National Vocational Standards?
 - Others?
- What targets has the practice set itself for incorporating standards of good practice into its work for the future?
- How familiar are you with the sources of assistance (financial and otherwise) regarding operational and development standards which are available to practices of your size?

How do you market your business?

- Which possible marketing options have you considered?
- How do you analyse which succeed and which fail? What about ones you have not thought of?
- How do you know whether your various marketing ideas are working?
- Do you have a marketing plan with targets, objectives, budgets and alternatives?
- Have you assessed the time and money you spend on marketing against the amount of business you expect to generate:
 - Generally?
 - From new clients?
 - From existing clients?

9 Practice people: developing staff and skills

The questions in this section emphasise the need for training and development, and especially learning, to be part of the ongoing business plans of the practice. The knowledge thus gained will, for a service practice, be stored in the minds of partners and employees and deployed in the way they do their jobs and relate to others, in- and outside the practice. The final questions, therefore,

concern the practice encouraging and supporting its people to develop themselves, and promoting its leaders to act as coaches, facilitating the performance and learning of others.

How do you maintain your professional market edge by recruiting and retaining well qualified and motivated professionals?

- Do you have clear job and person specifications for the roles for which you are recruiting?
- Do you have a rigorous process for selecting the right candidates when vacancies arise?
- Do you comply with the relevant employment law when offering a position to a new recruit?
- Do you give adequate consideration to the new staff induction process?

How do you link training and development plans to business plans?

- Do your business plans include a review of the future skills and capabilities needed in the practice's employees?
- What data do you collect and review to support that analysis?
- What plans have you made to ensure that those skills are either recruited or developed? What options have you considered?
- In the plans you have made, what specific objectives, priorities and timescales are set for individual development?
- Who is assigned roles and responsibilities for their achievement?
- How is the investment in skills development evaluated?

What do you do to encourage individual development?

- How many of the practice's employees do you regard as having a 'career' in the practice? How many do you regard as having a 'job'?
- Do you have a formal policy of developing a percentage of the practice's employees? What is it and how do you assess its success?
- How often do you formally or informally review people's development and aspirations?
- What personal development goals have you agreed with your staff?
- What percentage of partner time is devoted to helping others with their development?

- What financial resources are available in the practice to encourage individual development?
- When individuals or work groups acquire new skills or create new solutions to business problems, how do you acknowledge and reward their achievement?
- What formal or informal plans for people's career development in- or outside of the practice have you made with them?

Do you encourage partners to coach others in the practice?

- What leadership examples are set for professional or personal development?
- How well do you understand the individual goals and communication styles of your employees?
- What records do you maintain of those goals?
- How often, and in what ways, is progress towards those goals assessed?
- Do you formally recognise the value of developing skills through coaching?
- What opportunities do you create for employees to practise newly acquired skills?
- When mistakes are made, how do you handle them: by searching for someone to blame, or as an opportunity to learn?
- How do you make time more explicitly available for informal learning?

10 Practice policies and systems: ensuring effective and efficient delivery

Although policies and procedures can be tedious at times, some are necessary as they are part of the requirements of staying in business. Some are also useful towards saving you money in a variety of ways. There are even those that are strategic, as they form part of the special mix of capabilities that distinguishes your practice from its competitors.

These questions aim to help partners decide which policies and procedures fall into which category (necessary, cost-efficient or strategic) at this stage of the practice's development.

Do you periodically review the needs of the practice for policies and procedures?

- When did the practice last review the policies and procedures it has and consider whether they are needed?

- What percentage of staff had their opinions considered during that review?
- How were clients' requirements taken into account during that review?
- What sources of external expertise did you consider necessary?
- What type of review did you undertake to quantify the benefits of existing policies and procedures for the practice?
- What are the legal risks of not having adequate policies and procedures?
- What is the likelihood of lost business as a result of inadequate policies and procedures?
- How much time and other resources are wasted through not having good policies and procedures?
- What are the strategic benefits of certain policies and procedures?

How regularly do you design and implement policies and procedures that meet the needs of the practice?

- In designing new policies and procedures, or reviewing existing ones, are you aware of the current legal and regulatory requirements?
- Are there new policies and procedures planned to meet future operational priorities at a realistic cost? How do you know?
- When deciding to implement a new policy or procedure, on what timescale do you expect it to be needed (i.e. how far ahead does the practice find it desirable/necessary to look)?

Do you periodically evaluate the effectiveness of existing policies and procedures and identify opportunities for improvement?

- When did you last obtain feedback from staff (or clients if relevant) on how well critical policies and procedures are operating?
- When did you last consider what they are costing and whether there is a return on the investment?
- When did you last seek to improve the operation of existing policies and procedures?
- Are improvements to operating policies and procedures part of the practice's forward business plan?

11 Practice leadership: leading your management team

This part of the guidelines focuses on you as leader, along with your management team's leading responsibilities. The leader who is aware of, and able to make allowance for, his or her own personal attributes is more likely to be able to understand others and build effective relationships, another important issue. Without such understanding it is unlikely that the leader can either provide a shared sense of purpose, or develop a set of reward systems that result in the achievement of the overall purpose.

Reviewing performance objectively requires clear objectives. Self and peer understanding are also the foundation for understanding the myriad of informal, subtle interactions which can govern many aspects of behaviour within the practice. A further characteristic of practice leaders is the ability to develop others, to stimulate change and, above all, to keep the practice responsive to its changing environment.

How well do you know and develop yourself?

- How well do you know your personal aspirations from the practice? What are they?
- How well do you understand your preferred style of operating at work? What is it?
- How easy do you find it to question your assumptions about people and their actions?
- How easy do you find it to question your assumptions about business issues or problems?
- What personal targets have you set for your own continued development of self-awareness and interpersonal skills?
- When you decide on a course of action, how committed are you to taking personal responsibility for making it happen?
- How do you ensure your management actions set the example you would like others to follow?

How clearly do you understand others and the process of building effective business relationships?

- How well do you understand the aspirations of others, especially your clients, partners and employees?

- Do you fully understand what creates a sense of self-motivation in your fellow partners? What do you think they want to be famous for?
- What gets your employees out of bed in the morning and motivates them to work for you?
- How do you modify your style of operating and communicating to suit the needs of a particular task or to relate to others?
- How easy do you find it to listen to others and explore their point of view when the circumstances dictate?
- How easy do you find it to clarify and communicate your own point of view?
- How do you assess the level of diversity that is appropriate for the practice?
- How do you harness diversity?

What shared sense of direction do you provide?

- What shared sense of direction and common purpose have you established for the partners and the practice?
- Over what timescale does the vision extend?
- How much involvement of other partners and/or staff went into creating that vision?
- How do you check the degree to which the vision is shared by others in the practice?
- What actions do you take to communicate, maintain and reinforce the vision?
- How do you know the practice is 'on track'?

What formal and informal performance review and reward systems exist?

- What formal systems exist for assessing people's performance and aspirations?
- How do you clarify the specific goals, challenges and objectives for your fellow partners and staff?
- What actions and behaviours get rewarded in the practice? Are rewards based solely on seniority, or are they related to all aspects of job performance?
- Does your reward system reinforce your practice strategy and encourage co-operation as opposed to competition between groups?
- How do you deal with under performers and those who 'don't fit'?

Do you understand the culture and unwritten rules of the practice?

- How would you characterise the culture of your practice?
- Have you considered whether it needs to change? If so, in what ways?
- What are the unwritten rules that exist within the practice and govern behaviour? Do some of these inhibit performance?
- If you could write the ten commandments for the practice, what would they be? How do they compare with reality?

What amount of time and effort do you spend on the development of others?

- How do you identify what capabilities and skills you will need in the practice for the future?
- How do you establish the needs of individuals for growth and development?
- How do you translate these needs into your succession planning processes?
- What proportion of your time do you devote to the coaching of your team members?
- How do you balance the needs of individual professionals for freedom and challenge, with the need to give them direction, constraints and constructive feedback?

How well do you stimulate changes to aspects of the practice's operation?

- If the practice needs to change, how will you make it happen?
- What mechanisms do you have in place for assessing the need for change?
- How much time do you spend reviewing whether the practice's plans and strategies are still appropriate to its current business environment?
- What are your current priorities for improving the practice's business?
- How do you encourage the practice, and everyone in it, to continually or periodically question ways of doing things?
- Are they involved in a process, formal or informal, of continuous improvement?
- What example do you set when it comes to continual improvement and development?

Appendix B:

Business Link's legal structures definitions

The information provided here summarises detailed descriptions of the different legal structures from which you can choose to set up your business, as defined by Business Link. For more information, please see its website at www.businesslink.gov.uk.

1 Sole trader

Being a sole trader is the simplest way to run a business: it does not involve paying any registration fees, maintaining your records and accounts is straightforward, and you get to keep all the profits. However, you are personally liable for any debts that your business runs up, meaning your home or other assets may be at risk if your business runs into trouble. This makes it a risky option for businesses that need a lot of investment.

Management and raising finance: It is your responsibility to make an annual self-assessment tax return to HM Revenue & Customs (HMRC). You make all the decisions on how to manage your business. Additionally, you raise money for the business out of your own assets and/or with loans from banks or other lenders.

Records and accounts: You must also keep records showing your business income and expenses.

Tax and National Insurance: As you are self-employed, your profits are taxed as income and you also must pay fixed-rate Class 2 and 4 National Insurance contributions on your profits.

Profits and liability: As a sole trader, any profits go to you, but you are personally responsible for any debts run up by your business. This means your home or other assets may be at risk if your business runs into trouble.

2 Partnership

In a partnership, two or more people share the risks, costs and responsibilities of being in business. Each partner is self-employed and takes a share of the profits. Usually, each partner

contributes to the decision-making and is personally responsible for any debts that the business runs up.

Unlike a limited company, a partnership has no legal existence distinct from the partners themselves. If one of the partners resigns, dies or goes bankrupt the partnership must be dissolved, although the business can still continue.

A partnership is a relatively simple and flexible way for two or more people to own and run a business together. However, partners do not enjoy any protection if the business fails.

Management and raising finance: Partners themselves usually manage the business, though they can delegate responsibilities to employees, and raise money for the business out of their own assets and/or with loans. Some businesses have 'sleeping' partners who contribute money to the business but are not involved in running it.

Records and accounts: The partnership itself and each individual partner must make annual self-assessment returns to HMRC. It must also keep records showing business income and expenses.

Tax and National Insurance: As partners are self-employed, they are taxed on their share of the profits. Each partner also must pay Class 2 and 4 National Insurance contributions.

Profits and liability: Each partner takes a share of the profits and is personally liable for the debts. Therefore creditors can claim a partner's personal assets to pay off any debts, even those debts caused by other partners.

In England, Wales and Northern Ireland, partners are jointly liable for debts owed by the partnership and so are equally responsible for paying off the whole debt. They are not severally liable, which would mean each partner is responsible for paying off the entire debt. Partners in Scotland are both jointly and severally liable.

However, if a partner leaves the partnership, the remaining partners may be liable for the entire debt

of the partnership. Also, a creditor may choose to pursue any of the partners for the full debt owed in the case of insolvency.

3 Limited liability partnership

A limited liability partnership (LLP) is similar to an ordinary partnership in that a number of individuals or limited companies share in the risks, costs, responsibilities and profits of the business. The difference is that liability is limited to the amount of money they have invested in the business and to any personal guarantees they have given to raise finance. This means that members have some protection if the business runs into trouble.

Management and raising finance: Usually the members manage the business, but can delegate responsibilities to employees. They raise money out of their own assets and/or with loans.

Records and accounts: The LLP itself and each individual member must make annual self-assessment returns to HMRC, as well as file accounts with Companies House. An annual reminder letter will be sent to the LLP a few weeks before the due date requesting the business to download the form from the Companies House website (see www.companieshouse.gov.uk). The form must be completed and returned to Companies House with the appropriate fee.

Tax and National Insurance: Members of a partnership pay tax and National Insurance contributions on their share of the profits, which is taxable as profits of a trade, profession or vocation. Members remain self-employed and subject to Class 2 and 4 National Insurance contributions.

Profits and liability: Each member takes an equal share of the profits, unless the members' agreement specifies otherwise. Liability is limited to the members' investment and any personal guarantees given.

4 Limited liability company

A limited company exists in its own right. This means the company's finances are separate from the personal finances of their owners. Shareholders may be individuals or other companies. They are not responsible for the company's debts unless they have given guarantees (of a bank loan, for

example), but they may lose the money they have invested in the company if it fails.

The *Companies Act* 2006 makes a number of changes that will affect directors and shareholders of limited companies (covered in section 10.3.1).

There are three main types of limited company.

Private limited companies can have one or more members, such as shareholders, but cannot offer shares to the public. **Public limited companies (plcs)** must have at least two shareholders and have issued shares to the public to a value of at least £50,000 before they can trade. **Private unlimited companies** do not limit shareholders liability. They are rare and unlikely to be of merit for professional practices.

Management and raising finance: A director or a board of directors make the management decisions, while finance comes from shareholders, loans and retained profits. Public limited companies can raise money by selling shares on the stock market, but private limited companies cannot.

Records and accounts: Accounts must be filed with Companies House before the time allowed to avoid a late filing penalty; they must be audited each year unless the company is exempt. When filing the annual return for the first time, a letter will be issued to the registered office containing the company's authentication code and instructions for use of Companies House web filing services.

Tax and National Insurance: If a company has any taxable income or profits, it must tell HMRC that it exists and is liable to corporation tax. Companies liable for corporation tax must make an annual return to HMRC. Company directors are employees of the company and must pay both income tax and Class 1 National Insurance contributions on their salaries.

Profits and liability: Profits are usually distributed to shareholders in the form of dividends, apart from profits retained in the business as working capital. Shareholders are not personally responsible for the company's debts, while directors may be asked to give personal guarantees of loans to the company.

5 Franchise

Buying a franchise is a way of taking advantage of the success of an established business. As the franchisee, you buy a licence to use the name,

products, services and management support systems of the franchisor company. This licence normally covers a particular geographical area and runs for a limited time, after which it should be renewable as long as you meet the terms of the franchise agreement. The way you pay for the franchise may be through an initial fee, ongoing management fees, a percentage of your turnover, purchase of goods from the franchisor or a combination of these.

A franchise business can take different legal forms, with most being sole traders, partnerships or limited companies. Whatever the structure, the franchisee's freedom to manage the business is limited by the terms of the franchise agreement.

Management and raising finance: The franchise agreement usually sets out how the franchised business should be run, although it may allow

some flexibility. The franchisor usually provides management help and training to franchisees. Normally the franchisee must find the money needed to start up the business, but the franchisor may sometimes loan some of this.

Records and accounts: These depend on the business structure that the franchisee chooses for the business. As well as the usual legal requirements, the franchisor often expects the franchisee to show detailed financial records.

Tax and National Insurance: These depend on the business structure that the franchisee chooses for the business.

Profits and liability: Often the franchisee pays a percentage of the business turnover to the franchisor, which brings down the overall profits. This depends on the business structure that the franchisee chooses for the business.

Appendix C:

Reviewing potential targets

This short questionnaire is designed to help you assess if the time investment in seeking new business from a potential target is likely to pay off. Consider a potential target and score against each question. What issues do the questions raise?

1. I have existing contact with the target.

<i>Definitely not true</i>								<i>Epecially true</i>	
1	2	3	4	5	6	7	8	9	10

2. I have been in contact with the target for some appreciable time.

<i>Definitely not true</i>								<i>Epecially true</i>	
1	2	3	4	5	6	7	8	9	10

3. I have a contact in the target company who is a key influencer.

<i>Definitely not true</i>								<i>Epecially true</i>	
1	2	3	4	5	6	7	8	9	10

4. I enjoy a close relationship with my contact.

<i>Definitely not true</i>								<i>Epecially true</i>	
1	2	3	4	5	6	7	8	9	10

5. I have done past work for the target and/or the contact.

<i>Definitely not true</i>								<i>Epecially true</i>	
1	2	3	4	5	6	7	8	9	10

6. I have good sources of information on the target.

<i>Definitely not true</i>								<i>Epecially true</i>	
1	2	3	4	5	6	7	8	9	10

7. I have considerable information on the target.

<i>Definitely not true</i>								<i>Especially true</i>	
1	2	3	4	5	6	7	8	9	10

8. I understand the nature of the target's business.

<i>Definitely not true</i>								<i>Especially true</i>	
1	2	3	4	5	6	7	8	9	10

9. I have a good sense of the commercial needs and strategies of the target's business.

<i>Definitely not true</i>								<i>Especially true</i>	
1	2	3	4	5	6	7	8	9	10

10. I can predict the professional needs of the target.

<i>Definitely not true</i>								<i>Especially true</i>	
1	2	3	4	5	6	7	8	9	10

11. I have discussed the target with other service providers within my firm.

<i>Definitely not true</i>								<i>Especially true</i>	
1	2	3	4	5	6	7	8	9	10

12. I am able to use existing clients as a referral point with this target.

<i>Definitely not true</i>								<i>Especially true</i>	
1	2	3	4	5	6	7	8	9	10

13. I have developed a tactical marketing plan for winning the target's business.

<i>Definitely not true</i>								<i>Especially true</i>	
1	2	3	4	5	6	7	8	9	10

14. I have already undertaken one or more tactical marketing activities with the target.

<i>Definitely not true</i>								<i>Especially true</i>	
1	2	3	4	5	6	7	8	9	10

15. The target has responded favourably to the marketing activities.

<i>Definitely not true</i>								<i>Especially true</i>	
1	2	3	4	5	6	7	8	9	10

16. I know who the current advisors are for the target.

<i>Definitely not true</i>								<i>Especially true</i>	
1	2	3	4	5	6	7	8	9	10

17. I believe we are better than, and can replace, the current advisor.

<i>Definitely not true</i>								<i>Especially true</i>	
1	2	3	4	5	6	7	8	9	10

18. Based on this analysis I estimate the likelihood of this prospect to purchase services from us is . . .

<i>Poor</i>								<i>Excellent</i>	
1	2	3	4	5	6	7	8	9	10

Practice management guidelines

The management of surveying businesses

3rd edition, guidance note

This guidance note focuses on the processes and procedures which practitioners will face when managing and leading a surveying practice, be it in the private or public sector.

It is designed to provide advice to surveyors on the many different dimensions of practice management, from setting the strategic direction and effective financial management and marketing, to developing effective client relationships, shaping an effective team and motivating staff in the delivery of exemplary client service.

Where procedures are recommended for specific professional tasks, these are intended to embody 'best practice', i.e. procedures which in the opinion of RICS meet a high standard of professional competence.

It is recommended reading for those considering setting up in practice, or more experienced professionals taking on more significant leadership responsibilities. It will also help new entrants to the profession understand more about the wider range of competencies they will need.



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