



## MPF Meeting 6/3/08

### Managing Partner Roles and Delegated Responsibilities

Like all good research, this presentation raised as many questions as it provided answers, suggesting further interesting avenues for research. As part of the ongoing MPF survey series, Andrew Hedley, with George Bull in the Chair, presented the results of the international survey on the role of the Managing Partner, and how his/her responsibilities are carried out within their firm's governance structure. This report is necessarily a summary and full details can be found in the survey itself.

The survey focused on six major topics around the Managing Partner's:

- Freedom to act
- Freedom to monitor client satisfaction
- Freedom around non-budgeted expenditure
- Level of delegated power
- Balance between client work and management
- Frequency of selection

There were 123 survey respondents, of whom 74% were from the US, and almost overwhelmingly lawyers, and 21% were from the UK, of whom 69% were lawyers. Care needs to be taken therefore in interpreting the results.

Under **freedom to act**, developing strategy tends to be primarily the responsibility of the Executive Committee, whilst setting the budget overall was found to be split between the Managing Partner and the Executive Committee, with a very strong trend in the UK for this to be the responsibility of the Committee. Appointment of new partners is predominantly the responsibility of the partnership as a whole, with the UK showing more of a disposition towards the Executive Committee, although one suspects that some clarification is required in the survey between initiation of partnership proposals and approvals. One comment best sums this up: "The Managing Partner has overall responsibility for professional performance, but strategy and hiring decisions at the partner level require a broader consensus".

On the unpleasant topic of "censuring" partners, the majority view was that this is the responsibility of the Executive Committee, although it is clear that in the larger firms this is more the responsibility of the Managing Partner, reflecting how the 'modus operandi' changes with increasing scale of firms. If non-partners are to be censured, then the responsibility falls understandably more towards the Managing Partner. On performance evaluation, responsibilities within the survey group are split between a committee other than the Executive Committee, the Executive Committee itself, and the Managing Partner, with a very marked tendency for this to be the responsibility of the Managing Partner in the

very largest firms. Finally, the approval for the appointment of new staff is predominantly the responsibility of the Managing Partner.

**Monitoring Client Satisfaction** is very important to the success of a firm. Here there were some quite surprising results, reflecting partners' sensitivity – especially in law firms – around contact with 'their' clients. First surprise was how in some firms the Managing Partner appears not to be authorised to monitor performance at all, or only under very tightly controlled conditions. The most popular methods appear under the collective title of 'other' ways such as corporate hospitality events, through external professionals, and with the 'permission' of the relationship partner.

Most respondents agreed that the Managing Partner has limited but adequate discretion to **authorize expenditure outside of the agreed budget**. They also agree that the Managing Partner's **formally delegated authorities are fully understood** to a great degree amongst the firm's partners/shareholders.

**The time balance between doing client work and managing the firm** is clearly a source of frustration to many – understandably. Generally, as one might expect, the larger the firm, the less client work the Managing Partner gets to do. For a smaller firm, the higher is the expectation that the Managing Partner will undertake significant quantities of client work. In discussion, it was pointed out that Managing Partners need to maintain some client work so that they can continue to be 'current' in their practice, and so that, once their term of office is over, they still have some form of client base.

Finally, the survey tested the **frequency of election** of the Managing Partner. The majority of firms elect every 3 to 5 years. However, over 10% appear to only elect a new Managing Partner when the current incumbent relinquishes the post, presumably at his or her discretion, whilst a further 10% or so elect every year – but note that this group are all North American based and hence Law firms.

There were some interesting quotes from the respondents around the role of the Managing Partner, especially to do with the limits of power, and hence the need to work by creating consensus amongst the partners, and around the need for the incumbent therefore to be a leader as well as a manager. For example: "The role of the Managing Partner is a leadership role. As a result, the Managing Partner has as much authority as his leadership abilities allow. If the partners lack confidence in the Managing Partner's ability to lead, change is required." And "In our firm the Managing Partner has no power of position, only the power of persuasion". In subsequent discussion, the point was made that the Managing Partner needs to be the one to lead change and that this can only happen when 'the pain of staying where you are exceeds the pain of making changes'. In this situation, one respondent remarked that "A benevolent dictatorship beats a management committee any day".

Suggestions for future research included ideas around how the Managing Partner is elected; what are the appropriate relationships between Managing Partners, Senior Partners and COOs (taking into account differences in nomenclature), and the differing splits in authority; and what are appropriate structures for governance and management. A key and high value factor to identify is whether any particular structures and/or relationships pre-dispose firms to success –however defined- or not.

