

Essential Advice for the New Managing Partner

A new generation takes over the corner office. What they need to know now: [Join the survey, get the results.](#)

by Rick Telberg
CPA Trendlines

The same generational shift that has the accounting profession fretting about succession, mergers and millennials is also wreaking havoc in another sector of the firm: the office of managing partner.

By one CPA Trendlines study of a fairly typical global association of firms, roughly 25% of the managing partners now serving have held the job for two years or less. In a business that measures job longevity in decades, two years represents rookie status. Considering the advance of age and consolidation, we estimate that within another five years 80% of today's firms will be under new management.

This new generation of managing partner is bringing new energy and new ideas to the profession. But that hardly makes up for the lack of executive leadership training and experience of the new class of CEO. Mistakes are sure to follow: making big decisions too quickly, or too slowly; misunderstanding the business drivers or looking at the wrong ones entirely; failing to make the right relationships with the right people, or maintaining bad relationships for too long.

CPA Trendlines is canvassing practitioners across the nation and in firms of all sizes to sift out some of the best advice we can find for the rookie managing partner. [Join the survey, get the results.](#)

And so far, we're getting an earful.

First, one managing partner says candidly, “Are you sure you want to do this? You will be required to give your all, with little in return in the short-to-medium term.”

Charles Postal at Santos Postal in Rockville, Md., would advise rookies to first create and embrace a clear vision and agenda. But don’t make the mistake of assuming everyone in the firm will automatically jump on board. “Sell it to your partners one at a time in private,” Postal says. “Get their buy-in first before presenting it to the partner group.

“Listen to everyone,” says Chat Panday at EY Canada. “There is always something new that is being said.” Kerri Dickman might agree. Dickman says, “You have two ears, one mouth. Use them in the same proportion.”

“People are your most important asset. Treat them that way,” says Steven Bankler. Richard Lindsay says, “Treat your team like people, not underlings. And treat your clients like they pay your bills, not like they’re interruptions.”

“Always stay positive,” says Wendy Lee at Wall Foss Financial in Lakeland, Fla. “Communicate, communicate, communicate. Did I say communicate? Yes, very important with clients, peers and subordinates.”

Job Description

On paper, the job of the managing partner seems simple. August Aquila, a CPA Trendlines analyst and consultant to the profession, summarizes the simple stuff in two paragraphs:

- General responsibilities: Report directly to the governing committee and the firm. Responsible for the firm’s overall management and practice. Supervise overall marketing and business development effort. Manage the professional staff

and provide guidance for the support staff.

- Specific responsibilities: Coordinate the firm's practices among the different offices and departments. Implement the partnership agreement. Appoint heads of various committees. Represent the firm in community and professional organizations. Supervise governing committee. Oversee standing and ad hoc committees. Provide guidance on financial policies and work with the governing committee to develop personal and administrative policies.

But that's the easy stuff. To identify and quantify the strategies and techniques that define success at the top, Aquila joined a research team interviewing 150 managing partners at medium- to large-sized firms in the United States and United Kingdom. In the new book, "Leadership At Its Strongest: What Successful Managing Partners Do," Aquila and his co-authors apply the findings from the interviews and their combined 50 years of experience to identify four essential traits shared by successful leaders:

1. They provide a compelling direction and strategy;
2. They engage partners in the effort and gain commitment;
3. They initiate and execute activities that drive and support the firm's strategy and operations; and
4. They set a personal example by demonstrating an unswerving commitment to being the best.

In the follow-up report, "How to Engage Partners in the Firm's Future," Aquila and a research colleague identify the formula high-achieving managing partners use to unite and mobilize the partner team. It's more than, as is often said, "herding cats."

"Partners are the culture in a professional services firm," the researchers say. "What they believe, what they reward, what they

do and how they do it determines what and how things get done. And, if they don't believe in what the firm is doing, they will never be effective role models who think 'firm first' and actively bring the whole of the firm's services to their clients."

Six Major Challenges

The researchers identify six major challenges that multi-partner, multi-office firms need to address to engage their partners and to ensure everyone moves forward together.

They are:

1. Un-motivational firm vision.
2. Lack of clearly defined core values.
3. Lack of clarity around what being a partner means.
4. Ineffective or non-existent partner performance reviews.
5. Performance systems not tied to strategic initiatives.
6. Lack of successful firm leaders.

Most firms consider these six challenges to be merely "touchy feely" aspects of running an accounting firm. "But unless you embrace these challenges," the authors say in their report, "and get your partners actively engaged and performing for the firm and its future, you may find yourself without clients and without a viable future."

In another study, CPA Trendlines analyst and practice advisor Marc Rosenberg calculates how much managing partners give up in billable hours to take the CEO position. Most partners book about 1,100 billable hours a year, he figures. But managing partners at firms grossing over \$20 million a year charge only about 632 hours. At a firm of \$10 million to \$20 million in fees, the managing partner bills 736 hours. And at the smallest multi-partner firms, those grossing \$2 million to \$10 million, they bill 959 hours. So, depending on the size of the firm, they give up 15% to 40% of their personal books of business. That's a big hit that requires some

considerable planning, negotiation and, candidly, finesse.

“Your job is to manage the firm, that’s why you have the title,” a senior manager at a mid-sized tells CPA Trendlines. “If you are the largest rainmaker, you probably aren’t managing the firm.”

The best managing partners delegate managing a large client base and doing billable work to other partners. Instead, Rosenberg makes clear in his report, [“CPA Firm Management & Governance,”](#) they see four areas for their focus:

1. Manage the firm.
2. Bring in business.
3. Assist at a very high level in overseeing the firm’s largest clients and participate in sales pitches for new, large clients.
4. Limit billable hours to sophisticated consulting projects with large clients.

These are, without doubt, all good and necessary functions. But are they really the ones managing partners should focus on? Aquila would go further. His studies show there are at least eight other areas that can make or break a managing partner and the firm.

Eight More Managing Partner Performance Metrics

1. Future Thinking. The managing partner needs to be the one who’s looking three to five years into the future. He or she needs to be asking: “How is the market changing? How is the profession changing? Whom will it impact in my firm?”
2. Agent of Change. The managing partner needs to be the person who initiates change when change is necessary, which is constant these days. In connection with the implementation of change, he or

she has to assure everyone that change is the right answer.

3. Coach and Motivator. The managing partner needs to be coach and motivator for the other partners. He or she has to give the other partners responsibility, but he or she has to hold them accountable too. Holding partners accountable is very important and differentiates a successful firm from a so-so firm.

4. Cheerleader. The managing partner needs to be the main cheerleader for the firm. He or she has to convince people that the firm is a good place to work and provides all staff with opportunities for development.

5. Business Developer. The managing partner is usually one of the top business developers in the firm. By means of his or her position, the managing partner has an opportunity to develop as much or more business as any other partner or staff.

6. Community. The managing partner must be involved in the community. He or she is the representative of the firm and the community needs to see him or her involved and participating. It is very important that his or her face is seen in the community.

7. Organized. In order to do the job of managing partner, he or she needs to be very organized because of the many roles he or she plays in the firm.

8. Finger on the Pulse. Even though the managing partner needs to be looking toward the future, he or she must have his or her finger on the pulse of the firm. By this, Aquila means he or she has to know the numbers, has to be aware of production on a weekly basis, the level of billings this month and year-to-date, and of cash receipts. The bottom line of the firm is the managing partner's responsibility.

Still, we think the best advice we've heard so far for a new

managing partner comes from Julia Appleton in Porter, Texas, who recently left a large firm to launch her own bookkeeping practice.

She says: “See the last guy? Don’t be him.”

Good advice.

Rick Telberg is editor of [CPA Trendlines Research](#), a strategic advisory service published by Bay Street Group LLC, which also publishes the publications mentioned in this article, “[CPA Firm Management & Governance](#),” “[How to Engage Partners in the Firm’s Future](#),” and “[Leadership At Its Strongest: What Successful Managing Partners Do](#).”