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Managing Partners Speak Out on Their Relationships With Firm Administrators

Behind every outstanding firm administrator is a managing partner who is committed to a great partnership with that firm administrator. That arrangement is, of course, the ideal. Firms with such a partnership—or those that are working toward one—will find much to learn from the commentary provided during a managing partner panel at the Association for Accounting Administration's Practice Management Conference in Providence, Rhode Island.

During the session, four managing partners discussed their relationships with their firm administrators, their expectations, and why they are grateful for the contributions made by their firm administrators. Though these four managing partners are committed to and supportive of their firm administrators and to good firm practice management. One of the participating managing partners stated upfront, "We don't have it all figured out."

What managing partners want from their firm administrators. "Comfort" was a commonly used term to describe what the managing partners believe would be ideal in a firm administrator. This individual should be "comfortable as team leader," said Michael McDowell, McCrory & McDowell (Pittsburgh; mmcdowell@mccmcd.com), adding that his firm's administrator is also a partner and is on the executive committee. His firm has about 92 people and has a number of specialty practices in addition to traditional accounting and tax.

Comfort is also key at Kahn Litwin Renza & Co.

Ltd. (Providence, RI), said the managing partner, Alan Litwin (alitwin@kahnlitwin.com). His firm's administrator is a principal. "Communication skills with senior and younger people" are essential. The firm administrator should "be able to bring everyone together." His firm has 110 people in two offices, with a traditional practice plus some specialty areas.

Diplomacy is important, added Rodney Byrne of Wright Griffin Davis & Co. (Ann Arbor, MI; rbyrne@wgdandco.com). He also appreciates problem-solving abilities and multitasking skills. His firm has 43 people, and is managed by second-generation leaders, with the third generation up and coming.

Other desirable traits, according to Martin Shulman of Caras & Shulman PC (Burlington, MA; mshulman@carasshulman.com), include: "Experience, HR involvement, interaction with staff, being an independent voice to the partners." He added that the firm administrator "is often a sanity check." Shulman's firm has 30 people and has a traditional practice.

When asked for more specifics about what they expected their firm administrators to do for their firms, Byrne explained that establishing centralized systems for partners and the firm is critical. "This gets leverage for partners and managers."

Litwin believes that the firm administrator should "execute our strategic plan. Success of our plan can be measured pretty easily."

All four managing partners said their firm admin-

istrators attend all or most partner meetings (occasional issues related to partnership matters will exclude the administrator in some cases). In fact, the managing partners seemed a bit incredulous that the question was being asked at all, since the firm administrators at their firms are considered so central to the firm's management and operations. McDowell said, "I can't imagine not having the firm administrator there. ..." He sees his firm administrator as, in essence, his other half: "She frees me to do more strategic and long-term work, and I let her handle the daily issues."

Performance assessment and feedback.

This area is one in which even the best firms may need to make some improvements when it comes to managing firm administrator performance. It can be hard for partners to determine how well the firm administrator is performing if they don't understand what she or he does. The managing partners suggested that firm administrators need to have goals for the year and report on their progress in reaching them.

Feedback is another matter when it is between the managing partner and the firm administrator, noted Litwin. "There is daily feedback. I work very closely with the firm administrator." The administrator does have a formal, annual review each fall, with measurement of goals achieved and new goals set for the year ahead.

This approach is also used at McCrory & McDowell, although McDowell rates it "somewhat effective, since the firm has gotten more complex, with more 'moving parts.'"

Other firm management issues. The panel addressed a range of partner and managerial issues, many of which firm administrators are active in managing as well, including:

- **Succession issues.** The four panelists' firms are either well on their way to a succession plan or have one in place. This does not mean, however, that all issues have been addressed.

"We have a plan in place," Shulman said, but the work is by no means complete. "After the first

few retirements, it will always evolve. Modifications are always needed."

"We always do have concerns about younger staff staying in public accounting," Litwin noted, although his firm is less concerned about the next 15 to 20 years than the years after that. "We spend a lot of time on what it takes to run a firm and be a partner." There is also care taken to help staff develop career paths, he said. Building a connection to the people of the firm, not just the firm itself, is a retention strategy his firm is pursuing. "We want them to think about leaving us, not the firm, if they think of leaving."

Byrne's firm is facing a second-generation-to-third-generation leadership transition now, he said. Keys to succession success include "identifying people early, with a partner development program for all managers. Not all become partners, but all have the opportunity." Mentoring is another important piece of the plan.

McDowell's firm has a second generation "nailed down," but is struggling with the "dynamics of denial for those of us going toward retirement. The second generation wants to take more control. We need to let them influence decisions more." A related issue is the "economic shift of dollars: How to do it along the way?"

- **Staff retention.** Whether or not staff are on track to become partners, the four managing partners are sensitive to the market's realities, and their firms strive to assist in creating work-life balance, flexibility, training, and the other facets of practice that are attractive to staff now.

"Staff relations does include an element of retention," McDowell said. This includes "honest, timely performance reviews; communicating about firm issues both good and bad; a mentoring program that is part of the culture; fair pay; understanding risks and rewards; and flex life-work."

Communicating about the firm is a part of this as well. Litwin's firm has an intranet that is updated "constantly," e-mails about firm news, and monthly staff meetings at which financials and department

reports are shared. A year-end retreat includes the entire firm and discusses the firm's strategic plan. Intermittent updates are provided throughout the year on plan developments.

● **Nonequity partners/shareholders.** Several of the panelists have nonequity owners at their firms, while another said that this step is a controversial one.

Litwin's firm has nonequity owners who are both older practitioners and up-and-coming partners. All such partners have the title of principal, and he said that all are productive. McDowell's firm offers nonequity ownership status by invitation only, and uses this as a "pre-partnership" status. "It narrows or shortens the path to partners, helps retain, and shows our commitment. No one has ever turned down the invitation."

Byrne noted that the controversy over non-equity ownership status for firm administrators and other nonowner firm leaders is "a battle at a lot of firms now. It is extremely divisive among our partners," and the outcome has not yet been determined. An important issue in this debate, he feels, is the disconnect between the traditional measure of value in billable hours versus what he called the "intangible" value of

a firm administrator. Finding ways to measure contributions other than in billable hours would certainly help with this debate, he said.

● **Work-life realities.** When asked whether a 3,000-hours billable year is still a fact of life at their firms, the four managing partners said that so many hours sounded extreme, even in these days of increased work loads.

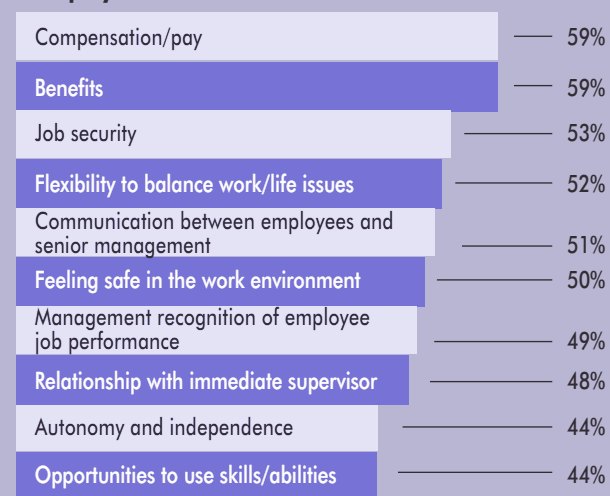
"It becomes a choice, not a requirement" to work long hours," Byrne said. "Set an example, starting at the top: Work a reasonable number of hours." What is reasonable? The panelists varied on that, although the middle 2,000s seemed to be about right to them.

Push too far beyond that limit, and work—and the workers—will suffer. Though the exact number will vary, McDowell said, 2,600 hours a year works for him. "At 2,700, I run out of juice, get distracted, tired." His firm is always seeking more efficiencies and effectiveness to take some of the pressure off billing greater numbers of hours.

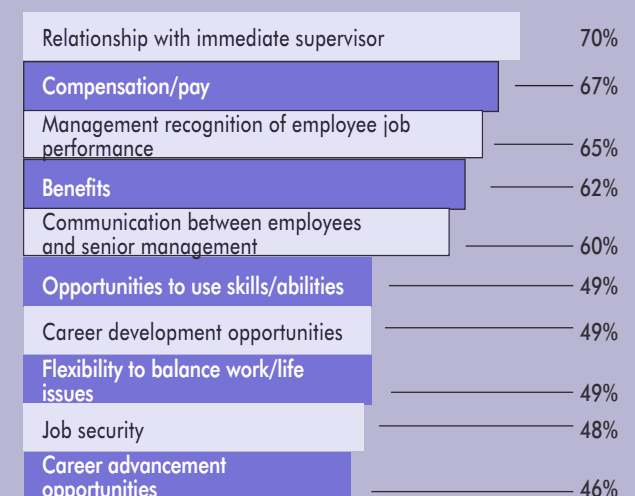
Shulman said 2,500 hours or so is about right, depending on how you compute those hours. Some client get-togethers, for instance, are often also personal, so they may or may not be included in

Top 10 'Very Important' Aspects of Employee Job Satisfaction

Employees' View



HR's View



(Source: SHRM 2007 Job Satisfaction Survey Report)

a partner's hours. As Litwin noted, "It is hard to target a number, because different people work different ways. How do you define work hours? Is business development counted? How about when business development involves four hours on the golf course?"

- **Partner performance issues.** A poorly performing owner is definitely not a matter for firm administrators to take upon themselves, the managing partners agreed. The firm administrator can, however, be a catalyst for change by encouraging the managing partner to deal with it, noted McDowell. "It's not for the firm administrator to resolve the issue, but it is her responsibility to hold me accountable for things I need to do."

- **Billing and collections.** Most of the panelists' firms try to keep these issues separated from the

partners; often, a separate person in administration deals with them.

"We try to have the billing manager deal with bills, with partners involved as little as possible," Litwin said. "In-charge accountants or managers draft the bill and the partner signs off on it. Our firm administrator says 'review it in so many days or out it goes.'" Collections are virtually partner-free, since the firm has a dedicated collector.

For more information. AAA can be contacted at 937-222-0030, www.cpaadmin.org.

More information about nonequity ownership and the issues related to it can be found in IOMA's audioconference on this topic, held on July 31. Visit www.ioma.com/cpa for more information or to order a DVD. □

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