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The Role and Responsibilities of the Managing Partner
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I became the managing partner (MP) in my prior firm after having spent 25 years serving clients as a practice partner. During those earlier years, I was fortunate to have been involved in the management of both a large and small office as well as having served several terms on the firm's management committee. However, I do remember wondering at the time just what my new role as MP would encompass. What were my responsibilities?

As firms continue to grow and develop, they begin to understand the importance of a proper governance structure and embrace the relevance of good management. Often in practice, the determination of who will fill the MP role is not based upon qualities of leadership, but rather on who has the largest book of business, and therefore power, or who founded the firm. Further, the role and responsibilities of the MP may vary from firm to firm.

The following are ten responsibilities each managing partner needs to address to ensure the success of the firm. Depending on the size of the firm and the stage of the firm's development, anyone of these responsibilities may be more crucial at any given time. In addition, as the firm grows, there will be other members of the team to assist the managing partner in fulfilling these duties.

1. Provide leadership

The most important responsibility of the MP is to provide leadership. The success of an organization starts at the top. The MP must lead by example exhibiting integrity, energy, enthusiasm, dedication, and commitment. Such behavior will become contagious throughout the firm.

Leadership requires frequent communication with the team to keep them informed of the firm's vision and current events, especially during difficult times. Such communication keeps morale high and the team motivated.

The MP should continually strive to improve on his or her leadership effectiveness through various forms of lifetime learning, such as attending conferences (both within and outside the CPA industry) and reading various types of books and publications.

2. Build an effective management team

As a CPA firm grows, it becomes more important for the MP to build an effective management team. Once a firm reaches around seven owners it becomes cumbersome to have all partners involved in decision making. At this size, a firm should consider adding an executive or management committee to discuss the direction of the firm and make policy decisions.

Another key position is the firm administrator or COO. Too often partners are straddled with administrative responsibilities that keep them from performing at a high level within the firm. In addition, they often don't perform the administrative function well as they would rather be attending to the requirements of a practice partner. A firm administrator can free up partner time, see that the firm is well administered and, perhaps most importantly, allow the MP to concentrate on improving the firm.

Other key positions that become important as the firm grows include an IT director, marketing director and HR director.

3. Keep your fingers on the finances

The degree to which a MP needs to be involved in the finances of the firm depends on the firm's size and the quality and ability of the internal accounting team. But in any case, I believe the MP needs to build and maintain solid banking relationships. A CPA firm is no different than its clients in this respect. I also found it important to monitor certain key performance indicators, some on a daily and some on a monthly basis. I kept my eye on productivity, both the receivable and work-in-process aging and the firm's cash position.

I also felt it was important to make time to "play" with the numbers and run "what ifs" to see that we were operating efficiently and managing our practice well. It is the MP's responsibility to make sure the partners work toward profitability.

4. Recruiting and retention

I am a true believer in *First who, than what*, as is well written by Jim Collins in his book, Good to Great. The MP needs to set a tone that the organization will hire and retain the best people available. The success of any firm initiative will be enhanced or suppressed by the people assigned to it.

I have found that partners will often make decisions on hiring based upon current workloads or profitability. The MP needs to keep the firm focused on the future so that trained personnel are available to meet growth goals. In addition, the firm needs to stay appropriately overstaffed in order to handle growth.

5. Deal with partner issues

If one believes that the whole is equal to the sum of its parts, then having a talented, focused and motivated partner group should be a top priority of the MP. Generally, CPA firms promote

people to the partner level because they have brought in a certain amount of business or they have a strong technical talent. This doesn't necessarily mean they are good business people or don't need continual counseling.

MPs need to keep partners focused and effective through coaching and mentoring. An effective partner evaluation system that holds partners accountable for their actions is an important tool as well. In addition, the firm's partner compensation plan should reward partners for the value they bring to the firm. Done properly, the whole may even exceed the sum of its parts.

It is also the MP's responsibility to see that the firm's operating agreements and partner agreements are current and effective. Too often the firm's agreements do not properly protect it from partner issues. These documents need to be carefully crafted.

Finally, the MP should be sure the firm is dealing with succession issues. This is an area that is becoming more important as baby boomers move through their mid-to-late 50s and into their 60s. Many firms are finding they have not properly provided for their future leadership needs and consequently their succession options are somewhat limited.

6. Ensure the firm deals effectively with risk management

We have all seen how devastating one or two bad client situations can be to the continuance of a CPA firm. MPs need to be sure that the firm has policies and procedures in place that will mitigate the risks facing the firm every day. Such policies and procedures should address:

- a. Acceptance and continuance of clients
- b. Going concern issues, especially in today's economy
- c. Quality control in all firm services
- d. Personnel policies
- e. Billing and collections

A part of effective risk management is frequent and effective communication to all members of the firm, but especially the partner group as they deal with so many decisions. The firm should provide CPE in risk management on a relatively frequent basis.

7. Participate in the decision making on insurance and benefits

The size of the firm and the management team talent available to deal with insurance and benefits will determine how much involvement is required by the MP. However, the MP needs to make certain that the firm is adequately protected from possible liability and that the benefit plans are consistent with the firm's culture and approach to recruiting and retaining people. Areas requiring attention include:

- a. Pension plans

- b. Professional liability insurance
- c. Health and related insurances
- d. Business Liability, D&O, etc.
- e. PTO plan

8. Take an active role in people development

Along with the HR Director, if the firm has one, the MP needs to make sure the firm is providing for the development of its people. This starts with a good orientation and “buddy” program for new hires and continues throughout the employee’s career. Firms seem to concentrate on the technical development of their people and ignore the soft skills, such as speaking, listening, people management and leadership. The MP needs to ensure the firm is addressing these issues as well.

In addition, the MP should be sure the firm:

- a. Provides mentoring to partners and other future leaders
- b. Coaches the firm’s stars to success
- c. Maintains the “team” atmosphere
- d. Deals promptly and effectively with conflict and performance issues

9. Provide strategic planning and vision

I find that very few firms give strategic planning the time and effort it deserves. My personal experience has been that a well thought out strategic plan helped my firm stay focused on what we were trying to achieve and allowed us to quickly identify distractions and put them to bed. The MP needs to lead this effort in the firm and communicate the vision often. Partners and employees want to know where the firm is headed.

The Managing Partner should:

- a. Make time to think about the future
- b. Staying informed of what is going on in the profession through reading, attending conferences and participating in association activities.
- c. Communicate the vision frequently and drive for results.

10. Be a catalyst for growth and expansion

Clients are looking for value-added solutions to their business issues. But commonly, practice partners are too busy to take the lead in developing these solutions. I believe the MP must continually push the firm forward and encourage the development of new service offerings. The more services a firm provides to a client, the more revenue per client is generated and the less likely it is that the client will sever the relationship.

The MP should also seek relationships with other service providers in areas the firm does not want to develop internally. A firm does not need to have the solution to every client need as long as it knows where to find it.

Finally, the MP should consider whether the firm desires to grow and expand its service offerings and client base through the acquisition of other firms and/or service providers. This can be a very effective method of growth and service expansion.

Summary:

This list of ten items is not meant to be a complete list of MP duties. Many spend significant time in public relations and other areas. Being a managing partner is a big responsibility. But it is also very rewarding. The managing partner has an opportunity to guide the firm to meaningful growth and profitability. In addition, he or she can play an important role in the development of the firm's people, providing leadership well beyond their own career.

About the author: Timothy I. Michel, CPA is a consultant to CPA firms and a former managing partner of a Top 100 CPA firm. He helps CPA firm owners create value in their practice by drawing on his own experiences to assist them in identifying and overcoming obstacles and focusing on opportunities to increase growth and profitability. For more information, visit the website at www.michelconsultinggroup.com or contact Tim directly at tim@michelconsultinggroup.com.