How Much Time Does It Take To Be An Effective Managing Partner?

By Gary Adamson, CPA

Most CPA firm partners ask the question a little bit differently. It goes something like: "We have X amount of revenue and Y number of partners, so how many chargeable hours should our managing partner have compared to the other partners?" And the next question usually is: "How big should the managing partner's book of business be compared to the other partners". If these two questions aren't a topic of conversation among your partners, they probably should be. We will give you some of the trends and also some guidance on where you should be.

First, it is much more important to make sure that you "manage" the managing partner's charge hours than it is to manage the size of their book of business. Most managing partners that we work with continue to maintain relationships with key firm clients as their firms grow and their duties as the managing partner grow. Those clients typically stay in the managing partner's book; but, they have to leverage the work differently than they used to and rely upon more involvement of other partners and staff to get the work done.

In the 2014 Rosenberg National MAP Survey (rosenbergsurvey.com) the average managing partner client base was $1.16 million for the largest 36 participating firms with revenue of between $20 million and $72 million. By comparison, the average client base for all partners, equity and non-equity, in those same firms was $1.20 million. So, in those firms there is no real difference in the managing partner's book.

The much tougher metric to manage is the chargeable hours of your managing partner and the time that is left to run the firm. How do you know where those numbers should be? It truly is a function of the size and complexity of your firm. The problem is that we don't adjust quickly enough as our firms grow and most managing partners are spending too little time leading and managing, and too much time serving clients. As a part of our managing partner coaching process we are almost always counseling our firms to find a way to reduce the leader's chargeable load.

The sad reality is that we see the trend for managing partner chargeability going the wrong direction - up. Average managing partner charge hours have risen over the last three years based on responses from firms with revenue up to $50 million from the 2014 Inside Public Accounting National Benchmarking Report (insidepublicaccounting.com). To be clear, these are not year-to-year same firm comparisons but rather averages from all contributors to the survey.

Emerging from the recession may have had something to do with the numbers with the "all hands on deck" approach that many firms adopted. But leading and managing an accounting firm is not getting easier in the face of competitive issues, succession issues and the returning people void.

In the 2014 IPA Benchmarking Report, for the 35 firms with revenues between $30 million and $50 million the managing partners' average chargeable hours were only about 500 hours less than the average practice partner. Is 500 hours enough to lead firms that are some of the largest in the country?

So again, how do you know where your managing partner should be? We use a pretty simple metric. First, for smaller firms (under $5 million) we don't see much relief for the managing partner beyond a good firm administrator who carries a lot of the load. We also often see several partners splitting up duties wearing different administrative and management hats. In the under 5M world your managing partner is probably getting 1100 or so charge hours like all of the rest of the partners.

When you arrive at that $5 million revenue threshold the <u>maximum</u> charge hours for the managing partner should begin to come down by about 100 hours and for every additional $5 million of revenue after that. If our starting point is 1100, a managing partner of a $10 million firm would be at no more than 900 charge hours, at $15 million no more than 800 hours and so on.

This is not an exact science but you need to consciously bring down the hours as the firm grows. It won't happen unless you plan for it. Most managing partners enjoy the client work, they're good at it and are sometimes reluctant to give it up. And, remember we're talking maximum numbers here.

Where do you stop? Our suggestion is that, with the exception of the very largest firms, you don't go to zero but rather level it out at 100 to 200 hours. The reason is that we believe it's important for your managing partner to have enough personal involvement in client service to stay knowledgeable of client concerns and issues. It really does help him or her stay grounded and connected.

Remember that these are guidelines. We see numbers all over the map depending on the firm and the makeup of the individual in the managing partner chair. Your goal should be to reduce the client service hours of your leader to free up time to serve what is your number one, most important client – the firm.

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