



Allies or aliens?

Peter Scott considers what every managing partner needs to know about working with their finance director

It was not that many years ago that few law firms outside the top 100 had managing partners and finance directors (FDs) with clearly-defined roles and responsibilities. Today, even though many more law firms appoint persons to positions they call 'managing partner' and 'finance director', the precise roles of each and the relationship between the two are still evolving, as firms and their cultures change in response to the challenges facing the legal sector.

The roles, personalities and abilities of managing partners and FDs come in many shapes and sizes. Because of such diversity, it is probably not very helpful to be dogmatic about what a managing partner and an FD should each bring to the relationship if it is to be successful.

However, having once been a managing partner, and now working closely with managing partners and FDs, has provided me with an insight into how they think about how each should approach their respective roles, which can be instructive when looking at how their relationship can be improved. With the benefit of hindsight, I share my thoughts on what I would, as a new managing partner, now do differently in relation to working with my FD.

Lessons learned

From my point of view when appointed as a new managing partner, having been on my firm's management board for a number of years, I considered I already knew my FD's capabilities, personality and limitations, and

he knew mine. He was an FD of the highest quality, having worked for one of the major accounting firms. If I had an agenda, it was to learn from him everything I needed to know as a managing partner about the financial management of a law firm, because I realised that, as a managing partner I had to 'do finance'. This is something I now strongly advocate to managing partners, because ultimately it is they who are responsible for the wellbeing of a firm. Amazingly, I still come across managing partners who do not 'do finance' and instead leave it to their FD; that can be risky.

However, at no point did I ever sit down with my FD and discuss how our relationship should work, what I wanted from him and what he would want from me. With the benefit of hindsight, at the outset of the

relationship I should have discussed and agreed with him the ground rules of how our relationship should work and, specifically, how we would each contribute to the successful financial management of the firm. This would have necessitated each of us being clear as to our respective roles and responsibilities and how those roles should 'mesh' together in a way that would be complementary and add value to the firm.

However, even today, not every managing partner and FD has a clearly-defined job description which is agreed by the firm.

I would also clearly set down the minimum performance criteria I would expect of my FD, including:

- ensuring best practice finance and operational procedures;
- optimising the management of capital and improving profitability;
- ensuring 'financial stability' and managing financial risk;
- managing bank, audit, compliance and regulatory relationships;
- measuring what matters (KPIs) and presenting clear and accurate reports; and
- engaging in a mentoring/coaching relationship with partners and other fee earners to improve their understanding of the firm's financial goals and the steps each of them can take to maximise their contributions to the firm's success.

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In my experience, too many law firms 'starve' their finance function of the necessary resources to achieve realistic performance levels. Accordingly, I would regard it as crucial from the beginning for a managing

partner to agree with an FD whether additional resources (people, expertise and technology) are required.

As part of gaining an understanding of how to work together, I would also strongly advocate to both a managing partner and an FD that they should at the outset identify each other's strengths and any areas where either might need to improve their skills or knowledge or change their behaviour (e.g. the ability to work well in a team) to improve their working relationship.

“The success of the MP/FD relationship is of vital importance to the firm's financial performance”

There are a number of ways to do this; one of the most effective techniques is to use some form of 360-degree feedback from colleagues working closely with both the MP and FD. If strengths and areas for development are identified which could help the relationship to work better and improve the performance of each, then the firm should put in place whatever performance development measures are required, because the success of the MP/FD relationship is of vital importance to the firm's financial performance.

One particular performance issue I come across with some FDs is the need to sometimes improve their communications skills. This issue usually surfaces because, for an FD, it is the case of an accountant trying to persuade a group of lawyers to follow certain financial disciplines, which often they just do not want to hear about. As an FD recently said, "profitability sometimes seems like an alien concept to some partners". That is when a managing partner will need to become involved, and sometimes it is even necessary to bring in a third party to do the persuading. That need not happen if an FD has the ability to communicate effectively. I would also suggest that FDs, as part of communicating effectively, try to 'get under the skin' of a firm's culture so they really understand how the partners think.

When I look back, one of the best changes I think I made to improve my relationship with my FD was to physically move him after several years (and with his

full agreement) from sitting in the finance department (for which he was of course responsible) into an office next to mine, with a communicating door, so we could talk to each other without having to leave our offices. We even shared the same secretary! This close proximity enabled us to improve our sharing of knowledge and information, so we were both more aware of what was happening in the firm. This ability to have easy access to each other contributed to our ability to work well together, which is a point always emphasised by FDs.

The FD's perspective

So far in this article, I have looked at the relationship from the viewpoint of a managing partner. Law firms, however, too often fail to take into account the needs and thinking of the FD. Consequently, relationships often either fail to or do not achieve their full potential, with the risk that a firm's performance can suffer.

To understand how FDs would like to work with managing partners, I recently spoke to several FDs to obtain their thoughts. It is perhaps indicative of the state of the MP/FD relationship that each shared their comments on the strict understanding that they would only be used on an anonymous basis!

Some common themes emerged from these discussions. There were several things FDs would like managing partners to know about the challenges they face in their roles.

“Managing partners can fail to appreciate the hurdles faced by FDs and to provide support when help is needed (most often when trying to deal with underperformance)”

One of the most frequent areas of tension mentioned is a failure by some partners to treat FDs as 'equals' which, of course in terms of professionalism and qualifications, they are. They are fellow professionals, although not lawyers which, even for some managing partners, is *the* problem. Calling an FD a 'non-lawyer' (a terrible term to use to describe another

10 WAYS THAT MANAGING PARTNERS CAN GET THE BEST OUT OF THEIR FINANCE DIRECTOR

- 1 Make them truly feel they are 'one of the team'
- 2 Work to build mutual trust and support
- 3 Empower them by respecting their professionalism and treating them as equals
- 4 Ensure they are clear as to their roles and the required level of their performance
- 5 Recognise their strengths (not just in relation to finance) and build on those strengths for the benefit of the firm
- 6 Support them when they need and deserve your support
- 7 Provide them with adequate resources to do their job
- 8 Challenge them when necessary and expect to be challenged
- 9 Always give them honest feedback (good and bad)
- 10 Fairly match their reward to their contribution to the firm. A simple 'thank you' for a job well done will also go a long way)

professional) and not treating that person as 'one of us' tends to lead to a lack of respect throughout a firm, which can then impact badly on an FD's ability to perform to the level required.

At one stage in relation to my own FD when I was managing partner, I had to confront a number of my partners who were behaving badly towards him (because he was trying to persuade them to improve their financial management). I had to tell them that they needed to begin treating our FD with the respect he deserved in view of the good work he was doing for us. I have heard numerous similar tales from others over the

years. These issues seem to have been largely resolved for FDs in those law firms which have become alternative business structures, where the FD has become a partner or other owner of the business and so is treated as an equal by virtue of that share of 'ownership'.

Another frequent issue FDs mentioned is a lack of support from managing partners when trying to do their job, which can be difficult at the best of times. Sometimes, this is put down to the fact that managing partners do not really themselves understand the basic requirements of what needs to be done in a law firm to drive, for example, cash management and profitability. One FD said: "What annoys me is a lack of humility or not accepting that he is not always right." As a result, managing partners can fail to appreciate the hurdles faced by FDs and to provide support when help is needed (most often when trying to deal with underperformance).

Some FDs complain that their managing partners expect to leave the entire job of financial management to them. In particular, they complain that managing partners do not deal with the details when sometimes they need to be addressed – i.e. they only want to look at strategy and 'the big picture'. Clarity as to the managing partner's and finance director's respective roles should be spelt out.

One former FD, who has also been the CEO at a law firm, said he considers that the FD is there to act as the conscience of the firm while the managing partner is there to lead, although he accepts that these roles can become blurred. He added: "It is important that the managing partner and the FD keep in close contact, as most strategic decisions are likely to have a financial implication and the FD should be giving an open, unbiased and realistic assessment of these."

A managing partner should also provide 'political clout' within the firm to ensure the FD is able to do his or her job effectively. If this is missing, then the managing partner is not carrying out his or her job properly. As mentioned earlier, the working relationship between a managing partner and an FD should really be a partnership which provides mutual support.

The top team

Many FDs regard themselves as making up, together with the managing partner, the 'top team'. This requires an FD to be

able to talk to a managing partner about all topics in an open and honest way without fear of recrimination or negative reaction, particularly if the news is not good. However, being seen to be part of the 'top team' can lead to jealousies by some partners, who fear that the FD is becoming too powerful (and too well paid).

"The working relationship between a managing partner and an FD should really be a partnership which provides mutual support"

There is the story about a partner in a well-known firm who some years ago rushed into the managing partner's office complaining angrily about the outrageously high salary he had just discovered the (highly rated) FD was being paid. The managing partner responded by asking the partner how much he had billed the previous year, to which the partner proudly said "£X million". The managing partner then explained that the FD had saved the firm many millions more than that and told the partner to 'go away' (but in not such polite language!).

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FDs can overcome this type of problem by ensuring that their managing partners understand how they are adding value to a firm and, in turn, managing partners should spread the message throughout the firm. ■■

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