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Managing Partner Term Limits: What is The Right Answer?

by Patrick J. McKenna

For some years now there has been a quiet and uneasy controversy within firms as to whether to limit the tenure of the firm leader. For me this has been a rather amusing question given the lack of internal adulation accorded most managing partners.

I mean, let's face facts. I often joke with new managing partners about what the heck they were thinking when they accepted the obligation. After all, being in any management position is what smart lawyers are seen to disparage, not lust after. In fact, most lawyers would tell you that anyone who appears too eager to take on a management position is suspect and these positions are largely seen as non-contributing drudgery. Meanwhile, partners are often quick to challenge anything that suggests that they are being led. And while as managing partner you may feel that you are contributing your time to the betterment of the firm and so your partners should appreciate your contribution, often your partners are thinking that you are serving at their pleasure; they are allowing you to hold the leadership title, so you should be beholden to them!

So here we have an important leadership role that people aren't exactly chasing after and one that isn't always internally accorded the respect that it perhaps rightfully deserves; and then we impose artificial limits on the tenure of the incumbent. Does this make any sense? Well, there are some compelling arguments both for and against.

The Argument AGAINST Term Limits

In my experience, veteran managing partners, whether serving part or full-time, will often admit that for a good part of their first year in office, they were flying blind. Why? I would speculate that their discomfort was largely due to the lack of guidance and training most new managing partners receive. Theirs is largely a sink-or-swim challenge. Those same veterans will also report that by year two they were beginning to feel some confidence and that only by year three were they really beginning to make some meaningful progress. Unfortunately, in many firms after three or four years, the firm is looking for some other partner to take his or her turn at serving in office.

So if this is the common experience of firm leaders, why would you ever want the person in charge of your firm's strategy and direction to be limited in their effectiveness to some arbitrary and bureaucratically mandated time limit?

Those that argue against term limits would say that the issue should not be about how long the managing partner serves. Rather the issue should be: does the managing partner deserve to remain as the firm leader based upon their performance. They would argue that good firm leaders possess the ability to refine their thinking to reflect the evolving needs of the firm and its changing business climate. Leaders that cannot adapt to a changing environment won't be effective whether they hold the job for 12 months or 12 years. Chronological tenure is not the issue…business savvy, leadership prowess and the ability to execute on the firm's strategy should constitute the metrics surrounding a managing partner's performance evaluation.

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And of course, if you are concerned about the firm leader's performance, you should start by selecting the right partner for the job and then ensure that they have a proper position or job description outlining their responsibilities and authorities (and unfortunately, according to my research only about 26% actually do). You then follow-up your thoughtful selection decision by providing the individual with the tools and resources necessary to get the job done. And finally, you compensate your managing partner for performance or hold him or her accountable for a lack thereof. The last time I checked, any managing partner can always be removed for lack of performance, or moral and ethical indiscretions, so what purpose do term limits serve?

It should also be recognized that the time needed to attain performance goals may vary depending on whether the managing partner is leading a highly successful firm or having to contend with a troubled firm – losing ground to the competition, drifting aimlessly without much defined direction, and likely facing partners with deeply ingrained behaviors. In other words, stating that the managing partner of a highly-successful firm should operate with the same term limit constraints as a managing partner of a troubled firm is both unrealistic and dangerous thinking.

So, if you have the wrong firm leader, replace him or her . . . and if your elected board is asleep at the switch and does not hold the managing partner accountable shame on them, but term limits . . . why?

This argument against term limits suggests that you should not hand-cuff or bridle your managing partner but rather give him or her the room to lead, maneuver, innovate and succeed.

The Argument FOR Term Limits

Over 35 years ago, two sports researchers, Eitzen and Yetman, in an obscure article entitled *Managerial Change, Longevity and Organizational Effectiveness* (1972) reported on a research finding that has significance to any debate on leadership tenure. These two academics found, from a large sampling of college basketball coaches, that a relationship actually exists between coaching tenure and team performance. The duo discovered that the longer the coaching tenure, the greater the team success. However, after a certain period – 13 years on average, the team's performance consistently began to decline . . . steadily.

Fast forward nearly twenty years and in 1991 two Columbia University professors, Hambrick and Fukutomi building upon this initial research, proposed a model outlining five discernable phases in the evolution of a CEO's tenure in office. Their research demonstrated that in the first phase the leader is working to develop an early track record, legitimacy and a political foothold. This is followed by a period where the incumbent has achieved small successes and established credibility sufficient to be willing to consider exploring new directions. In the third phase the leader tends to select a theme for how the firm should be configured and run from that point on – in other words, the leader selects those elements that seem to work the best and that are the most comfortable. By the fourth phase a period of refinement occurs wherein only a few new changes are made and those changes are largely designed to fine-tune earlier directions. At some point, job mastery gives way to boredom; exhilaration to fatigue; strategizing to habituation. Inwardly the leader's spark becomes dim and responsiveness to new ideas diminishes.

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Now interestingly as this happens and even thought the leader may be disengaged psychologically, his or her power is at an all time high. In a law firm context this managing partner may have appointed many of the current practice group leaders and office managing partners, had a hand in selecting board members, retains loyal supporters throughout the firm, and may even perhaps have developed an aura as the senior statesman. And none of these constituents are likely to have much of an appetite for disrupting a good thing.

For such firm leaders, even though the excitement of managing the firm may be long gone, giving up the title is generally an unappealing option. As a result, the duration of this dysfunctional stage in the leader's tenure can be protracted. Thus the primary risk to any firm from having an overly long-serving firm leader can be malaise and lethargy.

If we think about it — other than forced retirement for performance transgressions, why do managing partners depart? Many depart at mandatory retirement age or at a time when they just want to do it. Because the managing partner accumulates power as a function of time in office and because partners become comfortable over some years of prolonged firm success, mandatory term limits may be the only realistic way to ensure that the professional leaves office before his or her performance deteriorates.

Those that argue for term limits would say that while age is irrelevant, according to this empirical research, tenure may be very relevant. The central argument that this research proffers is that there are discernable phases within a leader's tenure and that these phases give rise to distinct patterns of attention, behavior, and ultimately firm performance. They suggest that organizations need to be alert to the dangers of their firm leaders staying too long in office. Aside from performance aberrations that need addressing, there is an optimum time to serve. Hence, the concept of term limits.

Conclusion

So where does all this leave us? We may well conclude that a managing partner's term in office can be both, too short or too long.

It can be argued from the research, that because of the learning process, a managing partner who leaves prior to three or four years in office has not had ample opportunity to achieve peak performance. Thus it may be harmful for firms to have some partner serve a three-year term, only to be followed by their successor launching the firm in some new direction before achieving any return from the complete implementation of the previous administration's initiatives.

One of the curious questions that this research raises is whether the deterioration that purportedly comes with an extended tenure can be forestalled. I would only guess that the answer lies strictly in the firm leader's own personal capacity for renewal. Ultimately the managing partner must retain a capacity for looking long-term, constantly studying industry trends, continually building fresh insights, maintaining a healthy skepticism about the status quo, and have a relentless curiosity for taking innovative initiatives.

I believe it is really the managing partner's state of mind that is the critical part — knowing that his or her identity is not all wrapped up in the position forever and that there are new and even better challenges out there. It is the state of mind of the managing partner that someone else could be even better at the "next leg" and that's a good thing.

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