Opinion

Decisions, decisions…

By Andrew Hedley, director, Hedley Consulting

"WHY ELSE does a managing partner exist if not to make decisions?" This was a comment recently made at a conference I was chairing. Three things immediately struck me. Just how much autonomy do managing partners have in their decision making? What issues affect decision making in professional firms? And how will managers cope with ever-decreasing time windows within which to make decisions – especially when the impacts of those decisions grow increasingly critical for the firm's future prospects?

A recent survey carried out by the Managing Partners' Forum (MPF) goes some way to helping our understanding of the first point. The indications are clear that, in most firms, managing partners have authority to act only insofar as their decisions affect those things partners perceive as being unimportant or administrative. Wider approval is required for other aspects of the firm's business. In most firms, the level of the bar at which consensual approval is required is not high – and frequently begins at the point at which any decision may begin to affect the life of professional staff. The impact of setting the decision-making bar too low is self-evident. Managing partners are mired in filibustering and turf wars, while the firm loses ground to competitors who are fleeter of foot. Of course, the partners that bemoan management's lack of ability to 'get on with stuff' are also those who dig their heels in when a proposal impacts their own cosy world.

Turning to the way in which decisions are made within firms, theoretical models abound, with differing levels of relevance for the professional firm. They range from the purely rational, to those that incorporate allowances for different types of uncertainty, constraints or flexibility. In the most straightforward approach, a decision model has four primary stages following the recognition that an issue exists and a decision needs to be made – the identification of options, their evaluation, the eventual choice of the preferred option and the creation of a course of action. However, the complex nature of business issues and organisations make things more challenging. Unsurprisingly, in work looking at the process of decision making in professional-service firms, one of the key extra dimensions is cultural acceptability. The logical decision, the one with the greatest financial return or improved efficiencies, will always need to pass the 'is this the sort of thing that this firm does?' test. Developing these ideas in *Decision Making Controlled by Values: Case Studies from the Legal Profession*, Oonah Mary Harper identifies five facets of a decision-making framework for law firms. Values and beliefs are what makes the firm unique and define its culture. The purpose and objectives of the management team form the basis on which the partnership has delegated authority to the management team. The constituencies affected are crucial in shaping the decision process, as revealed in the MPF survey. The time horizon of the impact is also important, as short-termism will often be frowned upon in firms that value heritage and legacy. Finally, the competencies of the management team both to make the right decision, and then have the skills to implement it, can effectively constrain the decision making process.

The final influence on decision making is the speed of change in the business world. The demand is for decisions that are not just good, but also quick. Alvin Toffler coined the term 'Future Shock' in his 1970 book of the same name to describe the impact of a fast-changing world and the ability of people and organisations to cope with a future that arrives much faster than before. He described future shock as a personal perception of "too much change in too short a period of time". Creating a decision-making framework that can accommodate speed, as well as accuracy, is important – and can lead to an acceptance of a 'satisficing' approach (first described by Herbert Simon in 1976) – where a satisfactory, rather than optimal, course of action is chosen because of internal and external constraints. In addition to those we have already discussed, the compression of decision and action timescales is a hugely important factor.

So while the image of a managing partner as a business warrior, cutting swathes through organisational red tape, may be appealing, the reality for most is that the role is one of shepherd, consensus builder, politician and corporate plate-spinner.

The historic constraints on the decision-making freedom of managing partners makes perfect sense for a small, risk-aversepartnership – operating in a stable business environment, where competition is low and slow. The question that needs to be asked is whether, in a more dynamic world, the bar of discretion needs to be raised. While, of course, reserving significant matters for the partnership as a whole, how much more autonomy and authority could the management team be given? Most important, what would the competitive impact and commercial upside for the firm be by adopting such an approach? ■

Andrew Hedley is the director of Hedley Consulting and a member of the Managing Partner editorial board. He can be contacted at: andrew.hedley@hedleyconsulting.com