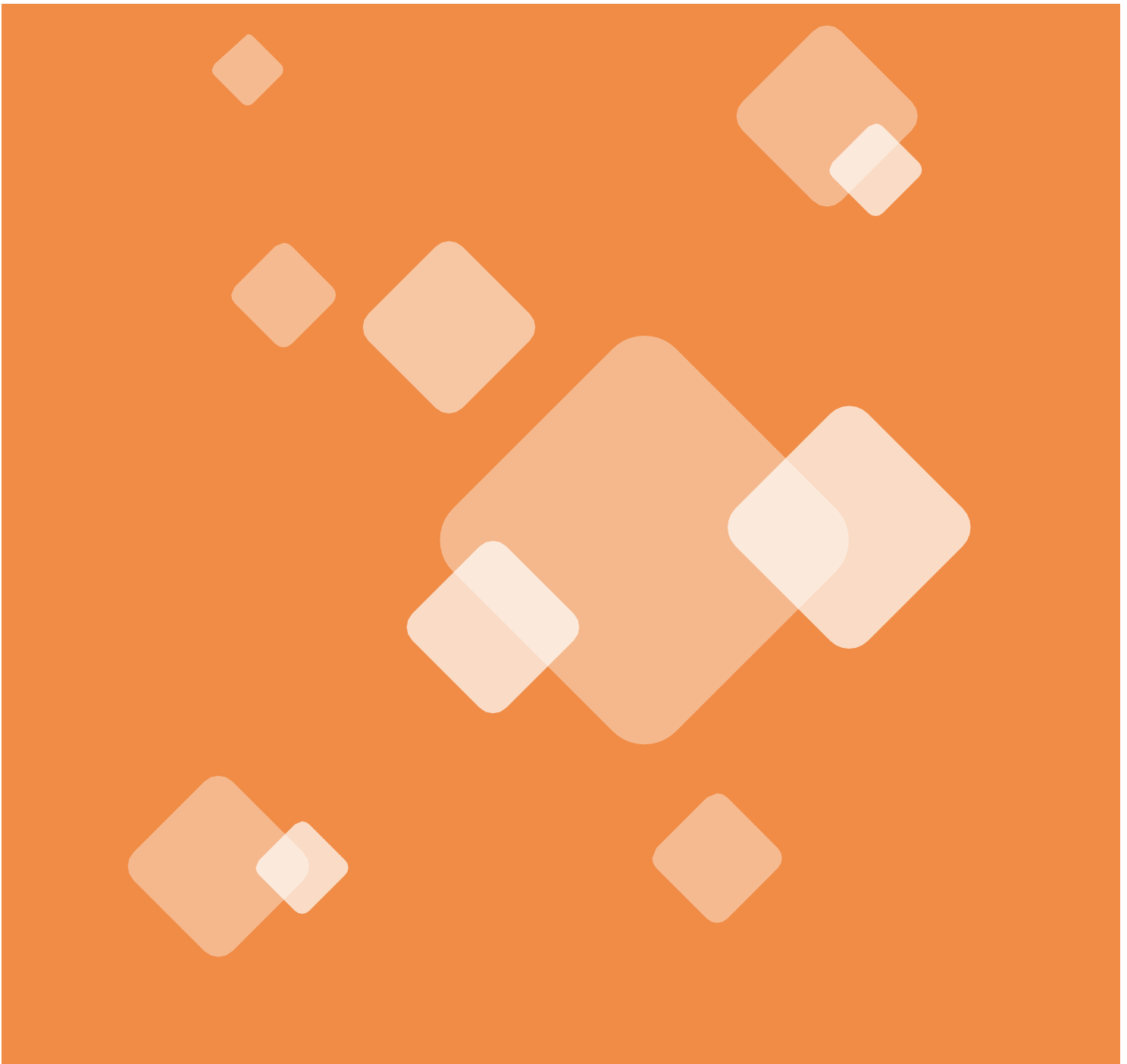


# Peter Duff: The CEO election

CASE STUDY: PSFI 22-500-002

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## Case questions

When reading this case, please consider the following questions:

- ◆ What are the critical “ground rules” for a partnership Chair when overseeing the election process?
- ◆ In your view, what will the firm need from its next CEO? How will this impact succession planning and the election process?
- ◆ What key phases has Duff considered for the election? How well prepared is he - what else would you consider?

Peter Duff took a moment before joining his family for dinner. It was March 2021 so time to start thinking about the forthcoming CEO elections - one of his key responsibilities as Chair of the firm.

In terms of timetable the formal election would take place in November 2021 around the annual partner conference. If a new CEO was elected, then they would take up the position effectively in May 2022.

Duff had raised the election topic with the current CEO, Simon Boss. Under the firm’s partnership deed Boss needed to declare his intention to stand again in the remuneration committee scheduled for July 2021.

Regardless of Boss’ personal decision, under the partnership agreements any equity partner could decide to stand in the election. It was Duff’s job to ensure that this process was initiated and overseen well.

Having just started his third, three year term as Chair this was not the first time Duff had run the CEO election. As he reflected on his direct experience as Chair and the elections that had gone before this, he knew that each election was driven by different factors and required careful preparation. He had seen how things could be mis-interpreted or

misrepresented if he didn’t get this right. What to do in this round?

### About Duff

Duff had joined Shoosmiths in 2004 as an Employment partner from a City of London firm. After a short time in the firm he took on the leadership of the Employment and Pensions practice. In 2009 he went on to become the Head of Commercial and in 2015 was elected the firm’s Chair – a role he had enjoyed and found stretching over the last seven years.

### About Shoosmiths

The firm has roots dating back to 1845 when it started work with the Nationwide Building Society and continued to grow.

The last 15 years had seen the most significant growth and change from a “Regional” firm to a significant “National” firm with offices in Birmingham, Manchester, Edinburgh, Leeds and a new office in London. Financial growth had come with changes both in the scale of the firm and its choice of markets. Even through the COVID-19 pandemic period, the firm was continuing to post healthy returns and rising PEP.

At a glance it’s now a firm of £180m fee income, PEP at £675k and is working out of 14 offices.

The election prompted Duff to recall his own reasons for deciding to stand as Chair. At that time he had chosen to stand when the incumbent Chair had also chosen to stand again. The incumbent had been in position for 12 years.

*"I did think long and hard about standing. The main challenge was I was still young for the role being in my mid 40's - a particular contrast with the incumbent who had lots of experience. I remember how clearly I could see that things needed to be freshened up."*

### Reflecting on the CEO role

During his time at the firm, as a partner and latterly as Chair, Duff had experienced many changes in leadership structure, very different personalities in the CEO role and all of whom had varied styles of leadership. He took comfort from the collective wisdom of his peers:

*"While it's hard to know for certain, I do think as a firm we elected the right CEO for each stage of our development. We have been through many different changes and each CEO has brought real strengths to the role"*

Duff took a moment to reflect on the more recent evolutions in the CEO role to consider what the partners might want from the next phase.

### Moving from a MP to a CEO

Prior to 2004 the firm had a Managing Partner role where one of the equity partners would be elected to "run the business" alongside a Senior Partner who looked after the partnership.

Duff recalled this changing in 2004 with the election of Paul Stothard as the CEO who was not an equity partner and had been the CFO of the firm prior to this appointment. This change had mainly been prompted by poor

financial disciplines (e.g. time recording, billing, lock-up management and cash collection) and performance which had threatened the firm's on-going success.

*"The firm had been quite progressive in appointing Paul and had recognised the need to professionalise the firm's leadership and management. Paul created stability which was much needed. The turnaround in the firm's profitable growth and confidence was great to see."*

Appointing someone from outside the equity partnership had required many debates and re-engineering of the firm's governance papers.

*"The role had been clarified to focus on the day to day running of the firm with a particular emphasis on its financial performance. The CEO was tasked with largely implementing the strategy set by the Chair with the Partnership Board."*

Key changes in strategic direction or the partnership structure were retained by the Chair and Partnership Board. Beyond this, Stothard had been given a lot of authority to make the progressive changes that were needed in his work alongside the Divisional and office heads in the firm.

The Global Financial crisis then hit in 2008. Duff remembered that Stothard had developed a plan for the firm but it seemed to lack partnership support.

*"In my view, Paul had done a great job but there was an overwhelming sense that something different was needed. The partners lacked confidence in Paul to see us through, what we thought at that time, was a once in a lifetime event."*

Duff's predecessor as Chair had called it out and triggered the CEO election.

*“At that time, and to a large extent now, the Chair’s job is to lead on the regulatory, strategic, external and pastoral needs of the firm. As such they need to make this type of call. It had become increasingly clear that the partners may have used their right to terminate the position – something that would not be good for anyone involved.”*

### **The 2009 election**

After a number of hustings papers, presentations and a discussion session held at the partner conference the election was held. At the end of the process Claire Rowe took up the role of CEO in January 2009.

*“Claire made a compelling case for the CEO position and had a great track record in building out the Commercial practice – one of the largest practices in the firm and contributing significant revenues.”*

Duff smiled as he recalled that Rowe’s election had resulted in him becoming the Head of Commercial – a position he enjoyed for many years – before then deciding to stand for Chair in 2015.

*“It was one of the main questions the partners had about my standing as Chair at the time – would I be able to influence Claire given that I had reported to her when running the Commercial Division? It highlighted to me the sense that partners wanted a Chair who could hold the CEO to account. Fortunately it was something they felt I could do.”*

This highlighted to Duff the balance and relationship needed between the Chair and CEO roles. Duff recalled building this relationship with Rowe:

*“It took a bit of working through given our history but it wasn’t long before*

*Claire and I got into a good working relationship. On reflection it was one of those things that seemed big at the time but when you get into the role isn’t as big a deal as the partners thought it was.”*

Duff recalled seeing Rowe stand uncontested in the next two elections which he had overseen. In his mind Rowe had been critical to implementing the strategy of moving from regions to a national firm. She also had to see through some tough choices – the debate and eventual closure of part of the personal injury group was one example. Rowe had also done much to professionalise and create constant improvement in the business support infrastructure in the firm in Finance, IT, HR, Marketing and Business Development functions.

In 2018, part way through her third term and after 10 successful years in role, Rowe came to Duff with the news that, due to ill health, she needed to step aside. He recalled how important and challenging it had been to both support Rowe and her family through this tough period and also to initiate the CEO election to look after the needs of the firm.

### **The 2019 election**

Due to Rowe’s circumstances, this election worked outside the pattern of the regular election timeframes and also happened at speed.

Under the firm’s deed at that time the election of the CEO was by a single non-transferable vote for both equity and fixed equity share partners – with a positive weighting applied to equity partners given the larger number of fixed equity partners in the firm.

In total, nearly 200 partners would express their preferences for the style and substance of the leadership going forwards.

*“It was my role to oversee a rapid and ‘fit for purpose’ process leading up to the vote. I am not to exert undue influence within this framework as ‘any full equity partner is entitled to stand’. While these principles are clear, there is always judgment required to ensure the election is right for the context of firm and the candidates coming forward.”*

In November 2018 the election was contested by three candidates. Despite the short notice, Duff had been happy that the partners had a genuine and good choice to make for the type of CEO they wanted to lead the business going forward. He then reflected on the process:

*“As there was no incumbent, we had to work through how to create a level playing field. We settled on a short paper manifesto – I think everyone had been bored in the past by the essays that once came through from candidates – so we agreed a 2 page version.”*

Duff recalled that they had appointed an interviewer to a session with each candidate as they talked about themselves, their reasons for standing and their vision for the firm.

*“This meant people could see the candidates in the round. In the past we had relied on speeches given at the partner conference which really didn’t give you too much of a sense about what they stood for.”*

Duff also recalled the on-going partnership discussions about the need for a COO in the business:

*“We have often debated whether the CEO should have more strategic responsibility than in the past. We came to conclusion that it was up to the CEO to decide what team they put*

*in place around rather than decide this for any CEO. As a result I asked all candidates to put forward their point of view about a COO in their election papers.”*

Boss won the 2018 election and Duff still remains tight-lipped about the actual votes cast.

*“It may be unsatisfactory to the new CEO not to have a clear sense of the level of support but it does much to preserve the internal goodwill for those who do not get the role. They have committed a lot of personal energy and reputation in standing so keeping the ballot results secret is a big thing.”*

Boss’s election success was based on the firm being the “UK’s leading law firm, famous for its superb client experience”. While this has not changed Duff knows that Boss would say that his time as CEO has been overwhelmingly dominated by the firm’s response to Covid pandemic.

Duff was curious to see if Boss would stand again for what would be a further 4 years term from May 2022. There had been some tough decisions made over recent months which had taken up a lot of Boss’ time and created atypical anxiety in the partnership - not always the best platform on which to stand for an election.

### Preparing for the 2022 election

Duff had recently completed a governance review to bring the partnership agreement up to date. Something he had been passionate about doing in his own re-election as Chair:

*“We wanted a flatter partnership. Our historical equity partner weightings were inconsistent with this so we moved to 1 partner 1 vote on all senior posts. We also ensured the Fixed*

*Equity partners had a say in the bigger capital events which were constrained to the equity partners in the past.”*

Alongside these changes, the role of the CEO and Chair had been refreshed (see Exhibit 1 & 2).

### **The election phases and timetable**

Duff reflected on his role as Chair in this process:

*“Within our constitution there are only two requirements. One is to give at least 4 months’ notice before any election – although we clearly couldn’t do this with Claire – and I must give 14 days’ notice to close nominations. In reality we need to give as long as possible to encourage people to come forward so things rarely reflect this timeline or process.”*

Duff knew that a trigger note needed to be sent to the partnership in July 2021 to ask for candidates to come forward. It would be an open invitation with the deadlines set mainly working back from the partnership conference in November where the election would take place.

*“The dates are really clear and I know I want to retain the improvements of the past - such as the short mandate paper and the hustings – but without knowing who is standing and, more importantly, how many are standing it is hard to design the process at this stage so I just need to feel prepared enough and wait.”*

### **Potential candidates**

Duff took a moment to think about who might stand:

*“At the moment it feels like there will be a contest for this election - which is a good thing. There seems to be some strong personalities wanting to throw*

*their hat into the ring. I think if Simon chose to stand again then the partners will have an interesting choice between a “same again” candidate compared with someone more “agitating”. While at the moment I don’t think they will differ on the direction for the firm I do think there is a tangible difference about the speed at which they want to go.”*

Having had Rowe as the CEO for a significant tenure he was worried about diversity:

*“We have not yet achieved diversity at the Partner level – we are making progress and are committed to do it but it will take time. That said I can see at least one female partner who would make an excellent CEO – I just wonder if she will come forward to stand.”*

This then also prompted a thought about the “unpredictable” candidates who take some handling:

*“There are always partners watching to see if this is the time for them to stand. Choice is a good thing but I do worry when I see partners thinking about standing who have little real understanding of the role or when we have so many candidates standing that it becomes complex for partners to choose.”*

Duff paused to consider his role in influencing candidates:

*“My job is to encourage, cajole and work in the best interests of the firm. I can’t make someone stand and I can’t stop someone who really wants to stand either. It is one of those things where I’ll have to tread carefully about the discretion I have and how to influence things.”*



Duff also thought about reputational risk, especially given the legal press coverage of revelations about leaders elected in other firms who then had a lot of negative press coverage due to their behaviour.

*"I think I would know if there were issues about a candidate who choose to stand. If it does come up then I'll advise them to declare it - I'll remind them of the firm's reputation and that partners have an eject button which only requires an ordinary resolution that can be triggered by any partner."*

In conversations with his team, they had spoken about the Corporate best practices in appointing CEOs. Chairs in companies use search firms, assess each candidate's personality, take references on their track record and do extensive risk assessments.

*"We don't do these things and while we are a £180m business and this is a big decision for us, we are still a partnership. Many of the potential strengths, risks or questions about a new CEO are known as the candidates have been in the firm for many years."*

Duff went further:

*"To be honest my greatest concern is succession planning and encouraging people to stand in the first place. We need to ensure that people get leadership experience to develop the confidence and skills needed to be the CEO. We always debate appointing a*

*CEO from outside the business but I'm also proud that we want to develop some of our partners who will go on to do this role."*

There was clearly a lot for Duff to consider alongside his Board as they started to prepare for the forthcoming election.

### Getting ready

"Enough for now" thought Duff as he left his study to join the family for dinner. As he came to the top of the stairs he smiled as he thought

*"Perhaps I will be lucky and Simon will say yes to standing again and no other candidate comes forward. At least I would get most of my summer back."*

He then thought about whether this would really be in the best interest of the firm. He briefly went back to his desk and scribbled some questions:

- Will Simon stand?
- Do I need to influence any potential candidates to stand or not to stand?
- Are we looking for more of a corporate CEO going forward?
- How to ensure a fair process for the candidates and to stay neutral?
- How to set the right tone for the elections?
- What will I need to do after the election is decided as the Chair?

Now for dinner.

## Exhibit 1: Powers & responsibilities of the chief executive role

### RELEVANT EXTRACT FROM SHOOSMITHS MEMBERS LLP AGREEMENT 2020

1. The role of the Chief Executive is to provide both an external image for the Business and the LLP and to ensure that the operations of the Business and the LLP are managed in such a way that the Business's and LLP's agreed objectives are achieved within its business and professional standards.
2. The Chief Executive's principal responsibilities are to:
  - 2.1 ensure business plans are agreed and implemented and that objectives are in accordance with those of the LLP;
  - 2.2 liaise with Divisional Heads/LLP's offices in regard to the performance, to provide support where required and to ensure actions are taken to achieve agreed goals and objectives;
  - 2.3 ensure that the LLP is structured in a way that best facilitates the achievement of its business objectives and to ensure all management roles are filled by people with the appropriate level of skill;
  - 2.4 provide a motivating environment for Divisional Heads/LLP's offices and support directors and to ensure they do likewise in their departments; to be seen as a role model in terms of the key behavioural characteristics and values required in the LLP;
  - 2.5 review strategic issues with Divisional Heads/LLP's offices and to communicate these to the Chairman; and
  - 2.6 to be a member of the Board, the Partnership Council and the Remuneration Committee and to chair Board meetings.

## Exhibit 2: Powers & responsibilities of the Chair

### RELEVANT EXTRACT FROM SHOOSMITHS MEMBERS LLP AGREEMENT 2020

1. The role of the Chairman is to provide both an external image for the Business and the LLP and strategic leadership to the Partners such that the Partners are motivated to perform at the levels and in the tasks required to achieve the objectives of the Business and the LLP. The Chairman carries overall responsibility for the growth and development of the Business and the LLP.
2. Unless otherwise agreed by the Chief Executive, the Chairman shall be the Business's Money Laundering Officer and COLP (which shall, in each case, include any equivalent replacement title from time to time). The Business's Money Laundering Officer shall have the responsibilities and discharge the functions of the "nominated officer" for the purposes of the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007, in each case as amended from time to time.
3. The Chairman's principal responsibilities are to:
  - 3.1 ensure that the LLP has a clear and realistic long-term strategic direction that is both understood and supported by Partners, and which will meet the agreed objectives for the LLP and Business in the longer term;
  - 3.2 ensure that the LLP's image in the market matches its strategic direction and that its reputation develops, especially in its chosen market segments;
  - 3.3 provide support and guidance to the Chief Executive in achieving the LLP's operational targets;
  - 3.4 ensure that the LLP's organisation and management is able to support the achievement of the LLP's targets and objectives in the best way possible and ensuring that the senior management team of the LLP possess the skills necessary to achieve their responsibilities;
  - 3.5 ensure that the processes by which the LLP is managed enable clients to receive a high level of service quality that is consistent throughout the Business and which is continually reinforced and promoted;
  - 3.6 meet regularly with the senior management of the LLP's key clients to ensure that they are completely satisfied with the service they receive;
  - 3.7 ensure that Partners provide exemplary personal leadership to staff and behave with clients in a way that supports the LLP's strategy and to monitor the motivation and commitment of people throughout the Business and to ensure that attitudes throughout are supportive of the LLP's strategic direction; and
  - 3.8 to be a member of the Board, the Partnership Council and the Remuneration Committee and to chair Partnership Council meetings and all Partners' Meetings.



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