Leader, Owner, Producer – The Conundrum of Law Firm Management
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No longer can a large law firm, which likely is spread out across the country or even the world, follow the relaxed country club model of firms from decades past. Every law firm must have clearly defined roles of leadership for every level of lawyer management.

Every successful organization requires leadership. Law firms are no exception, and partners in any firm should accept the kind of leadership responsibility captured in a single word, “ownership.” This means personal responsibility for debts and liabilities. It means lying awake at night wondering how to improve the efficiency and growth and profitability of the law firm. This concept of ownership responsibility is the practical evidence of law firm leadership.

Law firm leadership as embodied in firm management is in fact a different undertaking, because it involves so many organizational fundamentals, ethical responsibilities, partnership needs, and client service requirements that are all unique to the law firm setting. Firms typically operate by consensus among partners, and management efforts are often split. There may be a COO (usually a non-lawyer), a CEO-Managing Partner (and Chair of the Management Committee), and then sometimes a Chairman of the Board (usually a former CEO-Managing Partner). Then there are department chairs, practice group chairs and office managing partners, all expected to organize and focus the firm’s resources in a given area of legal discipline to improve client service quality, marketing performance, lawyer training and development, and competitive effectiveness.

Practice Requirements

Oh, and while they’re at it, these law firm leaders are also still expected to practice law. Because lawyers often are not compensated for management duties, their income is at risk unless client relationships are maintained and client matters attended to. Statistics on this dual law firm leader/producer status are hard to come by. Several years ago the Smock Sterling consulting organization secured survey responses on one aspect of this issue from nearly 30 law firms ranging in size from 75 to more than 1,250 lawyers, with a median firm size of 160 lawyers. Fewer than half of responding firms considered managing partner to be a full-time role. At the majority of firms, the managing partners all continued to practice law to some degree. Moreover, about half of all respondents reported they did not have any formal process for setting managing partner compensation or providing feedback on performance, other than the normal process used to evaluate all other partners.

Partner compensation from hours billed will be governed by those metrics that define how the firm views itself and how work is done for clients. Such metrics could emphasize origination (percent of new business that the partner brings in), total hours worked, or hours assigned to other lawyers in the firm (a traditional hallmark of rainmakers). Typically there is a base compensation figure for all partners with a bonus decided
from various other factors, such as contribution to firm governance, profitability of work brought in, and realization rate (percent of billable hours actually collected). The problem is that the whole process is too often subjective and peer-based. The peer factor is especially significant. No firm would tolerate the astronomical gap that exists between CEO pay at large companies and the rest of the organization. Even rainmaker compensation must make a nod to the firm’s “collegial” nature.”

Ownership Interest

So where does that leave the lawyer-manager? Some U.S. jurisdictions hold that partners and other lawyers with managerial authority in a law firm must take reasonable measures to ensure that all lawyers in the firm conform to the Rules of Professional Conduct. In law firms with compensation systems that reward individual performance, most of the lawyers do not pay attention to management issues. They focus on rainmaking and their own billable hours. If firm leaders still have a major focus on rainmaking and their own billable hours, they may not be paying proper attention to their management duties.

Leadership expressed as a sense of personal ownership means contributing to the law firm as a whole in a businesslike way, one that improves the professionalism of the practice of law. The purpose is not simply to get more money for the lawyer; it also benefits the client. Understanding the operation of the firm as a business and a team, and how each lawyer has an impact on firm profitability, are the key elements to this, and to the extent that lawyers are committed to leadership they will be committed to making each element work for everyone in the firm. Such a law firm will be financially stronger and will also approach client service more efficiently, avoiding the service lapses that often contribute to a worsening financial situation.

Management Incentives

So what does the combination of leadership, ownership and management mean as a practical matter? With all these potential negatives, what is the incentive – and protection – for taking the leadership role for a practice group, an office or the firm itself? The best answer may be to take a cue from the practice followed by any reputable firm: never take on a new engagement without a signed engagement letter that sets forth the responsibilities of each party to make the engagement a success. The law firm leader can learn and benefit from this example when accepting the leadership position. In addition to requesting a job description, group leaders should require that the firm provide a written statement of responsibilities that the leader must exercise. These responsibilities should foster the communication and accountability necessary for success in both management and leadership.

The idea of a written statement of management responsibilities is definitely a two-way street. An engagement letter spells out both the lawyer’s obligations to the client, and the client’s obligations to the lawyer – to be truthful, to provide all necessary and requested documents, to pay invoices on time. So too must the firm leader’s engagement document spell out the specifics of what the firm and its management structure must do, and what the leader must do in order to reach the necessary measurements for success in his or her position.
Measurements for success must be clearly defined in the agreement so that the leader as manager understands the criteria by which the firm will make its performance evaluation. If there are certain organizational criteria for success – profits per partner, revenue growth, number of clients – it must be clear which ones are considered to be within the leader’s control as manager, and which ones are not. The leader must be told specifically what he or she must do, and how performance of those responsibilities will be evaluated. There should also be precise definition of the leader’s base level of compensation, and precise definition of the extent to which the leader is expected to maintain a personal book of business and client responsibilities.

Creating the written statement of responsibilities for a leader as manager is only half of the job. The other half is to have continuing dialogue and evaluation that allows for reinforcement, modification or expansion of responsibilities as the firm’s circumstances, performance and expectations evolve. The most important function of all law firm leadership is to facilitate continuous communication to ensure that individual agendas continue to be attuned with one another. Leaders must keep the communication process open, candid and frequent. Firm and management all must be in concert, and all members of the firm must buy in.

**Leadership Responsibility**

Law firm leaders, like leaders in any organization, must connect effectively with every member of the organization in order to create an effective team. Team members share the same work ethic, values and belief in the work done for clients. Failure of leadership to create such shared values will cause inefficiencies, create disharmony within the firm and result in poor client relations – the stuff of malpractice actions and bar association disciplinary complaints, and ultimately the potential dissolution of the firm.

No longer can a large law firm, which likely is spread out across the country or even the world, follow the relaxed country club model of firms from decades past, where active leadership was a hit-or-miss proposition. Every law firm must have clearly defined roles of leadership for every level of lawyer management. Real law firm leaders, whatever their responsibilities or titles, have a fundamental task of helping everyone in the firm to work together. The challenge of leadership, ownership and management is to shape the development of common goals and agreement on how to achieve them. Lack of such an outlook inevitably means lack of leadership in the firm, no matter how many lawyers hold management positions or what their titles are.

*Ed Poll is a speaker, author and board-approved coach to the legal profession. LawBiz® and Fujitsu are sponsoring Ed’s cross-country tour to reach bar associations and law schools. If you want Ed to stop in your community, or if you have questions about this article, contact Ed directly, at edpoll@lawbiz.com or call (800) 837-5880. To follow his tour, visit www.facebook.com/lawbiztour. Also visit his interactive community for lawyers at www.LawBizForum.com.*