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THE CHANGES THAT ARE COMING REQUIRE FIRMS TO HAVE STRONG MANAGEMENT AND LEADERSHIP

Whether or not the economy is starting to recover, this recession will have a far greater impact on the legal profession than any previous recession in the last 70 years. With each of the prior recessions (which occurred every 10-15 years), the profession continued pretty much unchanged, clients raised few, if any, issues and the firms continued to operate, more or less, as they had before. Business – and the practice of law – returned to “normal”.

The situation is far different this time. Whether or not the law firm “business model” is actually broken – as many legal pundits declare – there are trends which are raising challenges in the management of law firms. Furthermore, these are challenges firm leaders have not faced before and for which there are few, if any, precedents. This means new approaches are required.

The Management Pendulum

For many years, law firms were managed autocratically by the founder. When those “benevolent dictators” died or retired, the management pendulum swung to the other extreme and those firms adopted a democratic form of governance in which most decisions are made by the full partnership.

However, beginning 15 years ago a few firms such as Cravath, Jones Day, Orrick and Clifford Chance recognized the need for change. Emulating their corporate clients, they moved to strong, centralized management and leadership. As they have grown, they have made some changes in the management structure but have retained and even enhanced the strong leadership. Some other firms have followed suit but most have not yet recognized that the changes occurring in the profession require changes in the approach to management and leadership.

The New Role of the Managing Partner

In firms with strong management and leadership, the role of the Managing Partner changes in at least three respects:

- ∞ They must be heavily involved in Strategic Planning and setting the future direction of the firm.
- ∞ They must shift from managing day-to-day operations to an external focus, concentrating on the relationship with key clients.
- ∞ They must make their firms to listen to their clients, understand their goals and business plans and also their industries

In order for the strong Managing Partner to fill this new role, there need to be several changes in the management structure:

- ∞ Even in a mid-size firm, it must be a full-time job.
- ∞ Practice groups must be headed by strong leaders who have the ability, and are given the time, to manage their groups and who understand what it means to be a client-focused firm.
- ∞ The non-legal, business operations of the firm must be managed by a strong Chief Operating Officer or Executive Director who heads a team of non-lawyer, business professionals.
- ∞ Technology, Information Systems and Knowledge Management must be given high priority.
- ∞ The Marketing function must be elevated to a strategic level and placed in the hands of a qualified Chief Marketing Officer.
- ∞ Business Development must be given equal importance to Marketing.

The Qualifications of the Strong Leader

Many partners have the mistaken perception that electing a strong leader as Managing Partner is equivalent to appointing a dictator (who may not be benevolent). The record of successful law firm leaders proves otherwise:

- ∞ Strong leaders make few, if any, important decisions in a vacuum. They are skilled in building consensus among their partners.
- ∞ They are businessmen and women, as well as good lawyers.
- ∞ They are supreme, but also prudent, risk takers.
- ∞ They are skilled listeners.
- ∞ They are excellent communicators
- ∞ Delegation, motivation and inspiration are among their strengths.

Given these qualifications, it is understandable that it takes a unique individual to fill this role. On top of these rare qualities, the strong MPs or CEOs must also be successful lawyers and business developers or they will not have the respect and support of their partners.

Training and Compensating the MP

The CEOs and senior management in a corporation usually have MBA degrees and have spent their careers in learning how to manage a business. Few MPs and law firm CEOs have an MBA or have spent much time learning the art of management. Therefore, they and their firms recognize that they need training in leadership and management. A number of large firms such as Reed Smith have developed such programs and a few mid-size firms are also embarking on them.

Finally, partners in strongly managed firms recognize that the highest paid person in a corporation is almost always the Chief Executive and that others in senior management are also well compensated. It's no coincidence that many of these firms apply that principle to themselves.

Robert Denney Associates Inc. has provided strategic management and marketing counsel to law firms throughout the United States and parts of Canada for over 30 years – and through at least three prior recessions. Reports and discussions of other timely issues are posted on our web site, www.robertdenney.com.

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