

The State of Law Firm Leadership

Survey Results

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BACKGROUND

In early-October 2010, I initiated a survey in preparing for a presentation that I was scheduled to deliver at the American University Washington College of Law. I subsequently sent surveys to 220 law firm leaders, representing a cross-section of firms of over 100 attorneys in size. As I co-lead an educational master class (held annually at the University of Chicago) for new managing partners, I purposely omitted those firms so as not to introduce any bias into these research results.

I am pleased to report that a total of 92 leaders of law firms responded, with 2/3 from firms of 100 to 250 attorneys in size and the remaining 1/3 from firms of over 250 attorneys. This later group was fairly evenly split between firms of 250 to 500 attorneys and those larger than 500 attorneys.

The responses obtained are being compared with a similar survey initiated in July 2004, published in an article entitled, "A Profile of Today's Managing Partner." (available on www.patrickmckenna.com)

The 2004 survey was intended to test the following proposition:

Today's law firm leader is (usually still) a white male, in his early to mid-fifties, with a history of being a very successful practitioner, likely somewhere in the second term of a four-year stint as managing partner (alternatively called managing director or CEO). He has no formal job description or means of appraising his performance, and the firm has yet to develop any succession plan or accepted methodology to replace him. For his part, he has given up some of his best revenue-generating years for the firm and a good portion of his personal client base, but does at least have a defined 'parachute' that should allow him to ease back into rebuilding a solid personal practice.

This individual is now wondering about career security and contemplating whether he should return to rebuilding his practice when this term expires, or opt for one more four-year term (if it is available to him). But he fully realizes that if he accepts one more term, he will then be in his late fifties. Meanwhile the firm has expanded nicely in size over the past decade, usually with a good portion of laterals that don't know him as well as those he had grown up with. He now has a small group of detractors (which follows any effective leader who can't possibly make everyone happy), a couple of which are on the Executive Committee (or Board) and quietly lobbying for a change in leadership.

Perhaps most importantly, this managing partner is cognizant that even with a guaranteed compensation parachute, building back the practice he would have been enjoying had he not become the managing partner is going to be very difficult. His age, even now, is not on his side.

This research explores what has changed over the past six years . . .

SURVEY RESULTS

• How long have you served as the firm leader / managing partner?

1 – 5 years – 47%
 6 – 10 years – 11%
 11 – 15 years – 27%
 Over 15 years – 15%

When I last conducted a similar study in July 2004, the average firm leader had been in the position for 7.4 years. The average today has now grown to about 8.6 years. Leaders are serving in office for a longer period.

What is not obvious from the survey, but is from my program for new managing partners is that as a profession we have been extraordinarily creative, over the past few years, in finding new titles for our law firm leaders. We have thus far identified some fourteen different titles that law firms use, from CEO or Chief Executive Partner to President or Presiding Partner.

My term of office is for ___ years with an option to renew for ___ terms.

The most popular length of term seems to be either a one-year annual or a three-year term – both with unlimited renewals. Only 11% of the responding firms reported having term limits. This is a drop from 2004 when 21% of the reporting law firms claimed to have term limits in place.

• As the firm’s leader, do you have a formal “written” job description?

*72% of law firm leaders reported that they are operating **without** a formal job description and many of those who claimed to have a job description were quick to point out that the description was “rather broad” or really “just a part of the firm’s partnership agreement.” This percentage is almost identical to the results I found in 2004 and is consistent among firms of all sizes.*

One might wonder if this question is suggestive of inviting a degree of bureaucracy. From my vantage point, I recall an assignment some years back with a 350+ lawyer firm going through the process of selecting a new Managing Director (another different title). Upon learning that there were likely going to be over a half dozen candidates interested in the position, we set about creating the first job description. From an activity-based analysis, we were able to identify some 72 different and important activity bullet-points that represented what the current firm leader actively had responsibility for executing. Our subsequent presentation of the formal job description had a number of the candidates withdrawing their interest. I have since confirmed (repeatedly) that many partners, in many law firms, haven’t the foggiest idea of the enormity of the firm leader’s job.

• **Approximately what percentage of your time do you spend on “billable” activity?**

Across the board, with firms of all sizes, only 9% of the respondents claim that their management/leadership efforts are a full-time activity – which may be the consequence of our experiencing prolonged recessionary conditions. This was one of the more surprising results of this survey. In 2004, I learned that approximately 24% of the managing partners were focusing on their management/leadership efforts as a full-time initiative.

At the other end of the spectrum, 34% of firm leaders claim to be spending 50% or more of their time engaged in billable activity with half of those coming from larger firms (over 500 lawyers) and telling me that their billable activity is more like 80% of their time.

And, it is always fascinating to ask a question like this that presents both a percentage estimate, followed by the number of billable hours. I welcomed more than one managing partner claiming that he/she spent (only) 20% of his time on billable activity . . . then telling me that the billable time was about 800 hours a year!

• **Did you receive any specific training to prepare you for managing/leading the firm?**

14% reported that they attended an external program; and
18% reported that they were coached by their predecessor and others in the firm.

The good news was in seeing that the number of firm leaders that attended an external program has grown from only 3% in 2004. That said, in a number of these cases the external program was then discovered to be nothing more than a conference wherein the individual heard from other managing partners in various panel discussions discussing relevant issues, or some networking activity related to the law firm alliance that they happened to belong to. A number of these respondents claimed that the program they attended was not all that relevant.

Meanwhile, the surprise here was the minimal degree of active coaching and mentoring these new leaders had received. The 18% number was down considerably from 47% of firm leaders who reported that they were mentored by their predecessor in 2004.

• **When you became the firm’s leader, were you the “only” candidate?**

58% were the only candidate; and
42% claimed that there were a number of other high potential candidates.

• **Is there any “formal” means by which your performance as the firm leader is evaluated?**

24% of firm leaders report that there is some formal mechanism for receiving performance evaluations. Some told me that their firms employ a 360 degree feedback system throughout the firm, while others talked about how they meet with the Board to set performance targets at the beginning of each year and then have some form of formal review process at various times during the year.

This 24% was a significant increase from only 6% in 2004.

• When you decide to relinquish the leadership position, do you know what you will do?

46% will return to full-time active practice
 16% will retire, but may be Of Counsel
 1% will look for some alternative career challenge
 37% are not really sure what is next on their career horizon.

• As the firm's leader, is there a formal agreement in place (with compensation protection) governing how you will return to active practice following your term in office?

28% - Yes [38% for those firms over 250 lawyers in size]
 72% - No

A number of the respondents that said "No" also reported that they wished that there was some formal agreement in place. A couple of firm leaders explained that this was primarily a "huge trust issue." You trust that your partners will help look after your interests when you step down.

• Is there a formal "succession plan" in place for determining your replacement?

Interestingly (or not) only 14% of the firms reporting (and consistent across all sized firms) claimed to have some form of formal succession plan in place - - either "Yes, I personally pick and coach the lawyer who will replace me" or "we have selected a couple of possible candidates and they are in training." This was up from 13% in 2004.

Now a couple of these claimed that it was a Succession Plan, but it was really pretty informal, in that it had not been declared within the partnership in any way. Still others reported that their formal Succession Plan was evidenced through the appointment of a second-in-command (Chief Operating Partner, Administrative Partner, Assistant managing Partner, etc.) In a number of these cases the second-in-command is pretty much the same vintage (age range) as the incumbent.

Finally, a few leaders reported that they had yet to find a comfortable process for developing a 'formal' succession plan.

• When you look out at the challenges facing firms in the future, what skills and attributes do you feel the next generation of law firm leaders needs to ensure that it has developed?

Among the vast array of responses provided, the following groupings were the most commonly cited:

- Financial and business acumen to handle firm economics, increased competition, and more rapid commoditization of services; combined with strategic thinking skills
- Capacity to build consensus and bring about change; deliver tough love with compassion.
- Emotional intelligence, interpersonal skills and continual communications
- A PhD. In psychology, courage, patience, sense of humor and a thick skin to the point of having all nerve endings removed.
- Serious dedication to the success of others.
- Probably the same as today!