

# The Changing Nature of Leadership in Law Firms

By Roland B. Smith and Paul Bennett Marrow



At its most fundamental level, leadership is about producing change, while management focuses on creating processes to produce predictable results. This article explores the practice of leadership in law firms today and discusses what will be necessary for law firms to succeed and thrive in the future. It draws heavily on early returns from research that spans hundreds of attorneys in large, global and midsized U.S. firms, conducted by the Center for Creative Leadership (CCL®).<sup>1</sup> These initial findings provide a foundation for a deeper discussion about what constitutes effective leadership. Subsequent articles will feature a case study involving a large global law firm, a discussion of practical and tactical strategies and actions, and a summary of our final research findings.

## Need for a New Practice Model

Today's law firms operate in a climate increasingly characterized by complexity, economic turbulence, growing and varied competition, and accelerated change on every front. In short, the landscape is changing in new and radically different ways. Simply ensuring high levels of tech-

nical and professional expertise is no longer sufficient. Attorneys must adopt new and enhanced leadership skills as well. The well-worn, familiar, tried-and-true methods and lessons of the past are, and will be, inadequate.

Additional factors are also in play: the expectations of incoming junior associates and even seasoned rainmakers and specialists are shifting rapidly in a highly competitive talent market; clients are demanding a new quality of *advice and counsel* and are pressuring attorneys to compete for fees.

The traditional practice model is under pressure. This model is based on the following assumptions: partnership means lifelong stability; an associate, often from an elite school, who proves to be a star, will move up to

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partner, become an owner and remain so until retirement or death; any associate not making partner after a certain time will be expected to move on; lateral entry at the senior level is very uncommon; growth isn't a measure of success; mergers are rare; clients are loyal to a firm, not a specific individual.

In recent years, a new practice model has gained a foothold.<sup>2</sup> The number of owner-partners has decreased and ownership power has become more concentrated. Growth now comes from many sources, including mergers and lateral entry of new attorneys. Clients are less inclined to remain loyal to a firm and more likely to follow an individual attorney who moves from one firm to another. The market for lawyers has become global, with competition coming from many new areas. Any firm interested in long-term survival must be able to cope with the loss of high-performing partners and their support teams.

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Individual partners and practice groups now are evaluated on the basis of hours billed and fees collected, which leads to internal competition. The winners typically claim firm resources and higher incomes. One consequence is that lawyers operating at even the highest levels are positioned outside the policymaking cadre of the executive committee, which brings into question the power of the firm to exercise ultimate control.

Law firms must deal with an assortment of competing external *and* internal pressures; moreover, economics has replaced culture as the glue holding firms together. As a result of such changes, firms are beginning to recognize the need for a new leadership dynamic.

What is the context in which partners operate today, and what challenges can they expect to face in the future? How have some firms' practicing senior and managing partners worked to develop leaders who can navigate this new world?

### The Case for the Lawyer-Leader

Industry consolidation, increased client demands, competition for lawyers, the emergence of non-traditional competition and a softer global economy: strategic leadership is imperative if firms are to survive and thrive.<sup>3</sup>

Strategic lawyer-leaders can make all the difference. They are able to create a vision for the future, design a competitive strategy, build an agile, flexible and inclusive culture, and attract, retain and develop a top-flight, committed talent pool. Unlike administrative operations

such as finance and human resources, these core leadership responsibilities simply cannot be delegated to non-attorney staff members.

A recent article in *American Lawyer* points to the types of complex issues these strategic lawyer-leaders face as organizational models shift.<sup>4</sup> In less than 20 years, the total number of lawyers practicing has almost tripled – growing from 25,994 in 1986 to 70,161 in 2005.<sup>5</sup> Though gross revenue is expanding, some firms are finding that it isn't keeping pace, leading to a dilution in revenue per partner or lawyer.

Although large-firm lawyers represent only 10.5% of the U.S. legal profession, their impact and influence on the practice of law globally are significant.<sup>6</sup> During the last decade, larger law firms have begun migrating to a more centralized corporate model for managing certain business functions, such as accounting, marketing, human resources, training and development – freeing lawyers to focus on what they do best in the interest of the client and the profession. Many midsized and smaller firms are now following suit.

As a result of such changes, there is growing recognition that the practice of law is not only a noble profession, but also a competitive business.<sup>7</sup> That means leaders must be skilled in clarifying strategic direction and in influencing and aligning various constituencies to achieve commitment to the firm's objectives.

### The Current State of Change Within the Industry

In 2005 and again in 2007, we conducted surveys to determine the nature of the complex challenges faced by organizational leaders around the world. Of the 350 leaders participating, 93% believed the challenges they face are more complex than those of five years ago, while 85% believed the definition of "effective leadership" has changed in the same time frame.

Similar research is now under way to determine the changing nature of leadership unique to law firms. To date, we have interviewed or surveyed more than 150 partners in leadership positions from multiple firms with significant operations in the United States and around the world. Further in-depth interviews are planned with 300 lawyer-leaders from 20 firms.

Representative, verbatim responses from our interview database show lawyers are struggling with a host of issues.<sup>8</sup> The challenges they face include the following.

#### Building Strategic Leadership Skills

- Leading in times of change.
- Developing a clearer understanding of what being a leader means.
- Finding guidance about how to be a managing partner.
- Developing the tools that will help me meet my challenges in making effective change in my office.

- Improving teamwork and collaboration in client service and business development are challenges for our firm.
- Becoming an excellent communicator is a challenge.
- Developing the courage to take unpopular positions.
- Understanding the firm's long-term vision. Ability to bring groups of people together with different views, foster a healthy respect for different views and manage in a way that people feel included.
- Working more effectively and efficiently – ability to prioritize and manage time and to delegate effectively at all levels.

### Managing Talent and Promoting Sustainability

- Understanding the new generation of attorneys coming along and how they look at the world differently. They don't want to work as hard but want to make as much money. How can we sensibly accommodate them in order to keep the good ones?
- Succession planning/leadership development.
- Improving firm culture to secure talent.
- Creating the right environment in which such recruitment (the recruitment of targeted laterals) and retention can take place.
- Finding new attorneys that fit our economic model.

### Making Decisions and Setting Strategic Direction

- Spending too much time on building consensus; being too slow as a result.
- Developing a consensus on who we want to be, what's our future direction, what areas of practice do we want to be involved in. How do we achieve growth goals – gradually or through acquisitions? Growing too fast may corrupt the corporate culture and we want to maintain the culture we have.
- Getting partners that are focused on their practice to think strategically.
- Implementing the strategic plan and managing expectations relative to revenue.
- Repositioning assets and finding alternatives where core competencies are sluggish (due to the soft economy).

### Retaining Clients and Promoting Client Satisfaction

- Clients expect more today and want costs contained.
- We need to continue to ratchet up the quality of service in order to retain clients.
- We need to achieve internal cohesion and client satisfaction.

### Managing Growth, Developing New and Existing Markets and Practice Areas

- Integrating mergers and maintaining revenue and profits per partner.

- Maintaining market share and recruiting/integrating talent are our challenges.
- Growth in key areas is a challenge, agreeing on the key challenges is another challenge.
- Marketing our culture.
- Deciding with whether or not to expand. We are caught in the middle between the trend toward becoming a mega-firm or a niche firm. We are struggling with where and how much to grow. With that comes the problem of keeping the firm's culture intact, especially as we grow globally.

### Questions

While most attorneys clearly possess the ability to make sense of challenges and make choices based on available information, implementing those choices *in a timely manner* is often a challenge. Firms need to be more agile to survive and thrive in the future. But making the change may be an uphill battle. Here are four questions that indicate why speed and business agility may be a struggle for the majority of attorneys:

1. How receptive are most attorneys to change?
2. In general, are attorneys risk takers or are they more risk averse?
3. Are most attorneys easy to influence or hard to convince?
4. In general, are attorneys "high trust" or "low trust" individuals?

### Defining Leadership Within Law Firms

In discussions with lawyer-leaders, we have found a lack of consensus and clarity about the definition of leadership and the role of the leader-lawyer within the firm. Part of the disparity may be attributed to an inability to differentiate leadership from management. Managers produce a degree of predictability via a set of processes, which may include planning, business development, budgeting, staffing, organizing, resource allocation and other functional roles. In many cases, these functions can be delegated to non-lawyers.

Leadership is about producing change, often to a dramatic degree, and with an extremely useful outcome. *Creative* leadership is the capacity to think and act beyond the boundaries that limit our effectiveness. While non-lawyers can provide insight, help to integrate change and help to accelerate the process, leadership is the responsibility of the lawyer-leader.

Leadership is not currently taught in any significant manner in law school. In fact, many leading schools and academics do not see it as part of their charge. In a recent article, Ben Heineman, Jr., Distinguished Senior Fellow at the Harvard Law School Program on the Legal Profession, states:

But today, law schools and professional associations may not have a broad vision of lawyers as leaders – or may be ambivalent or muted about it.<sup>9</sup>

Heineman was speaking more broadly about the role of lawyer as leader in a social context, but his comments have implications within the firm as well. He outlines several “qualities of mind” that are consistent with leadership success when he states:

We are seeking lawyers who are not just strong team members, but who can lead and build organizations: create the vision, the values, the priorities, the strategies, the people, the systems, the processes, the checks and balances, the resources, and the motivation. Working on teams and leading them are interconnected: much of leadership today is not command and control of the troops but persuasion, motivation, and empowerment of teams around a shared vision.<sup>10</sup>

While the passage from law school to lawyer may be difficult and may require support, the journey from lawyer to lawyer-leader may be even more treacherous; it requires self-awareness, flexibility and the acquisition of new skills, knowledge and experiences.

Many firms have turned to business schools to learn the business side of managing a professional services firm. While these programs have been effective in pro-

1. *Self-awareness* – the ability to read one’s emotions and recognize their impact while using gut feeling to guide decisions.
2. *Self-management* – the ability to control one’s emotions and impulses and adapt to changing circumstances.
3. *Social awareness* – the ability to sense, understand and react to others’ emotions while comprehending social networks.
4. *Relationship management* – the ability to inspire, influence and develop others while managing conflict.

How many of these competency areas did you study in law school? How many are effectively taught within your firm? Does mastering these competencies count toward billable hours?

Our recent law survey is consistent with a study conducted in 2005 that explored the make-up of top-performing lawyers. That study indicated that top performers are more visionary, provide their teams with much-needed perspective, and engage associates and peers in critical discussions and decisions. They are effective coaches and provide long-term development and

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viding awareness, discipline and methodology relative to business practices, they have not provided enough insight into how law firms can effectively use their existing leadership capital to leverage success and transform their operations.

In a recent survey of independent law firms,<sup>11</sup> managing partners identified the following competencies needed to lead their organization effectively into the future:

- Adaptability
- Building and mending relationships
- Building effective teams
- Change leadership
- Coaching
- Collaboration (working across boundaries effectively)
- Credibility
- Decisiveness
- Driving innovation
- Influence
- Leveraging differences

These competencies reflect the higher levels of emotional intelligence needed for effective leadership. Daniel Goleman<sup>12</sup> identifies four main emotional intelligence constructs:

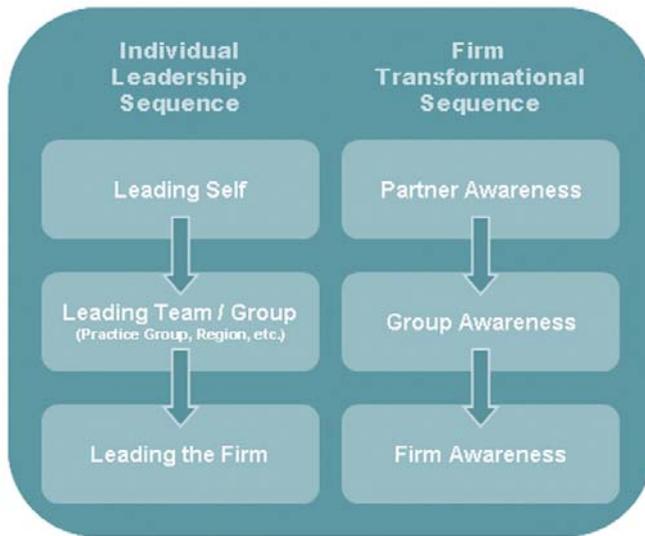
mentoring. The study also found that a flexible leadership style that varies with the specific situation generates the best results.<sup>13</sup>

This research is consistent with other historical studies on leadership impact. It confirms that, although technical excellence and intellect are critical factors for success as a lawyer, emotional intelligence is the differentiating factor for successful leadership.<sup>14</sup>

### **Accelerating Firm Transformation**

Based on several decades of leadership research and work with individual leaders, we believe that people can learn, grow and change, and that self-awareness is both the cornerstone for individual development and the foundation for group and organizational success. In general, attorneys tend to place less significance on self-awareness when starting a development journey.<sup>15</sup> The most effective leaders, though, are able to systematically gain more self-awareness and make adjustments based on an assessment of their strengths and vulnerabilities. Those leaders with the highest probability for success create a plan for development, share that plan and receive feedback (both internally and externally). Partners with a higher level of

self-awareness and mastery are better prepared to positively impact both their group and the broader firm.



CCL maintains a database of results from Benchmarks,<sup>®</sup> a 360-degree assessment tool that measures how individual leaders are performing against the skills and perspectives most critical for success. You can personally begin (or accelerate) the process of self-discovery around leadership effectiveness and emotional intelligence by asking yourself how well *you* perform against key factors from the Benchmarks<sup>®</sup> database.

How would you say you are doing relative to

- participative management,
- putting people at ease,
- self-awareness,
- balance between personal life and work,
- straightforwardness and composure,
- building and mending relationships,
- doing whatever it takes,
- decisiveness,
- confronting problem employees and
- change management?

How would your peers, your leader or those working for you say you are doing in these same areas?

The development of individual leadership skills and competencies will require a dedication to leadership development not previously displayed in most of the firms participating in our research. Development initiatives must address the current senior leaders of the firm, who set the context within which the development of other leaders will occur, and the upcoming generations of new leaders. In short, developing effective leadership skills will require moving from a heroic, individual and *independent* model in which attorneys achieve greatness through their own efforts, to an *interdependent* model that emphasizes both individual and collective input and accomplishment.

We refer to senior leaders as “talent orchestrators” because their actions determine the direction and speed of leadership development activities among the others in the firm. Talent orchestrators must champion investments in leadership development; they must act as coaches, mentors, role models and developers of future leaders. Specifically, senior leaders must undertake the following actions:

- Developing a leadership strategy that complements the strategy of the firm. The leadership strategy specifies how many leaders are needed to implement the firm’s strategy within a given time frame – and with what skills, abilities and experiences.
- Assessing the gap between current leadership capabilities and those required by the firm’s strategy.
- Sanctioning investments in leadership development that will close the gap between current leadership capabilities and those required.
- Taking part personally in mentoring younger leaders, presenting content in leadership development programs, reviewing talent and selecting future leaders.
- Leading transformations in the firm’s systems, policies, technologies and business practices, while simultaneously engaging younger leaders in these activities to develop their understanding of how the firm must change to meet competitive challenges.

Some senior leaders may require individual coaching in these activities, or the senior team collectively may require coaching as it works through the various tasks associated with its new role in the development of future leaders. The senior team may seek assistance from human resource professionals inside the firm – individuals we refer to as “talent accelerators” since they provide the systems and processes required to accelerate leadership development. Because leadership development is a new activity for most law firms, many may require external support to help them:

- assess current leadership talent;
- create a leadership strategy;
- review and align talent management systems, including succession planning;
- develop a comprehensive approach to leadership development for the firm that addresses current and future leaders;
- offer specific courses in leadership customized to the needs of the firm
- provide individual coaching for current or high-potential leaders; and
- assist senior leadership in combining organizational change and leadership development.

While there is much work to be done, the good news is that law firms can draw liberally upon the experience of corporations, nonprofits, the military and other governmental organizations, and others that have been involved in leadership development activities for some time. As

late adopters rather than early movers in this arena, law firms can benefit from the latest techniques, which have demonstrated both greater impact and faster results than earlier approaches to leadership development. For example, it is now widely recognized that classroom learning is necessary but not sufficient to produce leadership capabilities and alignment among leaders at the top of an organization. Instead, on-the-job learning that involves real challenges, teamwork and coaching produces more desirable results than classroom learning alone.

With the benefit of such knowledge, the challenge for most law firms is not the design of leadership programs that can produce desired results, but rather gaining the commitment of senior partners to make the investments required. A changing environment makes leadership development an imperative, though. Firms can no longer assume that leaders will simply emerge from the ranks of senior partners. Moreover, they can't assume that individual leaders, no matter how exceptional, can create the shared direction, alignment and commitment required to undertake new strategies and the organizational transformations they imply. Attention to the development of a new body of aligned future leaders will be required, as has been the case in more complex organizations in the public and private sectors. As in these organizations, progress in developing leadership begins with senior leaders who understand the competitive advantage superior leadership provides. In the next article in this series, a global law firm will highlight its journey through this development process and expand on its approach and methodology. ■

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