By Patrick J. McKenna

Malignant Leadership

A lack of effective oversight can allow even a well-intentioned managing partner to go bad.

ASAF HANUKA

When Brobeck, Phleger & Harrison failed in 2003, few firm leaders saw lessons for themselves. Brobeck was unique, they decided: It grew too fast and depended too much on technology clients. Then came more failures (Coudert Brothers, Thelen, and Heller Ehrman), which firm leaders blamed on low profits, bad practice-area choices, or the economy. It wasn't until a pair of more recent failures, of Howrey and Dewey & LeBoeuf, that we've seen the industry begin to hold a firm's own leadership accountable for its failure.

Over the years, a series of high-flying, confident, talented, and ambitious star leaders have caused their firms to flame out. Why were their errors, so obvious in hindsight, not spotted and challenged sooner by executive committees and others who were responsible for their oversight? What went wrong, and what are the lessons to be learned?

Too often, boards and/or executive committees facilitate firm failures by denying, overlooking, or "working around" crucial issues. In other words, firms fail when good people do nothing! There is an absence of checks and balances. Power is centralized, and those responsible for monitoring have either been silenced or choose to be mute. So when the board is benign . . . the leadership can become malignant.

Malignant leaders initially perform, and perform very well. But ultimately they engage in several undermining behaviors, such as exhibiting a powerful desire for heroic recognition and high visibility; deliberately providing colleagues with grand aspirations and portraying themselves as having the answers; misleading through fabrication and misdiagnosing situations and issues, often relying on outdated or unproven strategies and tactics; stifling criticism, to the extent that fellow partners comply with, rather than question, the leader's actions; ignoring negative feedback and continuing a failing course of action regardless of the consequences; and declining to nurture possible successors and otherwise clinging to power.

It can take some time to realize that a firm leader is on a path to disaster. This is particularly the case when the leader has had a stellar career. Fortunately, there are firm-governance steps that can be taken to curb a malignant leader. While this list is not exhaustive, it does present plenty of options for consideration.

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■ EFFECTIVE LEADERSHIP SELECTION PROCESSES. The normal leadership selection process usually starts with identifying selection factors—a necessary set of abilities, competencies, or skills, given the environment the firm is likely to be facing in the coming years. But what about rejection factors? It is rare for firms to actively look for such things as impulsivity, arrogance, or volatility. Leaders who later fail may have been selected because nobody chose to disqualify candidates who are prone to malignant behavior.

In any effective firm leadership selection process, the full partnership should be asked to submit feedback about each of the candidates. I have worked with the boards of Am Law 100 firms where partner feedback highlighted hidden behavioral issues in leadership candidates. Boards need to hear from those who have seen the candidate under all sorts of situations—and the input must be truly confidential, with no possibility of reprisal.

An effective interview process can also yield insights. A few firms subject their candidates to an interview process in which the candidate is presented very difficult but highly probable scenarios. The candidate then must explain precisely what action he or she would take. Such an exercise helps identify how respondents are likely to behave under real-world stress, handle a moral dilemma, or cope with a critical setback.

■ PSYCHOLOGICAL EVALUATIONS. The more latitude and discretion a firm leader has, the more his or her personality matters. Some leaders like to make decisions by consensus, others by their own judgment. Some are communicative, others secretive. Some love the big picture, while others are detail-oriented. Leadership weaknesses, like arrogance, aloofness, and micromanaging, are most apparent when there are few constraints on the leader.

Most of us can manage our dysfunctional tendencies most of the time. But increasing stress, work overload, fatigue, high emotion, and lack of social vigilance can increase the probability of malignant leadership.

There are valid and useful psychometric instruments that can detect leaders who are likely to derail. The one that I favor was developed by Hogan Assessment Systems ["A Breed Apart," July 2011]. Among other things, the Hogan assessment measures the destructive behavior that can emerge when leaders are stressed, bored, or just not paying sufficient attention to their actions. What is most intriguing is that this "dark side" is simply the result of leaders using their strengths to an extreme. For example, arrogance is the dark side of confidence, melodrama the excess of charisma, volatility the extreme of

WHAT IF YOU ARE THE MALIGNANT LEADER?

FIRM LEADERS who are reluctant to invite feedback, embrace constructive criticism, and confront their mistakes are probably well on their way to malignant leadership. Here are some reparative actions.

■ PROMOTE A FEEDBACK CULTURE. Firm leaders who don't get feedback typically don't build the kind of firm culture that results in deep dialogue about what's working and what's not. These leaders need to raise their self-awareness by soliciting uncensored information. There are two basic ways to do that—an informal method and a formal one.

The formal method involves simply asking. The most successful leaders actively seek out constructive feedback. They make a point of regularly getting out of their offices and visiting partners to get a valid, ongoing sense of what people are thinking. They let it be known that they are open to critiques of their ideas, strategies, actions, and leadership style.

The formal method consists of devising a feedback process. This is how one firm leader described his initiative to me:

> *After I was elected as MP, together with two fellow board members, we started our firm's first annual feedback initiative. Two partners interviewed all our partners on the board's collective performance and the individual performance of each member. In addition, these two partners interviewed key nonlawyer staff members. [On the basis of] these interviews, the two partners drafted a detailed report on the collective and individual performances. That report was shared with all the partners and discussed in a partners meeting.*
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> *We've done this twice now, and it worked extremely well, because it gave us a clear and candid view on our performance and on the partners' views on the firm's strategic direction and other issues, some of which we weren't fully aware of, as not everyone speaks their mind. It helped us to set the agenda and prioritize for the next year and generally created an atmosphere of transparency and openness toward feedback from peers. We will definitively repeat this in the coming years with a different set of two partners each year to stimulate involvement by as many partners as possible.*

■ HOST REGULAR TOWN HALL MEETINGS. Allowing partners to openly question any management initiative enhances both transparency and trust within the partnership and encourages accountability throughout the firm. Leaders who expect to be asked to explain the thinking behind a course of action are likely to be more reflective and think far more deeply about the decisions they make.

■ DESIGNATE A CONSIGLIORE. Firm leaders need mirrors: people who tell them what they see, not what they think the leader wants to hear. This is what one managing partner told me he did:

> *Any partner who had a question or challenge was free to bring it up to my consigliore partner—a senior [partner], acknowledged for his embrace of firm culture and values, whose judgment and fairness was well respected. Any partner [could] in total confidence lay out his [or] her concerns, if they were, for any reason, concerned about doing it directly to my face. My promise to the partners was that there was no issue or subject too sensitive or too toxic, and no excuse for not getting it to me.*
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> *My pledge was that whatever I was doing [that had caused the question or challenge] would be halted instantly, and I would carefully go through with the consigliore whether the issues and concerns were not being weighted fully enough, or if they were game-changing in their nature, before proceeding. It only happened twice during my years of service, but [the procedure] was worth having for the effect it had on the trust in my decisions and elimination of any fear or concern of my being or becoming an arbitrary or arrogant leader.*

■ CREATE AN EXTERNAL ADVISORY BOARD. A few firms have found it useful to form an advisory board composed of outside business executives to offer the leadership their impartial advice. One firm that I am familiar with launched its advisory board in October 2009, consisting of the CEO of a manufacturing company, the former CEO of an investment bank, and a former office managing partner at McKinsey & Co. (They were not firm clients.) These executives meet with the firm's chair and managing partner on a quarterly basis and provide input into the firm's strategic initiatives. —P.J.M.

energy, and excessive caution the excess of logic and analysis.

TERM LIMITS. Social science research shows that any new leader progresses from a honeymoon period to a peak of creativity and effectiveness. After about 12 years in office, most leaders' productivity and contribution wanes ["Tenure Trap," April 2009]. Limiting the time that any firm leader may serve in the role is usually beneficial, both to the firm and to the individual.

REGULAR 360-DEGREE REVIEWS. Confidential reviews of firm leaders by those with whom they interact frequently (such as executive committee members, practice group leaders, and office heads) provide concrete feedback and a clear perspective on strengths and shortcomings. In my experience, 360-degree feedback gets a good-to-excellent rating wherever it has been used and is an ideal tool for providing personal development feedback.

MANDATORY PERFORMANCE REVIEWS. Malignant leaders overestimate their abilities and what they are capable of achieving. Every firm leader needs to be self-aware, and that comes from receiving a candid appraisal of their skills and talents. Still, I suspect that most firm leaders are far more willing to submit to an annual physical examination than a rigorous performance review.

In an online discussion among leaders of U.S., Australian, and European firms in August, Adams and Reese managing partner Charles Adams described his firm's process:

> *The executive committee annually . . . appoints one of its members to conduct the evaluation/assessment of the [managing partner's] performance. [The member] will interview the firm's senior nonlawyer managers, practice group leaders, office partners-in-charge, and others involved in significant leadership roles in the firm and will offer to accept input from any other partners who want to provide it. The [executive committee] discusses the results of that process and provides to the MP what it considers will be useful feedback. . . . This might include performance, motivation, strategic direction, suggested use of time, etc.*

Boards should review the performance of their firm leaders every year. A thorough review flags potential problems relatively early, allowing the leader to learn from the previous year's performance. It will also help establish clear expectations for the coming year. By advocating for these reviews, firm leaders demonstrate to their partners that they view their own performance seriously and are open to receiving feedback.

With each step up the leadership ladder, firm leaders too often discover fewer restraints and performance reviews, and more power to make decisions unchallenged by anyone. Some firm leaders tend to view governance as a suffocating bureaucracy, not a wise system of checks and balances. Rules and processes, watchful partners, and other sensible constraints reduce the opportunities for the "grown-ups" to misbehave. The actions outlined here are intended not to inhibit but restrain—not to tie the hands of firm leaders but to make sure that they have sufficient discretion to make wise decisions. That is how firms ensure good governance.

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