The Art of Managing a Law Firm

Summary: Law firm managers need to have a strong business sense to properly run a law firm.

While law firms and businesses can seem similar, law firms are quite different in how they should be run. Constant communication, strong leadership and partnership, with unabated attention to clients needs to be first and foremost in how law firms operate.

The question is, are you as a law firm manager and your firm ready to fulfill the responsibilities of a true business to the firm’s employees as well as the firm’s clients? If you work in a law firm for an extended period of time, produce strong work and bring in a formidable amount of money, there remains a good chance you will at some point be offered a partnership within the law firm.

With that partnership comes, of course, more responsibility – or at least different responsibilities. Given this, if you are an exceptionally organized attorney who is also “good” with relating to people, particularly those who also work in the law firm, you may be asked to manage the law firm.

Needless to say, managing a law firm can have some similarities to managing a non-legal business while at the same time the experience can be distinctly different.

The Building Block Approach

In an article published by legal management consultants Olmstead & Associates cofounder John W. Olmstead, MBA Ph.D. CMC outlines the traditional building blocks that go into managing a law firm.

They are as follow:
Partner Relations
Leadership
Firm Management
Partner Compensation
Block One – Partner Relations

According to Olmstead, partner relations represent the foundation (bedrock) of a successful firm. A successful firm has a healthy partner culture. In such a culture partners share common vision and purpose, respect one another, shoot straight with each other, and have difficult conversations and discussions when needed to deal with issues and problems. In many firms this is not the case and these firms often are plagued by the following:

- Partner Defections
- Firm Splits and Break-ups
- Personal Fiefdoms
- Maverick Partners
- Hoarding Work
- Lone Rangers

Such firms are often doomed from the start. Law firms that don’t execute this foundational building block from the start will eventually teeter on unsteady ground. Olmstead urges that before forming a partnership – managers need to interact with the other lawyers inside the firm. Try to agree with others as to goals and values for the law firm. Above all, successful managers realize communication is tantamount to a well-run entity, whether it’s a law firm or a more traditional business.

Block Two – Leadership

Leadership comprises the second building block that assembles an effective legal organization. Successful firms have good leadership in place that can come from a single individual or a core group of individuals. Successful firms also do not entirely rely on a formalized management structure. In some law firms, management can be laid back and hands off, yet still have a strong, collective affect.

Olmstead states that leadership behaviors include:

- Developing people
- Being able to influence others
- Encouraging teamwork
- Empowering people
- Using multiple options
- Taking intelligent risks
- Being passionate about work
- Having a strong clear vision
- Make others feel important
- Promote a vision

Leadership is what propels the firm forward, facilitates new directions and attainment of strategic goals, all of which provides the firm the resiliency needed in today’s challenging legal climate.

On the other hand, Olmstead states law firms without leadership are easy to spot. They are more likely “stuck in a rut”, and unable to reach an agreement or consensus regarding new ideas. This can result in stagnating profitability and eventual partner defections. In short, the law firm must pay attention to this key area and develop (a) leader(s) for the before mentioned behaviors above.

Block 3 – Management

Olmstead lists management as the third basic building block of a law firm. To him, successful firms have a good governance and management structure in place that effectively helps manage the firm.

A major problem facing many law firms is the lack of long range focus and the amount of partner time spent on administration issues as opposed to higher level management issues. Time spent in firm management, if properly controlled, is as valuable as, if not more valuable, than the same time recorded as a billable hour.

Accordingly, there is a difference between management and administration. Partners and law firm owners should focus on the management issues rather than administrative issues.

To that end, management includes:
● Productive activities, including those of individual lawyers and the firm as a whole
● Quantity, quality, and economic soundness of the work
● Development of lawyers and future leaders of the firm
● Formulation of policies that will determine the firm’s character
● Financial planning, both short and long term
● Marketing and business development
● Partner compensation and profit distribution systems
● Other decisions requiring partner approval

In a sense, almost everything else is administration, which will require a non-legal administrator to oversee. That administrator can comprise a manager or an office assistant. Inevitably, this will free up the partners to focus on the management concerns of the law firm.

Block 4 – Partner Compensation

The fourth building block is partner compensation. Any successful law firm worth its salt will have a good partner compensation system in place. Within the law firms that are not up to snuff with partner compensation the lawyers are usually more dissatisfied with the method used to determine compensation than with the amount of compensation itself.

Of course, how much and how partners are paid are probably the two most challenging management issues that law firms face. Many law firms are struggling with compensation systems that no longer meet the needs of the firm and the individual partners.

The problem, Olmstead outlines, is due to a compensation system that is poorly aligned with the law firm’s business strategies. Many law firms are incorporating new ways to compensate partners in order to develop a more motivated and productive workforce. Team goals are now linked to business plans and compensation is interwoven into achieving team goals. Such systems reinforce a culture that significantly advances the firm’s strategic goals.

In short, people tend to behave the way they’re measured and paid; what gets measured and rewarded is what gets done. But at the same time, compensation does not drive behavior – it maintains status quo. Motivation requires leadership which can have a greater impact upon a firm than anything else, including compensation.

Many firms are discovering that desired behavior and results must go beyond short term fee production and must include contributions in areas such as marketing, mentoring, firm management, etc. to ensure the long term viability of the firm. To that end, behavior and result need to be hand-in-hand.

Block 5 – Planning

With the fifth building block comes planning. All successful businesses as well as law firms have a long range strategic plan in place. Without one, a law firm’s accountability and focus suffers until it finally becomes a major negative within the firm.

Olmstead narrows this down to a firm having too many alternatives and ideas where a single alternative and/or idea should be within the heart of the firm.

What occurs next is a lack of action or actions that fail to distinguish firms from their competitors and provide them with a sustained competitive advantage. Ideas, recommendations, suggestions, etc. are of no value unless implemented toward one solid preexisting business strategy.

Well-designed business plans are essential for focusing a law firm. But at the same time, a strong law firm manager needs to actually implement those plans, and not let other attorneys inside the firm postpone the business plans’ execution.

● Find ways to focus the firm and foster accountability from all
● Keep strategy and planning simple
● Undertake a few projects at a time that can be realistically accomplished
● Delegate tasks across the firm
● Build upon initial successes and move to more complex strategies, which will require more difficult degrees of change
● Adopt management structures that enable the firm to act decisively and quickly. Replace structures that do not support such a culture

Elements of an effective business plan should include:

● Decision as to the direction of the firm
● Data collection and review
● Action plans
In this Olmstead reminds us that failing to plan is planning to fail, particularly among the strong personalities within law firms.

**Block 6 – Client Service**

The sixth building block is client service. Successful firms deliver exceptional client service. They don’t just meet client expectations – they exceed them.

Clients are now in charge. They demand and receive both world-class service and top quality products. Many law firms have spent too much energy developing new clients and not enough retaining old ones. For many law firms, obtaining new work from existing clients is the most productive type of marketing.

Delivering great client service is extremely important in today’s legal marketplace. More and more lawyers and law firms are competing for fewer clients while client loyalty continues to drop. It is no longer sufficient to simply be competent or an expert in today’s competitive legal environment – law firms must distinguish themselves by the service they provide. Lawyers and law firms must strive for 100% client satisfaction. Service is how many clients can tell one lawyer or law firm from another.

**Block 7 – Marketing**

The seventh and final basic building block is marketing. Successful firms more likely than not have an effective marketing infrastructure and program in place.

Gone are the days when attorneys simply practiced law. Today, they face increased competition, shrinking demand for services and increasing supply of professional talent, availability of service substitutes, and marketing of professional services. Marketing can no longer be ignored if small law practices are to survive in the future.

Olmstead lists the following as obstacles against strong marketing:

1. **Time** – There is no time for marketing or any firm developmental activities. Production is king and non-billable activities such as marketing are discouraged.
2. **Uneasiness With Marketing** – Attorneys are uncomfortable with marketing. This is primarily due to lack of understanding, training, and experience with the process.
3. **Lack of Marketing Understanding** – Many attorneys confuse marketing with advertising. Marketing is not advertising. Marketing activities can exist without any promotional components such as television advertisements, radio spots, tombstone magazine advertisements, or direct mail. Marketing is the broader process concerned with the development and delivery of legal services and is part of the firm’s long range planning process. It provides answers to the questions of what we are selling and to whom we are selling. It involves maintaining relationships with existing clients as well as creating new relationships with prospective clients. In fact, a major objective of many successful marketing plans is to obtain additional business from existing clients.
4. **Focus and Accountability Problems** – Frequently law firms experiment with marketing and engage in isolated promotional activities not integrated with the firm’s business plan, even though it is hoped that there will be immediate results after a short period of time. The firm engages in fits-and-start activities that are unfocused, unrelated to an overall plan, unmeasured, inconsistent and often inappropriate.
5. **Cultural Issues** – The typical culture of many law firms discourages investment in long-term developmental activities. The focus is on billable hours and production. Everything else is of secondary concern. The consensus governance model typical in law firms hinders change and timely decision making at the firm level. In addition, effective marketing in law firms requires marketing at the firm, practice group, and individual attorney levels. This requires effective training, mentoring, follow-up, and accountability at each of these levels, while at the same time pillaging the attorneys’ ability to build up their billable hours.
6. **Reward and Compensation Systems** – Most reward and compensation systems focus on short-term production and discourage participation in longer term (non-billable) firm investment activities or projects.

**In Conclusion**

Law firms, like any other business, need careful consideration as to how they will be managed. They need strong strategic plans and an infrastructure in which partners and associates can freely communicate, share ideas (that coincide with the strategic plan), and will in a general sense, add to the company.

Without this, and again like any other business, a law firm could devolve into chaos which may affect the primary reason they exist at all.
As a law firm managing partner, it is tantamount for you to do all you can to keep your law firm on the strategic road which will lead not just to the firm’s prosperity, but to satisfied clients as well.

For more information, look into these articles:

- How and Why Do Law Firms Die, And What Can You as a Lawyer Do About It
- Are Your Law Firm Leaders Truly Leaders?
- The Parent/Legal Trap: The Challenges of Being Both a Parent and a Lawyer