

WHITE PAPER



Examining The Inner Workings of Law Firm Leadership

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EXECUTIVE SUMMARY

We all know that the law firm leader's job is unlike any other in the firm. One way of envisioning its multiple responsibilities is to map them by the constituencies one must address. Today's leader must be an ambassador to the outside world as well as chief cheerleader, challenger of the status quo, and an implementer of their partners' collective aspirations within the firm.

In March and April we distributed a survey containing over 35 questions to a group of some 250 law firm leaders, the majority from among AmLaw 100 and 200 ranked firms. Our objective was to identify and seek answers to some of the key issues related to the role of being a firm chair or managing partner.

Our data uncovered some surprising and we hope insightful findings. For example, we found that for 56% of today's firm leaders, irrespective of firm size, this is a full-time commitment; with a total of 81% reporting that they "perceive the challenges that they face as being far more complex than a few years back" and 13% even freely admitting they were, "almost overwhelming at times."

Perhaps surprising to some, it is not an exaggeration to state that we have leaders of America's largest firms managing hundred-million to billion dollar businesses, all too often thrust into the role with 67% of them having no clear job description and one in five reporting it to be a "pretty much sink or swim" exercise. Ironically, having served as an office managing partner, or even as a practice or industry group leader seemed to have absolutely minimal value in preparing one for taking on the responsibility of being leader of the entire firm.

On a positive note, the transition period from when the predecessor formally stepped down to the new firm leader taking the reins happening either immediately or within a few weeks, has been corrected! It went from 42% in 2018 to a now improved only 20% - which means the newly elected leader is being given more time to prepare. The only vector going in the other direction is that new leaders are given next to no formal preparatory training and therefore only 11% felt that they were "pretty much prepared for everything they encountered", with another 34% reporting that they "encountered surprises or things they would have done differently, knowing what they know now."

One other surprising but hopefully valuable learning for firm leaders to reflect upon was the disconnect between what they said they would like to spend their time doing and what ultimately consumes their working hours. Looking at the responses from all firms, one can conclude that while setting strategic direction is seen as the top priority, it is not something many find the time for - unfortunately because they are being consumed with thorny people issues, administrative minutia, and taking responsibility for the overall firm performance.

On this same performance theme, when we then asked these leaders "how they would categorize the way in which their performance is evaluated?" a mere 11% claimed to have any formal, annual written evaluation process in place and only 34% have any precise parachute or exit agreement when they decide to step down or retire.

These are but some of our findings from an extensive survey where we would like to thank the participating firm leaders for being very generous in openly sharing their experiences, their learnings, personal frustrations and candid views.

2023 Survey Results

The questions posed and responses obtained here provided an intriguing comparison to similar surveys, one conducted in October 2010 and then another in March 2018. Our current research endeavors to explore, with some of the results we report here, what has changed over the years and what has not.

➤ **Thinking back, what was your primary motivation for agreeing to be firm leader?**

We started with a new question that had never been posed previously and found that across the board, with firms of all sizes, the four most popular reasons, all fairly equally weighted included: 23% “to keep things running smoothly and contribute to the well-being of the firm”; for 22% it actually came about as “a result of pressure from my fellow partners”; 21% claimed “a desire for leading people and enjoyed performing management tasks”; and for 21% it was the “opportunity to shape the firm consistent with some of my ideas.”

From the remainder we heard that they “thought it would be exciting and looked forward to learning something new” and a couple responded that they had an “appreciation for the variety of tasks the role entailed.”

➤ **Approximately what percentage of your time do you dedicate to your role as firm leader?**

With firms of all sizes, 56.4% of respondents reported that “their leadership role was a full-time commitment”, with another 36% telling us that they “invested over half of their time.”

What we heard from a couple of those serving less than full time was that while their leadership position really occupied 80 to 90% of their attention, they still felt a need, to “keep their hand in the game serving a few clients.” There appears to be bit of a trend among a few firms toward having co-managing partners, or a firm leader assisted by a deputy that perhaps allows the incumbents to spend some of their time on client matters. “In our firm, there is a Deputy Managing Partner whom I appoint.”

At the other end of the spectrum, 8% of firm leaders claimed to be spending less than half of their time leading their firms and not surprisingly those responses all came from the smaller firms.

➤ **Compared with 5 years ago, how complex would you say the challenges are that firm leaders now face?**

Perhaps to be expected these days and much higher than the 2018 results, some 81% of these firms felt that the challenges today were “more complex” with another 13% candidly admitting that they are “almost overwhelming at times.”

There was a definite correlation between the size of the firm and the level of complexity that leadership faces. None of these firms reported encountering “less complexity” than five years previous.

➤ **How would you categorize your current job description?**

In 2018, a total of 67% of firm leaders reported that they were operating **without** a formal job description, with many of those who did claim to have a job description being quick to point out that the description was “rather broad” or really “just a part of the firm’s partnership agreement.”

Today, we were pleased to see this percentage has now improved – slightly, such that only 59% are still operating without a job description, with many believing that their job description is “informal and understood.”

When we then inquired of those that told us they possessed a formal, written job description, when it was “last reviewed or revised” we heard from one-third of them, that no reviews had occurred anytime during the past . . . 10 years! These were obviously some of the longer serving leaders from the largest firms.

While asking about a formal job description might seem a touch bureaucratic, we learned some years back that few attorneys in any firm truly appreciate the magnitude of this job. In fact, some years back we participated in conducting a thorough activity analysis that resulted in the codification of 53 bullet-point ‘Responsibilities and Essential Functions.’ When this five-page listing was shared with the partners, during the process of soliciting nominations for a full-time Managing Director, a couple of supposed candidates declined putting their names forward. We concluded that these attorneys now understood that this role was not some position of semi-retirement that they may have suspected.

Meanwhile, we remember the long-term, 20-year Chairman of Latham & Watkins, Bob Dell telling us that his greatest shock after he stepped down, was discovering that so many of his fellow partners did not have the “foggiest idea of the enormity of the firm leader’s job.”

➤ **Is there an ‘elected’ Board / Executive Committee that you report to in your firm?**

Some 86% of our respondents told us that there was indeed such a Board or Executive Committee in their firm, and that it ranged in size from a smallest of 3 to, at its largest, some 25 partners with an average size of about 10 elected individuals.

Interestingly, unlike what occurs in the Big Four and in other accounting firms; with many UK law firms and what we understand to be the case at Reed Smith; none of our respondents informed us of appointing an outsider to serve as an official advisor to their Board or Executive Committee.

➤ **How long have you served as the firm leader?**

Our research shows that the typical firm leader has a 3 to 4 year term, which is renewable usually for two terms, and the average leader has served for about 7.03 years. That said, we did hear from a few respondents who have thus far served over 20 years in their roles.

Today, 29% of these firms claim to have term limits, which is up from 23% of the responding firms reporting term limits back in 2018, which has remained consistent right back to 2010 when 21% of the reporting law firms claimed to have term limits in place.

➤ **How many candidates were there for the position when you accepted the job?**

In our survey, 40% reported that they were the “only candidate” which suggests that there is now far more internal competition for the position since back in 2010, when 58% reported that they were the only candidate.

One of the other surprising results from this survey was learning that with 60% of the leadership selection situations being a contested process, in 8% of those cases there was only one other candidate, so in 52% it tuned into a contest amongst multiple candidates. That statistic seemed to coincide nicely with a recent comment from Tom Sharbaugh, a professor of practice at Penn State Law, who commented “most partners feel they could run the firm. They think that these are not hard jobs.”

Interestingly, in the majority of these instances or 55% of the cases, a formal interviewing of the various candidates took place. The idea of conducting formal interviews was not at all the practice reported in previous years.

➤ **Reflecting back to when you first took on the job, what was of greatest concern to you?**

Our survey participants were invited to select from a list of eleven different concerns and also tell us of other concerns not identified. The top four responses we elicited were:

54.17% – satisfying my partner’s expectations;

44.44% – having the strengths and competencies necessary to do a good job;

40.28% – having a meaningful impact on the fortunes of the firm; and

30.56% – managing a multi-million dollar business.

What was gratifying for us to see was what scored last amongst these firm leaders was

4.17% - establishing an enduring personal legacy.

We also obtained other comments including, “keeping the partnership together at a time the firm was transitioning from a first generation of partners;” and “taking the firm in an entirely new direction and getting alignment among the partners.” From one Leader we heard “I didn't have any real concerns. I just hoped that our partners were willing to change their mindset under my ‘play to win’ style, as opposed to the former ‘play not to lose style.’”

➤ **How long was the transition period between when your predecessor formally stepped down and when you actually took the reins?**

While it was interesting to see that there is now a longer transition period than was evidenced years back, we still received numerous comments about how it was such a “difficult transition,” that it was “poorly planned for the time allowed” and how “essentially there was no transition and a very poor way to do it.” And from one respondent we heard, “the title was mine, but the old managing director stayed on for 5 years to transition all of the responsibilities.”

Comparing 2018 to 2023 we found a few significant differences:

- 33% / 17% – happened immediately
- 9% / 3% – only a few weeks
- 12% / 30% – one to three months
- 37% / 35% – longer than three months

Mysteriously, 74% claimed that the timing was “just right” irrespective of whether the timing was one to three months or longer than three months. And we believe there is a lesson to be learned from those who did experience an immediate transition or had only a few weeks, as they unanimously confirmed that it was “too short a transition period.”

➤ **How would you categorize the guidance provided when you first took on the job?**

This year’s survey informed us that some 64% reported either receiving extensive counsel from their predecessor and/or having received guidance from some member of the firm’s elected Board or Executive Committee. This was one of those statistical results that has improved dramatically over the years since this survey was first conducted.

That said, we received a number of comments like these, “I did receive guidance from my predecessor, but I wouldn’t call it extensive. When I had questions, he was very helpful in providing answers;” and “I spoke several times with the outgoing MP and he sent me a long email with a soup-to-nuts rundown of issues that he was handling and would be handed off to me;” and “the prior firm leader did offer some help, but he was more concerned about his own practice.”

Another 6% advised that any guidance received was largely from sources outside the firm. We were told, “I had been CEO of other organizations in the past, so I had clear expectations for myself. I have relied on networked peers for many years. There was no one at the firm I could rely on to help me shape my vision or role;” and “I had served as the de facto CEO of our prior firm that merged into this firm, as well as CEO of a health care/IT company, and EVP and US Division Head of the second largest finance company in the world.”

The not-so-good news is that for 20% of our new firm leaders taking on this role it is reported to be a “pretty much sink or swim” exercise, which does not speak well for the outcome of this important leadership transition – especially given the enormity of the job and the increasing complexity of the awaiting challenges.

This is supported by a meager 11% of firm leaders looking back on their tenures and telling us that they were “pretty much prepared for everything they encountered.” For a third of leaders, from firms of all sizes, we heard about how they had to confront “a few surprises that they had not anticipated” and that “there were a number of things that they would have done differently knowing what they know now.”

Ironically, these firm leaders reported that for the most part, having external management and leadership experience, having served as an office managing partner, or as a practice or industry group leader seemed to have absolutely minimal value in preparing one for taking on the responsibility of being a firm leader. 42% told us that their having served on the firm’s executive committee or board was the most helpful experience. Nevertheless, as one respondent expressed it, “You really can’t understand the enormity of this position until you’re in it.”

➤ **How would you categorize the way in which your performance is evaluated?**

Another area of **surprise** was in discerning that only 11% of our firm leaders claimed to have a formal, written annual evaluation conducted of their performance.

42% reported that any evaluation comes from the Board and happened informally, while 34% admitted that there was no real evaluation of performance, with another 1% who did not believe they needed any evaluation of their performance, as their performance is reflected by the overall performance of the firm.

Interestingly, back in 2010, a larger 24% of firm leaders reported that there was some formal mechanism for garnering performance evaluations. At that time, some told us about how their firms employed a 360-degree feedback system while others talked about how they meet with the Board to set performance targets at the beginning of each year followed by some manner of formal review process at various times during the year.

When asked how should a firm leader’s performance be judged, the responses were varied with Net Profit Improvement and Firm Reputation and Firm Growth being amongst the top three metrics cited. We also heard about how “engendering the trust of the partnership and leading the strategic vision were paramount;” “how one should be judged based on the extent to which the firm’s Partners remain excited about practicing at the firm;” and “based on whether the firm’s members have the support to build rewarding, successful careers.”

When we then inquired about compensation bonuses, whether they were received and upon what basis, we found that 35% did not receive a bonus, while some 7% received a bonus based solely on the firm’s performance. From the others we were informed that any compensation bonuses were based either on individual performance (15%) or some combination of both individual and firm performance (42%).

But we are then left to ponder – without any real formal evaluations conducted?

➤ **Is there any understanding covering your role and compensation when you relinquish your firm leadership responsibilities?**

The responses to this particular question included:

33.8% – have a formal written agreement covering their compensation for a few years after they step down;

21.1% – reported that they have no formal agreement, but there is a precedent based on how their predecessors had been treated; and

35.2% – reported no formal agreement and that they will have to trust their partners to be fair.

Another 10% of respondents answered that they would hope that their partners would be fair but, some weren't really too optimistic. A couple of firm leaders explained that it is primarily a "huge trust issue" with one confiding that "there is no formal agreement, no precedent, and I do not trust my partners to be fair."

These numbers have not changed much from previous surveys and we would respectfully contend that this is an issue that should be formally addressed in every firm, especially those where the leader is serving full time and has likely given up their personal practice. This should be an action item for the current Board/Executive Committee to initiate the change to a more formal understanding – starting with the next generation of firm leaders.

➤ **As you reflect on the role of being firm leader what do you like doing the most?**

Our survey respondents were given a list of ten common firm leadership responsibilities to force rank and the top three responses we elicited were:

#1 – Determining strategic direction and implementation

#2 – Time spent recruiting and developing the talent in the firm

#3 – Initiating change necessary to ensure long-term success

We followed this up with a related question comparing what they might like doing to their current reality:

➤ **As you reflect on the role of being firm leader what do you find the most time-consuming?**

Now given the very same list of ten leadership responsibilities to force rank, we found that the top three responses now were:

#1 – Lawyer counseling and thorny people issues

#2 – Day-to-day administrative responsibilities

#3 – Having responsibility for the overall firm performance

Here is where the reality of the job and where you are most likely to be spending the vast majority of your leadership time clashes dramatically with what you wished you were doing. 82% of the firm leaders from firms of all sizes wanted to focus on 'strategic direction' as their primary area of responsibility only later to have to conclude that what really occupied their

agendas and consumed their precious time were administrative minutiae and sorting out the strong egos of their fellow professionals.

And since these firm leaders seem to consume significant time in dealing with “thorny people issues” when we then asked about their key hurdles in exercising leadership, we discovered . . .

➤ **What would you say are the key hurdles to exercising leadership in your firm?**

The top four responses we elicited were:

- #1 – Reluctance to change
- #2 – Complacency
- #3 – Some of the lawyer personalities
- #4 – Need to exercise personal autonomy

Interestingly with this question, responding firm leaders did not rate highly as key hurdles some of the things we often hear, issues like “a “reluctance to be led,” or an “aversion to accepting rules.”

➤ **We have all heard that old adage that “it is lonely at the top.” How would you rate the feelings of isolation that you think most firm leaders experience in this job?**

There was no particular size correlation to the answers we received to this question. 62% of the firm leaders responding admitted some degree of loneliness with another 10% telling us that the job was “extremely lonely.”

➤ **What one reason triggers a firm leader to begin thinking about stepping down?**

Assuming that there are no limits to how long one might serve, we provided nine possible reasons why any leader might think it was time to move on and the top three responses we elicited were:

- #1 – Enthusiasm is dwindling
- #2 – The job now needs someone with different talents
- #3 – No longer has the energy level
- #4 – No longer learning and growing in the position

We heard was one firm leader informing us that “This is a very hands on, time consuming, role in our firm. There are times one wonders if it is worth it. Typically I revert to ‘it is and you are good at it and doing good things for many people, so keep going’, but it is a thought that crosses one's mind.”

Another theme that seemed to run through what we were hearing was “stress.” One long-serving leader told us “having a full-time practice and running a complex, global law firm for 15 years is stressful and exhausting!”

➤ **Is there any process in place for selecting the next firm leader in your firm?**

25% reported that they have no precedent for how they approach the selection process while another 30% said that they simply accept nominations from the partnership, maybe through an Executive or Nominating Committee process.

From one firm leader we were told, “Candidates self-identify or are nominated; an Advisory Committee (comprised of half Board members / half non-Board members) is appointed by the MP and ratified by the Board; the Advisory Committee runs selection process and makes recommendation to the Board. The Board makes the final decision.”

And from another we heard about how “We open a call for nominations (which can be self-nominated). We then install a Hiring Committee to vet, interview, and ultimately recommend one or more candidates to the Board of Directors. The Board then chooses one person. The Board's choice then has to be ratified by the Equity Shareholders.”

Another 10% of our firm leaders claimed that they personally pick and nurture that lawyer who will be their successor. One Leader informed us, “Promotion from deputy managing partner - whom I appoint, subject to executive committee approval.”

➤ **Are there specific qualifications required to be the next firm leader?**

With this question 65.2% told us that there was “nothing specifically defined” other than to cite general attributes like “a credible trusted partner with good skills who will be supported by the partnership;” and “ability to create a one team approach, servant leadership skills, financial management acumen;” and “trust of the partners with a willingness to do whatever is needed to continue our success.”

Another 14.5% claimed “a particular skill set” but could not get very specific on “what” particular skill set, such that we were informed that “We have a job description that lists particular skill sets and experiences that are helpful. But none are pre-requisites.”

It’s possible that these responses represent a gap between the speed with which firm leadership responsibilities have expanded and become more complex, and firms’ leadership processes have not matured to meet that demand. Many of the firms that responded have commensurate revenue and complexity to 9 and 10 figure corporations, which use extremely detailed plans, strategies, responsibilities and succession criteria for the purpose of selecting a new CEO. Why should law firms of the same ilk do anything less?

➤ **From your observations and experience, what actions/steps are required in executing a graceful and smooth exit strategy?**

Our firm leaders identified a number of actions including, in order of priority:

- #1 - Engage people to keep the focus on what is best for the firm;
- #2 - Involve the firm’s practice group leaders and others in the transition;
- #3 - Set out expectations with the Board / Executive Committee in writing;
- #4 - Determine what you can reasonably complete before the leadership handover; and
- #5 - Don’t start initiatives that require someone else to continue them.

In addition, a few leaders mentioned things like, “help your successor get his or her sea legs” but also keep in mind that you need to “accept that your successor may not want all of your advice!” And we will always remember how one managing partner expressed it, “we all have a shelf life where we begin to lose our spark and then wonder how to exit with grace. When everything is clicking, it’s easy to overstay your welcome.”

➤ **What role should the incumbent play in finding their successor?**

The overwhelming response we received from those leaders participating in our survey was that the incumbent should identify and mentor their possible successors over time and also play a supportive role by passing along accumulated wisdom. “The incumbent is in the best position to evaluate candidates and so should provide input into the selection process.”

They also answered that they should participate in successor planning as directed by the Board/Executive Committee as well as identify skills/qualities the new firm leader needs to possess. “I think the outgoing person should speak with the nominating or selection committee to give insight into the role, skills, and who may have the right skills to succeed them.”

➤ **What one issue would be most important to you when you relinquish your position?**

The two primary responses we received from firm leaders were, “agreeing on a plan to manage the transition period “(46%) and “determining how to let go, how to move on and how to say goodbye” (21%).

And from a couple of firm leaders we were informed that “It would be very important to me that I show complete support of the new CEO, make sure nothing is getting missed, and leave the firm in a better place than I found it when I became CEO, and poised to continue its successful path;” and “Coordinating with the incoming CEO so they understand what is on the table and my thoughts about open issues, and provide help where they ask for it. Our process will continue to pay me for two years after I step down with no particular portfolio, so I will view my job as helping my successor in whatever way they wish during that time.”

➤ **What is it that you are likely to do next after having completed your term as firm leader?**

The most prevalent responses to this question included:

- 26% – Return to practicing on a full-time basis;
- 25% – Take on a reduced workload, perhaps an ‘Of Counsel’ role;
- 25% – Look for an alternative career challenge; and
- 21% – Retire completely from the practice of law.

For the remainder, it was “difficult to say right now” while a couple saw themselves “taking on special assignments and focusing on business development;” “initiating my consulting and authorship in the area of women’s leadership;” and “retiring from full-time work and staying affiliated in a strategic role that is less than 25% of my time, but helpful to the firm.”

TWO GENERAL QUESTIONS

We concluded our survey by asking two general questions of all our firm leaders:

➤ **What keeps you up at night?**

The top three issues of concern to firm leaders today concerned ensuring the firm's success, confronting and dealing with the talent wars, and managing through economic and recessionary turmoil.

- "Many things! Most especially, ensuring that we are heading in the right direction; focusing on our future."

- "The opportunity for transformation is so clear, yet we like many BigLaw firms, are still playing it safe."

- "How do I keep the talent focused on the good of the firm as opposed to themselves individually or opportunities presented to them by this hyperactive recruiting market?"

- The ongoing effects of the pandemic culture have changed the perspective of many on what it means to work hard.

- "Externally: cyber; legal risks; PR issues and internally: unexpected rainmaker departures

- "Very few things keep me awake at nights. I do the best I can do, encourage my partners to do the same and hope for the best outcome.

➤ **What question do you think we should have asked but didn't?**

By far the most popular response we received was, "would I do this again?" with the natural range of responses from "probably" to "not sure."

From others we heard various renditions on these themes and with some intriguing responses:

- "Do you feel appreciated?
Generally, but with significant exceptions."

- "Do you think you were the best choice to serve as firm leader?
A good choice but very possibly not the best."

- "How do you balance work and non-work (e.g., family) effectively?
I try to make sure that I am engaged with my family both when home and traveling."

- "How do you motivate your partners?"

Lead by example; but asking for advice rather than saying I have the answer.”

– “What is an indispensable element of effective leadership?
Always acting in the best interest of the firm, leaving your ego at the door.”

– “What one thing would you change in your Firm?
Make innovation an executive committee priority.”

– “How has taking on the leadership role changed your personal relationships in the firm?
With those who I have worked with for years the relationships are good but different, as I decide what each of them are paid. For others they have only known me as the MP as I have been in the role for a long time. It is harder than one imagines to nurture those relationships as those individuals at times don't see me as a person, they simply see me as their MP.”

– “What is the appropriate role of the management team, in outside matters that are specifically delegated to that group (as opposed to the Firm Leader) for decisions?
I would think (a) provide guidance and support, (b) provide views from the front, (c) provide advise/criticism privately, carry out policies/directives without complaint publicly.”

– “What surprised you the most about taking on this role?
How many people kiss your ass and are fearful to tell you how they really feel.”

CONCLUSION

What all of this seems to indicate is that, for the most part, we have leaders of America’s significant law firms who have responsibility for managing multi-million dollar businesses, with no clear job descriptions, very limited formal training, no formal evaluation process, no parachute agreement upon stepping down, and no established criteria for choosing their successor.

While this may sound unduly harsh, it does beg an interesting question: “What might your professional advice and counsel be, to the Board of a client company with the same revenues as your firm, which has this as their profile and are looking for a recommendation from you on what action they might take to improve their overall organizational governance?”

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