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HOW TO EVALUATE LAW FIRM LEADERS

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How to Evaluate Law Firm Leaders (Perspective)

By Donald Mrozek, Former Chairman, Hinshaw & Culbertson LLP

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In the columns I wrote in December, 2016 and January, 2017, I discussed the importance of leadership succession in law firms and the need to have a protocol for the selection of the firm's leader in place prior to the time that the selection is occurring. I also discussed the key elements which the protocol should address. I now turn to a subject not much considered in law firm management literature: the evaluation of the leader's performance.

I suspect that one of the reasons for the dearth of written analysis on this subject is the method by which law firm leaders were historically selected. Until quite recently, a new leader was selected by one or more combinations of the following criteria: seniority (when the most senior partner retired, the next most senior took the position); power within the firm, most often measured by the size of "book of business" or perceived clout within the legal community; or ability to get along with all or almost all of the most influential partners in the firm (often a compromise selection brokered by those partners). With such selection criteria, performance evaluation was not on anyone's radar. Generally, if the firm was sufficiently successful financially, and the partners were more or less on the same page from a strategic point of view, there was little, if any objective performance evaluation of the firm's leader.

In more recent years, lawyering has become more amenable to analytics and the success, even survival, of the firm has become more dependent on the skills of its leader. Specifically, the law firm leader needs to be proficient in a variety of business-type skills such as strategic planning, operational efficiency, etc. as well as interpersonal interactions. These factors are, or should be, now considered by the firm's electors in their selection of a leader. It stands to reason that the leader should be periodically evaluated based upon these same criteria. Specifically, the leader should be periodically evaluated based upon the factors most mission critical to the firm's present and future success. Moreover, an evaluation approach anchored in analytics offers great opportunity for meaningful evaluation.

In designing an evaluation system of its leader, law firms can learn much from the copious quantities of data-sets and commentary available in business and academic circles. Although these are generally comprehensive and sophisticated, the basic scheme is quite simple: identify the factors most critical to the firm's success; weigh the factors according to importance; develop specific behaviors relevant to each factor; and subscribe a grading system for each, the most simple being a 1 to 5 point rating process with 5 being "far exceeds expectations"; 4 indicating "exceeds expectation"; 3 translating to "meets expectations"; 2 being "below expectations"; and 1 indicating "well below expectations." Each of the evaluators grades the performance and an average for each of the criteria is then calculated. Then an additional calculation is done, ascribing the agreed upon weight to each of the criteria. The results, reflecting both strengths and areas of performance, are then shared with the leader.

By way of example, and to walk you through the process, the first step is identifying the leadership factors most important to the firm's success. For most firms, the most important factors for success include the following: formulation of a coherent and compelling strategic plan; directing firm operations in an effective



manner; careful management of the firm's finances; appointing, training and retaining future leaders of the firm; communicating to all of the firm's constituents clearly and consistently; maintaining positive relationships with the firm's partners; and representing the face of the firm with its clients and the community at large. Identifying the factors for the firm is the first step.

The next step is applying a weight to each of the factors depending on the importance of each to the current position of the firm. For example, the factors identified above could be weighted as follows:

- formulating of a coherent and compelling strategic plan ... 20%
- directing firm operation in an effective manner ... 10%
- careful management of the firm's finances ... 20%
- appointing, training and retaining future leaders ... 15%
- communicating clearly to all of the firm's constituents ... 10%
- maintaining positive relationships with the firm's partners ... 10%
- representing the face of the firm with its clients and the community ... 10%

As noted, the weighting will vary depending on the circumstances of the firm and may change from evaluation period to evaluation period depending on how those circumstances change.

The third prong is for each of the evaluators to grade based upon the agreed upon scale $\frac{3}{4}$ in the above example, 1 to 5. An average for each of the criteria is then determined. For example, the average for "formulation of a coherent and compelling strategic plan" could be 4, while the average for "directing firm operations in an effective manner" could be 2. The following step is to take a weighted average of those averages, the result of which calculates to a final evaluation grade. The results are then communicated to the leader.

Using an analytical, mathematically based approach to leader performance evaluation should enhance the effectiveness of firm leadership and correspondingly the competitive position of the firm. Firms interested in adopting this approach are well-advised to seek assistance from those experienced in this arena.