



**MPF FEATURED WHITE PAPER**

**THE STATE OF LAW FIRM LEADERSHIP**

*by*

*Patrick J. McKenna*  
*McKenna Associates, Inc.*

*David J. Parnell*  
*True North Partner Management*

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404.885.9100 - [www.TheRemsenGroup.com](http://www.TheRemsenGroup.com)



# The State of Law Firm Leadership

*By Patrick J. McKenna and David J. Parnell*

## 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' dreams inside the firm.*

In June and July we distributed a survey containing 30 questions to a group of about 300 law firm leaders, many among the Am Law 100 and 200 ranked firms. In *The State of Law Firm Leadership* we set out to identify some key issues related to the role of being firm chair or managing partner.

Our data uncovered some surprising and potentially valuable findings. On the surprising side, for example, we found that many leaders of America's largest firms who are managing multi-million-dollar businesses are too often thrust into the role with minimal planning time and no clear job description. They're given next to no formal preparatory training and are expected to either sink or swim. Further, they're expected to approach the end of their career with no precise parachute or exit agreement in place when they decide to step down or retire.

What's more, we found that the majority of today's firm leaders, irrespective of firm size, perceive the challenges they face as being far more complex than a few years back. Indeed, one in five leaders reported the challenges feeling "almost overwhelming at times."

These leaders find themselves working with partners that may not view their leadership role positively. Survey respondents said that at least one-fourth of their partners hold the view that leadership is either a "necessary annoyance" or something "we really don't need." Not surprisingly, this prevailing attitude has firm leaders citing a reluctance to change and complacency at the top of their agenda as among the key hurdles faced in exercising their leadership.

One other surprising – but hopefully valuable – learning for firm leaders to reflect upon was the disconnect between what leaders 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 a top priority, it is not something many find the time for – because they are being exhausted by administrative minutiae, thorny people issues, and constant travel.

Of course, leaders of large firms have always been on the road – this is not a new development. However, today the stakes are higher. With so many offices and markets demanding attention, it is becoming more challenging to check the pulse of the partners, gauge the effectiveness of local offices, and know when to intervene. Perhaps, not surprisingly, nearly 75% of firm leaders admitted to the feeling of that old adage, "It's lonely at the top."

One further item of interest was revealed when we asked leaders how they would categorize the way in which their performance is evaluated? **Just 9%** claimed to have a formal, annual written evaluation process in place.

While we will leave it to the reader to determine whether that makes sense to them, what we do know for certain is that any leader attempting to improve their firm by asking that partners stretch – to build their skills, improve their business development acumen, and make themselves more valuable to clients – would be wise to lead by example.

These leaders should take the initiative to set in place an evaluation process whereby specific (and transparent) goals might be determined annually. They should also implement some form of feedback loop that might be solicited from the entire partnership. And we are delighted to report that there are a few firm leaders that do precisely that and do it very well.

While you may think that some of our findings sound unduly harsh, it does beg an interesting question: What might your professional counsel be, to the Board of a client company, which upon close examination has this as their "leadership profile"? What would you advise this client who is now looking to you for a recommendation on what action they might take to improve their overall organizational governance?

## 2018 SURVEY RESULTS

In an earlier survey we sought to determine how certain firm leaders were *perceived*; this one attempts to explore what these firm leaders actually *do*. And what is not obvious from this survey, but what we have witnessed, is how extraordinarily creative our profession has become over the years in finding new titles for law firm leaders. We have thus far identified some fourteen different titles that firms use, from CEO or Chief Executive Partner to President or Presiding Partner.

For this survey, we canvassed and received detailed feedback from 86 firm leaders, many from Am Law ranked firms, on their specific responses to 30 specific questions, covering everything from what percentage of their time they devote to their role as leaders and how prepared they now think they were when they first took on the role to what they like doing the most as a firm leader and how their performance is evaluated. We are pleased to report that 20% of our responses came from firms of over 800 attorneys, 10% from firms of 500 to 800, and 30% from firms of 200 to 500, with the remainder from smaller firms.

The responses obtained here provided an intriguing comparison to two similar surveys; the first conducted in July 2004, the second in October 2010. Our current research endeavored to explore, with some of the results we report here, what had changed over the years and what had not.

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

Across the board, with firms of all sizes, 56% of these respondents reported that their leadership role was a full-time commitment, with another 28% telling us that they invested over 50% of their time. This was one of the more surprising results of this year's survey, largely because this finding changed dramatically from 2010 when only 9% of the respondents claim that their leadership roles were full-time — which may have been the direct result of the prolonged recessionary conditions of the time, and firm leaders needing to display some billable contribution.

Meanwhile, back in 2004, we learned that approximately 24% of firm leaders reported that their role was a full-time endeavor. So we have evolved from 24% to 9% and back to a high of 56% over the course of the past 14 years.

At the other end of the spectrum, 16% of firm leaders claimed to be spending less than 50% 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, some 61% of these firms felt that the challenges were "more complex" with another 19% freely admitting that they are "almost overwhelming at times," with more than half of those coming from the leaders of firms of over 800 attorneys in size. There was a definite correlation between the size of the firm and the level of complexity that leadership faces. None of the firms reported that they were encountering "less complexity" than five years previous.

### **As the firm's leader, do you have a formal "written" job description?**

In 2010, a total of 72% 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." This percentage was almost identical to the results from 2004 and consistent among firms of all sizes.

We were pleased to see that this percentage has now improved ... slightly, such that only 67% are *still operating* without a job description, with a couple of our respondents who told us they had job descriptions commenting that "*their formal job description was probably 8 years old and largely irrelevant*" or "*so old it does not describe what I do.*"

We recall an assignment some years back with a 350-plus lawyer firm going through the process of selecting a new Managing Director. Upon learning that there were likely going to be over a half-dozen candidates interested in the position, we set about creating the first job description. From an activity-based analysis, we were able to identify over 50 different and important activities that represented what the current firm leader was held responsible for executing. Our subsequent presentation of the formal job description persuaded a number of the candidates to withdraw their names. We have since seen much evidence repeatedly confirming that many partners at many law firms haven't the foggiest idea of the enormity of the leader's job.

### **Is there an “elected” Board/Executive Committee that you report to in your firm?**

Some 77% of our respondents told us that there was indeed such a Board, and that it ranged in size from smallest of about 5 to, at its largest, approximately 30 partners with an average size of about 10 elected individuals.

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

1 – 5 years:	56% today / 47% in 2010
6 – 10 years:	18% today / 11% in 2010
11 – 15 years:	15% today / 27% in 2010
Over 15 years:	12% today / 15% in 2010

In the 2004 survey, the average firm leader had been in the position for 7.4 years. The average today is about the same, at 7.2 years.

### **Are there term limits as to how long anyone may serve as firm leader?**

The most popular term length seems to be two 4-year terms. Only 23% of the responding firms reported having term limits, which has remained pretty consistent back to 2004 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 2018 survey, 37% reported that they were the “only candidate,” which suggests that there is now far more internal competition for the position since 2010, when 58% reported that they were the only candidate.

One of the other surprising results from this survey was learning that in spite of 63% of the leadership selection situations being a contested process, within at least 19% of the cases with at least one other candidate, there were very few instances where any kind of formal interviewing of the various candidates took place.

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

The top four responses we elicited were:

- 58% – satisfying my partner’s expectations
- 53% – having a meaningful impact on the fortunes of the firm
- 48% – having the strengths and competencies necessary to do a good job
- 35% – taking over from someone with a different personality, style, and agenda

We also heard from a number of firm leaders about issues like, “following someone who held the job for 26 years, knowing that change management in a time of market disruption was critical,” and “giving up my legal practice,” or on a slightly different note, “making it clear to my clients that I still practiced law.”

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

33% – happened immediately
9% – only a few weeks
12% – one to three months
37% – longer than three months

While 64% claimed that the timing was “just right” irrespective of whether the timing was one to three months or longer than three months, those who did experience an immediate transition or had only a few weeks did respond that it was “too short a transition period.” We heard 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.”

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

This year’s survey informed us that some 42% reported 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 another of those statistical results that has fluctuated over the years in that in 2004 we witnessed 47% of firm leaders reporting that they were mentored by their predecessors and others in the firm, which then dropped to only 18% telling us that in 2010.

The not-so-good news here is that for 30% 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 formal job description and the increasing complexity of the awaiting challenges.

This is supported by a meager 7% of these respondents looking back on their tenures and telling us that they were “pretty much prepared for everything they encountered,” with many from firms of all sizes reporting that 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, having served as an office managing partner or as a practice or industry group leader seemed to have minimal value in preparing one for taking on the responsibility of being a firm leader. As one respondent expressed it, "You really can't understand the enormity of this position until you're in it."

### **How is the whole notion of leadership regarded by most lawyers in your firm?**

When we asked how important these firm leaders felt that the idea of being led was in their firms, one in four responded that it was regarded as either a "necessary annoyance" (19%) or as something "we really don't need any of" (5%). One reading those stats might imagine that the firms claiming that their lawyers thought it a necessary annoyance would probably all come from the smallest of responding firms, but it was striking to note that 50% of those responding in that manner were from firms in the 200-500 attorney size range.

### **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 – Risk aversion

Interestingly with this question, responding firm leaders did not rate highly as key hurdles some of the things we often hear; issues like "lawyers need to exercise personal autonomy," a "reluctance to be led," or an "aversion to accepting rules."

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

The top three responses we elicited were:

- #1 – Determining strategic direction and implementation
- #2 – Initiating change necessary to ensure long-term success
- #3 – Having responsibility for the overall firm performance

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

The top three responses we elicited were:

- #1 – Day-to-day administrative responsibilities
- #2 – Lawyer counseling and thorny people issues
- #3 – Traveling to spend time with my partners in various offices

Here is where the reality of the job and where you are most likely to be spending the vast majority of your leadership time clashed dramatically with what you wished you were doing: 85% of the firm leaders from firms of all sizes wanted to focus on strategic direction as their primary area of responsibility, only to admit that what really occupied their agendas were administrative minutiae and sorting out the strong egos of their fellow professionals.

And since these firm leaders relished "having responsibility for the overall firm performance" when we then asked about how their performance was evaluated, we discovered another disconnect ...

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

Yet another surprise was in discerning that only 9% of the respondents claimed to have a formal, annual evaluation conducted of their performance as firm leader.

Further, 40% reported that any evaluation happened informally, 35% admitted that there was no real evaluation of performance, while another 5% did not believe they needed any evaluation as their performance was a reflection of the performance of the firm.

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

### **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: 65% of the firm leaders responding admitted some degree of loneliness, with 7% telling us that the job was "extremely lonely."

One told us, "It is always lonely in the sense that, at the end of the day, you have to own the decisions. But I have a terrific leadership team and we support one another in a way that is restorative." While from another leader we heard, "I'm surrounded by people but given I decide what people get paid every relationship is different than it was before, despite my not wanting it to be like that. But I have some folks who are pretty honest with me, which I appreciate."

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

- 28% have a formal written agreement covering their compensation for a few years after they step down;
- 9% have no formal agreement, but there is a precedent based on how their predecessors had been treated; and
- 53.5% reported no formal agreement and that they will have to trust their partners to be fair.

Another 9% of the respondents answered that they would hope that their partners would be fair but weren't really too optimistic. A couple of firm leaders explained that it is primarily a "huge trust issue." In other words, you trust that your partners will help look out for your interests when you step down.

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 leadership to initiate the change to a more formal understanding – starting with the next generation of firm leaders.

**Assuming there are no limits to how long one might serve, what one reason triggers a firm leader to begin thinking about stepping down?**

The top three responses we elicited were:

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

One of our respondents told us it was "decision fatigue and growing tired of having so many people having such high expectations of you 24/7 every day of the year."

The #3 response of no longer growing tied with those who told us that it was "simply time to retire." Interestingly, while many of these leaders recognized that the job now needed different talents, when we posed the next question, we discovered yet another disconnect ...

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

With this question 74% told us that there was "nothing specifically defined," while another 21% claimed "a particular skill set," but could not get very specific on "what" particular skill set, other than to cite general attributes like "trusted, honest, not self-interested, steady, and optimistic."

It's possible that this represents a market-wide gap between the speed with which (i) leadership responsibilities have expanded and become more complex; and (ii) firms' leadership processes have 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 criteria for the purpose of acquiring a new CEO. Why should law firms of the same ilk do anything less?

**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" (51%), and "determining how to let go, how to move on, and how to say goodbye" (34%).

Determining the right moment (assuming no term limits) to move on remains a gut-wrenching decision and one that many partners and a leader's successor, don't often fully appreciate. As we remember one managing partner expressing 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."

When you correlate these responses with the previous question regarding incoming leadership's satisfaction with the guidance provided upon taking up their role – 30% said it was sink or swim – it may be instructive on how firms should tackle this process. There are other knowledge-based and psychological (and therefore challenging) aspects to grapple with for the incoming and outgoing leaders. Allowing more room for vacating and incoming leadership to more effectively negotiate, plan, time, and ultimately execute the transition process may not only offer practical benefits, but also offer cathartic benefits as well.

**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:

- Engage people to keep the focus on what is best for the firm;
- Involve the firm's practice group leaders and others in the transition;
- Set out expectations with the Board/Executive Committee in writing;
- Determine what you can reasonably complete before the leadership handover; and
- 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!"

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

Responses to this final question included:

- 33% – Take on a reduced workload, perhaps an "Of Counsel" role
- 28% – Look for an alternative career challenge
- 19% – Retire completely from the practice of law
- 12% – Return to practicing on a full-time basis

The remaining few admitted to really having no idea as to what was next with one telling us, "I will without question stay here for a couple of years and help in all ways needed. After that I'm not totally clear. I would like to go back to practicing but it has been 9 years now with limited time devoted to client work – so I will need to see how that goes. I wouldn't mind a final chapter of my work life that is completely different, but I will never work at another law firm."

**Finally ...**

Beyond the 30 questions we posed, we asked our participants for any overall comments or observations and this one, from the leader of one of the larger responding firms, pretty much summed it up for us:

*"Being a law firm leader today, is not for the faint of heart or for the sensitive!"*

## ABOUT THE AUTHORS

**Patrick J. McKenna** is an internationally recognized author, lecturer, strategist, and seasoned advisor to the leaders of premier law firms. He is the author of eight books, most notably his international best seller, *First Among Equals*. His decades of experience led to his being the subject of a Harvard Law School Case Study entitled "Innovations in Legal Consulting" (2011). Patrick can be reached at [patrick@patrickmckenna.com](mailto:patrick@patrickmckenna.com).

**David J. Parnell** is a legal search and placement professional, author, and speaker. Along with over 15 years in the legal search and placement industry, he has worked in-house with both Intel and DreamWorks SKG. And in addition to columns for *Forbes* and *The American Lawyer*<sup>®</sup>, his work can be found in the Huffington Post, *The National Law Journal*<sup>®</sup>, *The Global Legal Post, Inc.* magazine, and Business Insider, among others. David can be reached at [dparnell@truenorth.legal](mailto:dparnell@truenorth.legal).

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