Managing Partner Forum®
ADVANCING THE BUSINESS OF LAW

Your Firm Administrator

It's The Best Investment Your Firm Can Make

By John Remsen, Jr.

You've always thought that you could run a business. After all, you see successful businessmen in your community every day and, while you respect them for their accomplishments, you can't help but feel that you could do as well, if not better, in running your law firm.

Be careful what you ask for. As managing partner of your law firm, you have a business to run. And it's a substantial enterprise. Our data indicate that a firm of 20 or so lawyers might bring in annual revenue of near $8,000,000. "Dollars in the door" is often not the problem for smaller and mid-sized law firms. The problem is how to invest those dollars to create even more dollars in the future. Or, put another way, how to enhance your firm's return on its investments in human capital – its lawyers and staff.

We All Know the Problem . . .

And it shows up in our survey data year-after-year. At the MPF Spring Leadership Conference held in April, we asked 62 managing partners to identify their most important contributions as firm leaders. Their answers, in order of value, were:

- Initiating change for long-term success.
- Building and maintaining consensus among partners.
- Promoting and encouraging sharing and teamwork.

In prior years, "building and maintaining consensus" has consistently been the number one answer. "Focusing attention on long-term strategic objectives" has also been among the top answers in prior surveys. And, generally, these are the areas toward which an effective managing partner should be focusing his or her time.

Yet, when we asked where they actually spent most of their management time, the same managing partners overwhelmingly acknowledged that day-to-day administrative matters of the firm had to be their first priority. We see this again and again. The more important contributions of leading a law firm gets pushed to the side as firm leaders grapple with day-to- day administrative tasks. Refer to the attached survey results for details.

It's a common problem, but one for which a remedy is at hand.

Managing Partners Should Think and Act Like CEOs, not Managing Partners

Simply put, a CEO (and as managing partner of your firm, that's what you are) should not be bogged down in day-to-day administrative activities. It is not the highest and best use of your time, which should be focused on big picture, strategic initiatives. And you know this.

So here's where a trusted, competent firm administrator (I like the title "Chief Operating Officer") can make all the difference in the world. Our panel of experts at the Spring Conference agreed: law firms would be well served by hiring and empowering a strong COO to manage administrative matters of the firm. They also agreed that the COO should be given important responsibilities, along with a seat at the table at partnership and executive committee meetings.

To think of such a key player as overhead that the firm "can't afford" is short-sighted. In a corporate environment, the CEO doesn't run the corporate IT department, or the HR function, or the marketing program, or even the financial operations of his or her company. And the law firm CEO shouldn't either. Appropriately skilled administrators are an investment in the firm's future – a future the managing partner should lead, not simply manage.

By the way, I like the title of "Chief Executive Officer," not managing partner, for the leader of the firm. More leading (and less managing) would be a good thing for most law firms.

But Many Won't Take the Leap . . .

Does your firm have a strong COO supporting your leadership? If not, why not?

Maybe your partners don't value anything but dollars in the door. In fact, the leaders of almost every smaller and mid-size firm will tell you their firms are both under-led and under-managed. As we've discussed, that's a penny-wise and pound-foolish approach to running a law firm. The law firm economic surveys reveal that the most profitable firms have higher overhead per lawyer. They are investing substantially in their futures, including areas such as administrative staff (not secretaries and paralegals, but rather HR, IT, marketing, and finance professionals), associate development, marketing and technology.

Or maybe your partners don't' like the idea of giving a non-lawyer so much power and control? They key here is trust and open communication between the managing partner and the firm administrator. Under the leadership of now retired Executive Director John Michalik, the Association of Legal Administrators addressed this issue in several ways, including the creation of a job descriptions repository on which law firms can draw.

Or, maybe it's just too hard for those who have risen to the role of managing partner to give up all that independent authority. The relationship between a managing partner and an empowered chief administrator requires that the managing partner let loose of some of the indicia of authority. An effective COO needs an autonomous sphere of responsibility. In short, a COO needs a seat at the table as much as the managing partner does.

And other partners in the firm must be directed to bring issues within the COO's sphere of authority to the COO, not their old colleague in the corner office. Managing partners and chief administrators must function as a team characterized by easy communication and cooperation. And each must have the other's back.

Or maybe it's the money. Perhaps the firm's partners just don't want to surrender additional assets for what they perceive to be a substantial overhead expense. We recommend that bringing in a COO is no place to skimp on compensation. Again the ALA, under the direction of Rosemary Shiels, has conducted numerous salary surveys intending to establish compensation benchmarks for administrative expertise. A firm should expect to pay an annual salary of between $125,000 and $250,000 for the managing partner's right-hand man (or woman).

Evolution of the Firm Administrator

In the 1970's, retired military officers were often hired as firm administrators on the assumption their military training would apply to the law firm's management matters.

In the 1980's, many firms (including my former firm, Gunster, and NYC powerhouses like Wachtell and Skadden) hired non-lawyer CEOs and empowered them to run the place more like a business. Again, we don't see too many of them out there anymore.

Today, many firms have hired professionals with strong finance and/or HR backgrounds. We see many CPAs in these roles. But, all too often, they do not have a seat at the table and they are not valued members of the firm's leadership team as they should be.

MPF Recommendations

1) **Educate Your Partners about the Importance of Investing in Your Firm's Future**
   Share articles like this one, circulate highlights of the law firm economic surveys, and read most anything written by David Maister. It's not all about today's billable hours and collections, the most successful firms are investing in the future.

2) **Hire and Empower Trusted and Competent Senior Administrative Staff**
   As previously mentioned, this is not the place to skimp. Get good people and let them do their jobs. For example, I often run into younger, growing firms where the managing partner's secretary has evolved into the firm administrator role. He or she may or may not have the skill set required as the firm grows larger and the demands of the position grow along with it.

3) **Give Your Firm Administrator a Seat at the Table**
Your firm administrator is an important member of your firm's leadership team. As such, he or she should be included in executive/management committee and partnership meetings. If you don't have the trust and confidence that your administrator can be a valuable contributor at these meetings, maybe it's time to hire a firm administrator who can.

4) **Create Job Descriptions for Firm Leaders (including Senior Staff) and Firm Committees**
We also recommend that you create job descriptions for this and other important roles in the firm setting forth duties and responsibilities, as well as reporting relationships. Click here to see several examples of COO job descriptions on the MPF Website. This should also be done for important committees of the firm, as well.

The Bottom Line

Of course, in the end, it's about the firm's bottom line. Investing in administrative talent can be expensive in terms of time, money, and operational change. And there is no easy way to quantify a return on the investment.

But this I know from more than 20 years of working with hundreds of law firms, and observing and participating with law firm leadership:

There is a world of difference in the operations and the profitability of law firms with great administrators and those without!

# # #

About the Author

John Remsen, Jr. is President and CEO of The Managing Partner Forum, the country's premiere resource for managing partners and law firm leaders. He is also President of TheRemsenGroup, one of the country's leading consulting firms for mid-size law firms. He can be reached at 404.885.9100 or JRemsen@ManagingPartnerForum.org.