

PETER SCOTT CONSULTING

Briefing Note May 2017

How *fit for purpose* is your management structure?

Disruptive change in the markets in which law firms operate is happening at an ever quicker pace and is unlikely to stop.

Law firms need to be agile if they are to successfully identify and respond quickly to threats to their businesses and to take advantage of opportunities. To be agile, law firms must focus strongly on change management, have quick response times to threats and strategic opportunities, have streamlined decision – making processes and have people who are open minded, flexible and prepared to learn new skills and ways of operating.

The words of Price Pritchett and Ron Pound are very apposite here -

“The organisation is going to change – it must – if it is to survive and prosper. Rather than banging your head against the wall of hard reality and bruising your spirit, invest your energy in making quick adjustments. Turn when the organisation turns. Practice instant alignment” - ‘A survival guide to the stress of organisational change’, Price Pritchett & Ron Pound, 1997 Pritchett & Associates, Inc.)

The needs and ambitions of the people in a law firm need to be supported and facilitated by organisational structures designed to help and not hinder the development of a firm. The two need to be aligned and operate in tandem if a firm is to successfully achieve its goals.

Traditional organisational structures which have served their purpose in a slower moving and simpler world may now not be sufficient to help meet the challenges facing much of the legal profession and to manage the changes now being forced on many firms.

As a result, firms now need to consider afresh how they organise themselves to meet these challenges if they are to prosper. In place of traditional models, some firms as they grow are now recognising that it is not practical for just one or two partners to do everything and that a team of people with the appropriate skills and qualities are needed to provide the leadership and management to take forward a firm.

However, well - designed management structures on their own without the presence of great people will achieve little. On the other hand even great people are likely to be held back if the organisational structures within which they must work are not fit for purpose and are preventing a firm becoming agile and more competitive.

In the same way that law firms should be challenging their strategic options on a regular basis, they should at the same time also be reviewing their organisational structures to ensure they remain fit for purpose.

Each law firm is different and the manner in which one firm is structured and managed may not be appropriate for another firm, even though the two firms may on the surface appear similar. To review what a law firm may need in terms of how it is to be most effectively structured and managed for the future, it can be useful to begin by focusing on certain fundamentals, including:

1. What will need to be managed?

Business strategy and organisational change

- What are the key issues and challenges you face?
- How are the changes which will be brought about by those challenges going to be successfully managed in your firm?
- Are your governance structures capable of managing disruptive change or will they need to be replaced or overhauled?

Your people

- How will their performance need to be managed and rewarded?
- How many people do you currently have in your firm and what are their profiles (lawyers / other professionals / other staff)?
- Will their numbers need to be reduced?
- How will you deal with recruiting key people to give you an edge over rivals?
- How will you manage their career progression?
- Where are they located (one office / multiple offices / overseas jurisdictions)?
- How are they currently organised and working (in discipline – based practice groups / sector or industry groups / others)?

Projects and functions

- **Projects** – for example, a merger, an office move, opening a new office, developing a new line of business or implementing a new IT system
- **Functions** – including Finance / risk and compliance / business development / HR / training and development / knowledge management / IT
- How are these currently managed?
- Are they managed by suitably experienced and qualified people?
- Might there more effective ways to manage these?
- How are these functions internally overseen and co-ordinated?
- Are any of these functions currently outsourced? If not, should they be?

2. Analyse the effectiveness of your current organisational structures in relation to the future needs of your firm

Having established what will need to be managed in your firm in the future and the challenges which are likely to be involved, analyse in the light of those challenges how your organisational structures should best be tailored to deal with them.

There is no single answer as to what to do or how to do it because each law firm is different. There are however certain common threads to the issues experienced by firms, and steps which others have taken can be useful pointers to how a firm might usefully approach matters.

A. Put in place a 'Top Team'

A law firm, to achieve competitive success, will need certain roles to be performed to the highest standards. However, before choosing your Top Team, ask yourself a few questions:

- What roles will have to be performed in the next stage of your firm's development? (roles may need to change as a firm's needs change)
- Are there people in the firm capable of successfully carrying out those roles?
- If there are, will they be prepared to take on those roles and if so upon what terms?
- What will happen if the right people are either not willing to take on those roles or they do not exist within the firm?
- How will you reward the people in whose hands you are willing to place your future?

Leadership

First and foremost in today's legal landscape there is a need for **leadership**, and effective leadership comprising a **Top Team** made up of capable people who are prepared to work as a team should be a prerequisite and an intrinsic part of a management structure.

The particular type of leadership to be provided by a *Top Team* should, I would suggest, be

- **challenging** leadership, which is prepared to question every aspect of a firm's operations and every assumption on which its current plans are based, to ensure a firm's agility and continuous improvement;
- leadership which has the ability to develop and communicate a realistic and achievable vision for the firm which people can believe in and will follow;
- leadership which is able to build consensus within a firm that change is necessary and which has the determination and drive to implement that change; and

- leadership which can inspire people (or at least most people) to climb aboard for the journey.

To achieve such effective leadership, one interesting organisational structure which I advocate when circumstances are appropriate, makes the Senior Partner role the senior executive role in the firm. The old idea of a titular Senior Partner remote from management is not one that now works effectively.

This '*Executive Senior Partner*' role can be designed to fulfil specific functions. For example:

- to provide leadership of the kind mentioned above, and especially in developing a firm's business strategy;
- to carry out a vital client relationship management role with important clients and to take the lead in business development and profile raising;
- to provide 'pastoral' support, not only to partners but to everyone in the firm.

This is not to suggest that an Executive Senior Partner should take on the heavy responsibility of managing the day to day operations of the firm. Rather the performance of the firm would be reported to the Executive Senior Partner on a frequent and regular basis by a Managing Partner or a CEO / COO who would, depending upon the size of the firm and its development plans, devote 100% of his or her time to that role. Such person might not be a lawyer and in North America it is common place to have an Executive Senior Partner / Chairman to whom a CEO / COO, who is often an accountant, will report and together they deal with key decisions that need to be made. This model can help to overcome internal objections to taking on an outsider who may or may not be a lawyer.

If firms can put a *Top Team* in place providing that kind of leadership then they are likely to be able to look forward to the future with some confidence.

B. Streamline decision - making

A Top Team will also need to be an intrinsic part of a governance structure designed to ensure that speedy and effective decision – making and implementation happens.

One of the reasons why some law firms do not progress as well as they should is that their ability to make decisions on important matters when required is impaired.

This impairment which can severely hold back a firm's progress can be caused by various factors, including:

- There may not be an appropriate governance body established within a firm which has the ability to focus strongly on change management, react with quick response times to threats and strategic opportunities and which has a streamlined decision making process;
- Meetings may not be sufficiently frequent to enable matters to be considered when they need to be. This can be particularly the case with financial management where

reporting of essential financial information to a Top Team nowadays needs to be daily or weekly (rather than just monthly management accounts). I tend to advocate that meetings of a Top Team should be held weekly and each meeting should have a tight agenda focusing on what is important and should last for no longer than 2 hours. In this way a Top Team can keep on top of issues and deal with problems more speedily and effectively.

- Some decision – making is all too often retained by all partners / owners within a firm in relation to matters which should be delegated to a Top Team. Voting arrangements may also often require unanimity or very high percentage majority voting by partners / owners on matters which would be better decided by a simple majority.
- Those chairing meetings may not necessarily have all the skills required to ensure that effective decision – making is achieved and may need coaching.

If you are thinking of reviewing your decision – making processes, begin by taking a critical look at:

- The future needs of your business
- Your governance documents (partnership agreement / LLP members agreement / articles of association etc);
- Your decision – making processes in relation to strategic and operational matters;
- The composition, role, authority and responsibilities of your management board or other organisational structures you have in place.

to see how you can ensure that your business will be run more effectively to meet the challenges you are going to face in the future.

Good luck on the journey.