

Beyond the Black Box:

To please clients and maximize profits on every matter, create a formal role for engagement managers.

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(first published in *The American Lawyer*, October 2006)

Determining how to organize lawyers so they can best pitch, win, and delight clients—what consultants call “managing the matrix”—is the ultimate Rubik’s Cube for law firm chairs and managing partners. Firm leaders have long struggled to determine who should be in charge of putting the best team on the field for each matter. The choices seem endless: rainmakers, industry-group or office heads, client team leaders, work allocation czars, or even the chairman himself—just to name a few.

Nearly every choice has a serious drawback. Take rainmakers. Firms that put them in charge too often wind up with the rainmakers including each other, but no one else, on pitch and client service teams. The “you scratch my back, I’ll scratch your back” syndrome results in lawyers with highly relevant expertise being excluded from the team.

Firms that put their top working attorneys in charge of the matrix—the lawyers who handle the nuts and bolts of the client’s work—encourage partners to hoard work at the expense of leverage and associate training, and in the worst case, with lawyers practicing outside their area of expertise. The firms where business proliferators are in charge—lawyers who develop additional business from existing clients—wind up with client staffing silos. Lawyers become consumed with working for one client and aren’t available to others. In both of these scenarios, the firm’s best talent is not deployed in a way that ensures that all clients get the right talent and young lawyers get broad training and partner exposure.

Creating a hierarchy among practice groups, offices, and industry and client teams has resulted in bedlam. Publicly tracking and rewarding the success of any or all of these entities is frowned upon because it pits one against the other. Practice groups and offices would rather keep their own people busy than get the work into the hands of the people best-suited for it. So management has preferred to monitor the profitability of these entities secretly, treating them like stealth organizations and failing to overtly acknowledge the true

purpose for which they exist: to enhance profitability. The result of this secrecy has been the "black box"—subjective, time-consuming, high-risk compensation decisions that reward an ever-changing, poorly communicated mumbo jumbo of behaviors that serves best as grist for statistical regression analysis.

Firms have long had in their midst an unrecognized solution for this dilemma, a way to tear down the silos and align their incentives for measuring and rewarding business and professional development, industry penetration, client management, and, yes, profitability. It is to understand, recognize, empower, and reward successful engagement managers.

Engagement managers already exist in every firm: They are partners who effectively manage a team of lawyers on a given matter. These partners have the rare mix of superior substantive knowledge and project and client management skills that repeatedly produces client satisfaction and firm profit. They know where the firm's expertise resides among all of its practice areas and offices; their job is to reach out and bring it to bear on a matter, ensuring that the right level of knowledge and amount of leverage is applied, and that the matter is effectively managed from both the firm's and the client's point of view. These should be every firm's bottom-line goals on every matter.

In delivering services to a client, lawyers have two masters: the firm, which must be competitively profitable, and the client, which must be well served. The firm's goals on each matter are twofold: first, to delight the client so he or she will return for another matter, and second, to manage the matter for optimum profitability. Lawyers who repeatedly achieve these goals are a firm's most valuable assets. Once firms recognize that, it becomes obvious that these are the lawyers who should be at the top of the matrix. The best firm structure is the one that produces lawyers with the skills and knowledge that engagement managers need to get their jobs done.

Empowering engagement managers doesn't mean disemboweling the matrix by eliminating practice group, office, industry, and client teams. To the contrary, it means recognizing that these teams manage the supply side of the firm's business. Their job is to develop the specialists with the substantive, industry, regional, and client knowledge that the engagement manager needs to achieve his or her goals of profitability and client satisfaction.

It is the engagement manager who should have the authority, in consultation with team leaders, to call upon each of the firm's assets to put the best team forward for each matter. When a lawyer gets a call from a client for a matter, he or she turns to the engagement manager, rather than an industry specialist, client team head, practice group leader, or office head—people whose compensation, in this scenario, is no longer affected by the profitability of their teams, but rather, by the quality of the talent they field. To fully develop the sports analogy: The engagement leader is like a coach who turns to the bench to put the best

team on the field. The team leaders are more akin to general managers, responsible for hiring and developing the team's talent. The business developers are the front office's sales and marketing staff.

Some might argue that the role of the engagement manager should reside someplace else in the firm, most often in the chair or one of his deputies. This might work well in small or moderately sized firms, but as a firm grows, the role of the chair becomes too time-consuming for him or her to also be a coach.

In large firms, the chair's role is to set strategy, lead, and develop new leaders. Sure, chairmen pick up anecdotal information about lawyers who have what it takes to delight a client on any given matter. Certainly, for important new clients and matters, chairmen can and should act as über-engagement managers, calling practice group, office, industry, and client team leaders and consulting with them to identify the best team. But if a firm buys into the premise that in its clients' minds it is only as good as its performance on its last engagement, wouldn't it want to make it someone's job to make sure that the best team is put on the field for every engagement? Wouldn't a smart firm measure that person's success and compensate him or her according to how satisfied the client was and how profitably the matter was managed? Wouldn't a smart chair want an appropriate number of these folks readily accessible so lawyers could conveniently turn to them when new matters come in?

Elegant solutions usually turn out to be winning solutions. Creating a formal role for engagement managers, empowering them, and holding them accountable for satisfying clients and managing work profitably is an elegant solution. It enables firms to dismantle the black box and look beyond the profitability of offices, practice groups, client, and industry teams. The success of these teams should be measured by the quality of talent they recruit, develop, and retain, thereby allowing for an easily understood compensation system in which people are publicly rewarded for contributions that are transparent to all. Moreover, it aligns the work of all of the components of firm structure with the firm's two most important goals: delighting clients and achieving maximum profitability.