

Leading by Serving: Successful chairmen focus on their responsibilities to clients, lawyers, the public and the legal system.

© Peter D. Zeughauser 2006
(first published in *The American Lawyer*, December 2006)

As big firms have grown and consolidated during the past 25 years, a quiet revolution has occurred in their management: the advent of full-time, non-practicing lawyers as firm managers. At the top of the hierarchy is the chairman. Except for a handful of anachronistic New York firms, there are very few Am Law 100 or Global 100 firms that do not have a full-time chairman (although some are called managing partners instead).

Most chairmen are elevated to their positions after successful careers as practitioners. Few have meaningful management experience before being thrust into the role of running what is, in essence, a mid-cap business. Seldom (if ever) have they been the subject of a management review or meaningfully reviewed anyone else's management performance. Upon taking the job, they inherit a staff of high-salaried non-lawyer professionals who have gotten written job descriptions only in recent years, if at all. The chances are that the enterprise as a whole has no written business plan. Is it any wonder that the chairmen who succeed are those who turn out to have a native talent for leading their firms?

Successful or not, few chairmen are reviewed, and even fewer are compensated based on anyone's evaluation of their performance against a set of goals and objectives. Even though today's firms are unquestionably—to use the common refrain—run “more like businesses” than ever before, they still typically lack any sort of human resources infrastructure at the partner level, and they don't often have boards of directors. Even when policy committees and the like are formed to fill the strategy-setting and advisory role of a board, they—like the partners they serve—are largely unaccountable to the other owners in any meaningful way.

Little has been written about what is expected of the chairman—not even a job description. Surely, some benefit can be realized by casting light on the role of the chairman of a big firm today.

This task must begin with discerning the purpose of the modern law firm. I believe that the modern law firm exists to serve four principal constituencies: its clients, its lawyers, the public, and the legal system. To clients, firms owe the highest level of professionalism, including undivided loyalty, uncompromised integrity, quality work, strong value, and high service. To their partners, firms owe competitive remuneration, and to their associates, they owe training and mentoring. All of a firm's lawyers deserve to work at an enterprise designed to capture challenging and rewarding work. To the public, firms owe service: protecting individual and societal rights, including ensuring that the weak, unknowing, and indigent have the same legal protections and access to the courts as the strong, knowing, and moneyed. To the legal system, firms have a duty to ensure the integrity of the bar and the judiciary.

The job of every chairman is to ensure that his firm succeeds in achieving these purposes. Here are seven areas of responsibility essential in doing so.

- Vision and strategy. As the firm's leader, the chairman's most important job is developing and building consensus around an inspirational vision for the future. The vision describes what the partners want to build together; it speaks to the firm's brand and position in the market and must offer a value proposition that distinguishes the firm from its competition in a way that is favorable in the minds of clients, prospective clients, lawyers at the firm and lawyers the firm would like to attract. The chairman then leads the firm in developing a cohesive business strategy for achieving the vision. To develop a vision, the chairman must have a keen understanding of the competitive landscape, the markets in which the firm chooses to operate (those would include geographic, client, industry, and practice area markets), and the distinctive value the firm can offer, based on their chairman's insights into the firm's talent, experience, and client base.

Given that, the chairman must stay abreast of and keep other firm leaders informed about major developments and trends in the markets the firm serves and how they might affect the firm's practice and competitive position. To do so, the chairman must track the performance of his firm and benchmark it against competitors. It is the chairman's job to ensure that the firm's leadership revisits the firm's vision and business strategy periodically in the context of the competitive intelligence he continually gathers, analyzes, and shares with them.

- Management team and infrastructure. Driven by the vision and strategic business plan, the chairman must devise a management structure and build a management team capable of achieving the plan. Most likely, the structure will be a fluid matrix of practice, industry, office, client, engagement, and administrative teams. Each will have clear roles and responsibilities, but responsibility for decision making and execution will shift among leaders of the various teams, depending on the nature of the work at hand.

Designing the structure and assembling the leadership team is just a first step. Clearly defining the roles and responsibility of the team members—both lawyers and non-lawyers—so they understand what is expected of them is also crucial. Motivating, mentoring, developing the leaders' skills, rewarding them for their successes, and holding them accountable for when they fall short are all the job of the chairman. So is mediating and sometimes arbitrating the myriad of overlapping lines of authority and responsibility that exist in the day-to-day workings of a complex matrix.

- Recruiting, developing, and retaining talent. Whether the firm's vision calls for organic or lateral growth, or more likely some combination of the two, the chairman is responsible for ensuring the partnership is structured and managed to attract the talent the firm needs to obtain and retain the talent it needs to keep. This sounds simple, but it isn't. Almost every firm today is faced with a dilemma when it comes to its partnership structure, be it single-tier or multiple-tier. If it is the former, how do you attract and hold onto lawyers with expertise important to the firm's practice mix but who are not equity partner material? (These could be lawyers who might not command a full plate of work, who generate business internally but not externally, or who want to work less than full-time.) And if the firm has a multiple-tier structure, should there be an up-or-out component for promising associates who have not yet built a book of business? Can the non-equity tier be a long-term holding pen for talented lawyers who aren't business developers? If allowed to stay, will such lawyers ultimately block opportunities for young associates to gain experience, making the firm unattractive to them?

Big firms also wrestle with the size of their firms' partnerships. A generation of publicly available compensation information and the partner mobility and cherry-picking that results from it has forced firms to focus on improving their profitability. The most successful firms have virtually stopped the growth of their equity partnerships, and more of today's associates reject the lifestyle required to achieve partnership anyway. This is forcing firms to develop their human resources capabilities in order to design attractive career paths filled with professional development opportunities for associates. Progressive chairmen are reaching out to associates in listening sessions designed to help the chairman understand how the firm can win the associate talent wars.

Devising the firm's structure is clearly a key part of the chairman's job. But it doesn't stop there. The chairman is also responsible for sound management and financial performance. The ultimate measure of both of these is remuneration to the partners. While the chairman might not have his hand in every compensation decision—and in large firms he probably shouldn't—he is responsible for maintaining the integrity of the firm's partnership and the fairness of compensation administration. To do this, he must be able to (and know when and how to) affect partner compensation in a way that maintains the fairness of the compensation system and furthers the firm's strategic business goals.

- **Communication.** In large part, the chairman's role is that of the great communicator. He must communicate clearly and often with two broad constituencies—on one hand, the lawyers in his firm and those the firm would like to attract, and on the other, the firm's clients and those it would like to attract. Both will tolerate only a few simple messages (think of how successful political candidates stick to their message in their campaigns). Clearly communicating a limited number of focused priorities, the chairman's messages must inspire lawyers to work towards achieving the vision. The messages must clearly describe the behavior that the chairman wants from the partners. As large firms reach across borders and cultures, it has become an increasingly important part of the chairman's job to regularly communicate messages that reinforce and enhance common practice standards and professional values.

While the number of messages may be limited, the means of communication are not. The chairman should be communicating with the firm's lawyers in large groups and one-on-one, at attorney, partner, departmental, and practice group retreats, through the firm's intranet, and by e-mail. He should also be communicating to prospective laterals and to clients and prospects through a well-conceived media and profile-building strategy.

To clients and the marketplace at large, the chairman is the firm's most important ambassador. He must be intimately familiar with the firm's relationships with its most important clients and fully understand and reinforce each client's and the market's perception of the firm's value proposition, which likely differs slightly from client to client. To grasp this, the chairman must spend much of his time meeting with and listening to firm's clients and lawyers, learning from them what is working well in their relationships with the firm, and whether anything could be working better. The chairman should then share what he has learned with the appropriate lawyers at his firm, advising and coaching them on how to strengthen and expand the firm's relationship with its clients.

- **Succession planning.** There are many gifted leaders of large firms today, but most learned on the job. Few were groomed. Too many spent too much time learning the hard way, too often making the same mistakes their predecessors made. There are only a handful of firms that make a conscious effort to provide young lawyers with leadership opportunities as they rise through the associate and young-partner ranks. The chairman and his predecessors know best what mettle the job requires. They often have the best view of the field, but they must populate it with players to get an idea of the candidates' capabilities. It is clearly the duty of the chairman to ensure that the right successor is in line for the job.
- **Building a culture of public and professional service.** In his book *Leading Leaders*, Tufts University law professor Jeswald Salacuse speaks to the role that serving the greater good can play in motivating professionals. The chairman plays an important role in ensuring that a firm invests its resources—

money, certainly, but also its good name and its lawyers' time—in the profession and its community. Lawyers play a special role in society as the custodians of the legal system. With their vast resources and concentration of talent, big firms have a duty to lead the profession in this regard.

- Making tough decisions. Law firms are generally collegial places, and they are often run by consensus. To get buy-in, it is important for partners to feel that their views are heard. But day in and day out there are hard decisions to be made. Underproductive lawyers must be counseled, and sometimes eased out of the firm. Less desirable clients must be moved up on the value curve or be shed. Underperforming practices and offices must be improved or divested. Partnership admission standards must be jealously guarded. When partners, practice leaders, office heads, and staff managers are unable to resolve issues themselves, the chairman is the final arbiter—"the decider," as President Bush once memorably put it. To preserve collegiality, the chairman's decisions must be fair and just, but he must act. The chairman should be comfortable with, and get solace from, choosing the right way, not the easy way.

The old adage about the legal profession was that it was slow to change. Those days are over. Today's competitive environment for law firms is as dynamic and tough as it is for any business. Chairmen used to pay lip service to the notion that the talent goes down the elevator and out the door every night. It is commonplace today for some of that talent not to come back the next day. Too many firms that haven't lost talent to the competition think they have a strong culture when in fact, what they really have is a complacency problem that they need to correct. In the end, perhaps the chairman's most important job is to make sure that he and his partners understand their firm's challenges and wrestle them to the ground.