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LEADERSHIP NOTES:

Insights from The George Washington University Partners Leadership Forum

Managing Multi-Office Firms

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Editor's Note: Report To Legal Management *is pleased to introduce the first in a series of articles arising from a discussion program which the authors chair at The George Washington University for managing partners of large law firms resident in Washington, D.C. We believe* Leadership Notes *will be a valuable addition to the newsletter. We and the authors welcome comments from interested readers.*

Traditionally, top-tier firms have maintained profit by undertaking sophisticated matters so important to clients that price was a secondary concern. This work has never lent itself to management from afar: by definition the work itself resists standardization, and attorneys able to execute such work prize the autonomy it requires. In pursuit of this complex work, firms have opened offices in distant cities at the request of clients, as part of a strategic plan to pursue size as a competitive advantage, in an effort to tap lucrative markets such as New York, and in response to competition in home markets.

This expansion in search of complex work has given rise to the need for distributed management. In order to maintain and increase profitability, law firms must now determine how best to allocate management responsibilities in a matrix made up of both geographic divisions, i.e., offices, and functional divisions, i.e., practice groups. The challenge is to design management roles that will attract talented lawyers and then to harmonize these roles, each with the other.

Allocating Management Duties: Basic Principles

Five principles should guide the allocation of management duties.

1) ***Compensation/Reward*** - Compensation is the primary reward available today in high-performing partnerships relying on the billable hour pricing model. As a result, compensation for hours devoted to management work must meet and perhaps exceed the compensation an attorney would earn for the same number of billable hours. Failure to honor this principle is evidence that the partnership does not, in fact, want the management work accomplished.

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2) ***Authority/Responsibility Congruence*** **-** Responsibility without the necessary authority is a uniquely unpleasant experience and reason enough to shun any managerial role. Necessary authority has two components: convenient access to necessary data, and influence over the compensation of relevant lawyers sufficient to compel necessary cooperation. Inadequate authority is evidence, for better or worse, that the partnership has declined to empower managers to fulfill assigned roles.

3) ***Talent and Trust*** **-** A partnership should only allocate management responsibilities to men and women ready, willing and able to perform such duties. Firms can address a shortage of managerial talent by enrolling promising candidates in well-regarded training programs, by structuring management roles so that less demanding roles serve as preparation for larger roles, by designing management roles according to the interests and abilities of available partners, and by aggressively supporting new managers by every appropriate means. Of course, even an appropriately talented manager must enjoy the trust of central management and of relevant partners to be effective in the role. To this end, at most firms the management committee nominates a slate of candidates for a particular management role, and relevant partners choose the ultimate manager from among this group.

4) ***Uniformity/Control*** **-** Certain functions within a multi-office firm must be uniform or otherwise controlled from one point. Among these functions are information technology, accounting/finance, admission to the partnership, client intake and certain aspects of marketing. Even if important policies and decisions in these areas must be centralized, firms can distribute technology support and can delegate the execution of central functions according to approved guidelines.

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5) ***Efficiency/Convenience/Speed*** **-** The allocation of management functions must respect busy professionals' need for efficiency, convenience and speed. Attorneys will beat a path to a local decision-maker's door no matter what path a formal organization chart prescribes. Accordingly, local decision-makers, often office managing partners, should have formal authority for decisions they will be asked to make, for the sake of efficiency, convenience or speed.

As useful as these principles are, they can be contradictory or too general to provide real guidance. For example, the need for uniformity or control often conflicts with the need for speed and convenience. Compensation is often too blunt of an instrument to shape partner behavior with adequate precision. Despite these concerns, failure to honor these principles whenever and wherever possible tends to frustrate the long-term interests of the partnership.

Communication

One challenge presented by growth that is worthy of special mention is the need to preserve the same fine-grain communication across time zones that occurs more naturally among colleagues working in the same building. For this purpose, there are two types of communication. The first of these is the planned exchange of information between clients and attorneys as well as among firm attorneys. Technology is the great aid here, and firms are quite correct to invest heavily in voicemail and email systems, teleconferencing centers for weekly or monthly practice group meetings, and other communication tools. The second type of communication is the unplanned, informal exchange of ideas that tends to occur in person or as the result of long association. Such communication with clients is an important source of new business and among firm attorneys is an engine of integration. The great aid to this unplanned communication is collaboration. Accordingly, as managers expand the firm's physical boundaries to regional, national and global dimensions, communication technology and opportunities for inter-office collaboration between practice groups and within multi-office practice groups become increasingly important.

Practice Group Definition

Different firms define practice groups differently and sometimes use terms such as section, practice area, or department to describe the basic administrative unit designed to deliver products and services either to clients (e.g., bankruptcy, healthcare, real estate) or to internal audiences (e.g., information technology, human resources, training). These administrative units have both a marketing function, even if to an internal audience, and an expertise development function, although some firms combine the marketing function for several practice groups into an industry group if clients regularly buy legal services from the same array of practice groups.

Management Roles in Multi-Office Firms

Although the volume of management work suggests the number of people who might carry out a particular management role, and one person might perform more than one role, there are five discrete management roles in a multi-office firm.

1) ***Firm-Wide Management* -** Generally consisting of the executive committee, compensation committee, the managing partner and the deputy managing partner, the role of central, firm-wide management is one of strategy and policy formulation as well as coordination and control of offices and practice groups.

2) ***Office Managing Partner* -** The work of the office managing partner arises from three distinct responsibilities. First, he or she must resist balkanization of the firm along practice group lines by service on the most important firm-wide committees, by encouraging communication among practice groups at the office level, and by maximizing cross-selling opportunities among practice groups represented in the office. To this end, some work that could be executed centrally or delegated to a non-attorney professional should be performed by office-wide committees under the leadership of the office managing partner. Recruiting, billing/collections, some information technology functions, etc., are logical candidates for this anti-balkanization role. Second, the office managing partner should serve as the office-based deputy practice group leader for every practice group represented in the office that does not have its own resident deputy practice group leader. Third, the office managing partner should serve as the default decision-maker for all non-resident managers when considerations of efficiency, convenience and speed so require.

3) ***Practice Group Leader* -** Subject to coordination and control by firm-wide management, the practice group leader is the manager of a firm in microcosm, responsible for creating a professional home for attorneys within a larger firm, responsible for delivering a product to clients, for developing relevant expertise and for preventing balkanization of the firm along office lines. Specific duties include service on the most important firm-wide committees, maximizing inter-office collaboration, recruiting, training, marketing, branding, etc. At some firms, the nominal practice group leader is a figurehead, a rainmaker for whom the title is a marketing device. In these cases, a deputy practice group leader performs the real work of management. As practice group management becomes more important, the continuation of such arrangements may become less useful.

4) ***Office-Based Deputy Practice Group Leader* -** The deputy practice group leader within each office is responsible for executing practice group initiatives within the context of a specific office. The office managing partner might fill this role, depending on the volume of work involved, and the practice group leader might fill this role at the one office where he or she is located.

5) ***Attorney* -** In the present context, each attorney is responsible for avoiding professional isolation by pursuing every opportunity for collaboration with distant colleagues and by taking the initiative to communicate concerns and work plans by means of weekly practice group meetings/teleconferences, monthly meetings, etc. Active efforts to collaborate and to communicate are especially important for attorneys somewhat isolated from the relevant practice group manager and from practice group colleagues.

In practice, the availability of managerial talent and the volume of work involved can blur distinctions among office management and practice group management. This blurring of roles can be a deliberate and correct allocation of the firm's existing managerial resources or a careless mistake leading to confusion, disruption and delay.

Compensation and Conflict

Many firms report an uneasy balance or creative tension between practice group management at the office level and office management, often a good faith and ultimately healthy conflict between two legitimate points of view. For example, should the firm devote additional resources to an office-based initiative or to a practice group-based initiative? How do the office managing partner and a deputy practice group leader in the office resolve a disagreement? Compromise is often the answer here. However, some conflicts arise from conduct that is ultimately not in the interests of the partnership, and managers should first look for a flaw in firm compensation policies for an explanation. If an office managing partner finds himself or herself addressing local practice group management issues too frequently because a distant practice group leader is preoccupied with more immediate concerns, the partnership might have assigned too little compensation to the work of practice group management. If partners are hoarding work, the fault might be a compensation system that does not focus primarily on practice group performance

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as a foundation for partner compensation. If managers receive too little cooperation from relevant partners, the problem might be insufficient authority over relevant partners' compensation. Although not always at the heart of conflict, compensation is the primary motivating force within modern law firms and usually the reason for both desirable and undesirable behavior.

Perspectives on Management Roles

Managers

When defining management roles at the firm, a partnership should try to do more than match authority to responsibility and compensation to duties. To the greatest degree possible, any management role should serve the needs of the incumbent by involving intrinsically interesting work, new learning, recognition for accomplishment and other aspects of motivation familiar to everyone. Matching authority to responsibility and compensation to duties, at a minimum, allows a manager to accomplish his or her role. Honoring the principles of motivation in terms of management work allows the manager to do his or her very best work. In simpler times, busy attorneys might have viewed management as a necessary distraction from the real work of the firm. Today, multi-office firms need many good managers, and therefore the effort to design attractive management roles should be a central concern of every multi-office partnership.

Attorneys

If managers are to have a measure of authority over a partner's compensation, a partner might reasonably ask how relevant managers have helped him or her to do more work and better work over time. This question should always be present in the minds of managers and should inform every decision to schedule a meeting, create a committee, impose a reporting requirement, etc. Office managing partners and practice group leaders might consider issuing an annual report to their constituents setting out accomplishments in the previous year as well as current challenges, soliciting constructive advice and greater cooperation as necessary. An active and informed partnership is vital if firms are to distribute management functions among offices and practice groups. Passive approval, while convenient in small matters, is a dangerous sign of indifference or alienation in large matters.

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Conclusion

As firms grow very large with offices in cities across the country and around the world, the risk of balkanization grows, leaving the organization with all of the burdens and none of the benefits of size. Central control being ill-suited to the management of the most profitable legal work, partnerships counter the risk of balkanization by constructing a framework of both vertical and horizontal management roles, practice group leaders and office managing partners, endowed with the necessary compensation, authority and duties to attract appropriately gifted managers. Partnerships then animate this structure by assigning duties and compensation in such a way that attorneys must communicate and collaborate across office and practice group lines.

The goal is an organization that is vital at the grassroots level, a partnership that can attract attorneys able to carry out the most profitable work. To be sure, this managerial framework is expensive and difficult to achieve, the price of firm growth and increasing competition in the legal profession. Developing managers and establishing an appreciation for the work of management is a slow process. However, more than one national firm has built an effective multi-office management framework, and firms wishing to compete through growth must follow suit ◆

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