

The Role of Leadership in Law Firm Success or Failure

By Roger Hayse

“Leaders aren’t born, they are made. And they are made just like anything else, through hard work. And that’s the price we’ll have to pay to achieve that goal, or any goal.”

- Vince Lombardi

As law firms, big and small, continue to struggle, it begs the question, *what is going on? And (more to the point) what can be done to improve a firm’s odds of thriving in this emerging marketplace.* The answer to this question is one of those good-news/bad-news situations. The good news is that, for most firms, the answer is simple and straight forward.

The number one determinant of the success of any enterprise is the quality of leadership. This is underscored by a Dun & Bradstreet (“D&B”) study describing the three top reasons for business failure as:

- Lack of access to capital;
- Poor or no marketing plan; and
- Number one, poor or lack of *leadership*

Though troubles often begin with an external development, it is the response (or lack thereof) that yields long-term results or consequences...

D&B shockingly attributes 87.8% of business failures to leadership.

Leading The Law Firm

We mentioned good-news/bad-news. The bad news is *leadership* is something law firms struggle with mightily. If almost 90% of all business failures are directly tied to leadership, consider the implication of these law firm realities:

- Most law firm managing partners get their first experience with leading an organization when elected as the leader of their firm
- The criteria most often used to select a law firm leader are success in building a practice versus success in leading an office, practice group, team or another organization

The training most successful lawyers receive rarely focuses on the skills essential for success as a leader. Much has been written on the difference between what it takes to be a successful business leader and the career experience

MPF FEATURED ARTICLE

The Role of Leadership in Law Firm Success or Failure

Page Two

of most successful lawyers. Deborah Rhode's paper — *What Lawyers Lack: Leadership* — is particularly good. McBassi & Company conducted an interesting study regarding law firms and leadership. The conclusion — the top three factors in predicting a law firm's profitability are:

- Leadership skills – setting direction, building consensus and reinforcing values
- Inclusiveness
- Managerial skills – seeing that the work product is prepared and delivered in a manner that clients expect

Two of these — leadership and management — receive little-to-no focus in most law firms. If you question this, consider how many practice or committee leadership positions are afterthoughts, having little to do with the ability to build consensus or engender collaboration.

Patrick McKenna conducted a survey of law firm leaders that is full of quality information but, relevant to this conversation, the survey reveals:

- Approximately half of the law firm leaders surveyed had been in their position 0-5 years
- 72% had no job description
- 76% had no formal means of evaluating their performance.

In other words, the typical law firm leader is relatively new to a job that isn't defined and has no feedback or accountability mechanism.

As the great David Maister said, "the number one thing lawyers (and in this case law firm leaders) have going for them is that they are competing against lawyers." Unfortunately, as the market is evolving there is an increasing number of non-lawyer competitors taking a bigger and better piece of the pie.

What To Do

The essential role of leadership is nothing new. A number of realities differentiate today's market from the 90's and 2000's when quality lawyers could insure a thriving practice. Among the changes:

- A rapid number of developing alternatives to traditional law firms
- Competition has become global
- Technology is replacing services (and people)
- Outsourcing is more than a passing fad
- Clients expect more for less
- Consolidation is running rampant

MPF FEATURED ARTICLE

The Role of Leadership in Law Firm Success or Failure

Page Three

In the context of today's turbulent market, the shortage of effective leadership in law firms is a real and growing issue. What every partnership should be seeking is a measurable increase in the:

- Leadership and management capability at all levels of the organization
- Percent of decisions made by those with proven management and/or leadership experience
- Commitment to find specific expertise in areas where internal competence is lacking

Healthy, Stable and Strong Firms

If this describes your firm you have the luxury of time, and the opportunity to develop capability organically. Strategies include:

- *Development through experience.*
Experience is the best teacher. Building experience among younger lawyers in a structured manner where mistakes can be comfortably made is ideal.
- *Development through education.*
There are numerous excellent leadership programs. A few to consider include:
 - Harvard's [Leading the Professional Services Firm](#)
 - Local MBA and EMBA programs
 - The MPF Leadership Conference
A great conference series run by TheRemsenGroup
 - Any one of the seminars on the subject offered by the AMA – typically excellent and cost effective
- *Development through mentoring.*
Resist the temptation to write this off as touchy-feely stuff. Quality mentoring programs can be incredibly effective. This is an area where outside assistance is typically the cost effective way to go.
- *Development through feedback.*
Feedback and self-awareness are critically important to the development of leadership and management capabilities. The formal programs noted above make extensive use of feedback, and it is part of any serious on-going focus. Investigate the options, select an approach that is right for your firm, but don't skip this critical step to improving leadership skills.

MPF FEATURED ARTICLE

The Role of Leadership in Law Firm Success or Failure

Page Four

Firms That Are In a State of Transition or Stress

If this describes your firm, time is not your friend. Implementing the above will serve you in the long term, but you likely do not have enough time to nurture the needed skills organically. The prudent leader of a firm in transition considers:

- *An outside perspective.*
Seek out an advisor that can help the firm through the transitional period, and then focus on hiring and developing in-house management and leadership talent.
- *Lateral Leadership Acquisition.*
An approach that is used frequently and successfully in the corporate arena, laterally hiring a Managing Partner is rarely considered by law firms.
- *Employing non-lawyer CEO/COO.*
Although the role of non-lawyers as COOs has been steadily growing, some farsighted firms are now hiring business leaders as CEOs. Time will tell how this trend develops.

Conclusion

The serious partnership does more than talk about leadership. Law firms that thrive in the context of high-consequence change will be those that find a way to focus the same energy here as is invested in the development of legal expertise.

Firms that choose to believe every rainmaker is a leader, or every partner should lead a committee, or the way to silence a strident voice is to bestow token leadership – these will be the firms caught in the most extreme forms of transition in the months and years ahead.

###

About the Author



Roger Hayse
Hayse LLC

Roger has spent more than 30 years closely advising law firm management and legal industry service providers. His career is highlighted by consistently providing the counsel and leadership critical to successful law firm transitions. He can be reached at 214.244.1544 or rhayse@haysellc.com.