Practice group leader: a title denoting performance or entitlement in the firm?

By Edwin B. Reeser

Many large law firms have witnessed significant, repeated shortfalls in real results compared to budgeted net income from 2007 through 2011. During this period, as enterprises, many firms delivered stagnant or reduced income pools to distribute to their partners, but generated upward reported returns to "partners" through unprecedented cost cutting, salaried attorney and staff dismissals, equity partner de-equitizations, revoked job offers to new law graduates, deferred start dates for new associates, cancelled summer clerk programs, reconfigured equity partner income allocations with widening spreads between highest and lowest paid partners, and aggressive lateral hiring and acquisitive mergers to build gross revenue. (Predatory growth may look "healthy," but often the costs associated with it can outweigh the short term returns.) And it doesn't end there.

Was anybody keeping copies of annual budget and forecast income memos, taking notes and comparing management's promises to actual results for these past five years?

There have been rousing statements and public releases by law firm leaders associated with the initiatives adopted and strategic plans implemented during these past five years. The initiatives that have delivered the above-described dismal outcomes were typically introduced with words like "robust," "energized," "nimble," "dynamic," "investment," "efficient," "exciting" and "growth." Upon even a moment's reflection, can you find some disconnect in what actually happened with how it was and is described?

Eventually, must there not be accountability of leadership for the results delivered in any enterprise, or is there an exception for the legal industry? Publicly owned enterprises certainly do not sit still for poor management results, and one would think that a closely-held business with the shareholders all coming to work and benefiting or suffering together would be acutely attentive to leadership performance.

Are all the partners satisfied with their law firm financial performances? Obviously not. So how can such a disconnect between promise and performance be repeated, seemingly indefinitely, without significant consequences to those persons charged with making and achieving budgeted performance?

Could it be that without consequences to those who make the budgets, the budgets don't matter? Could it be that if the economic consequences of underperformance at the top are born by the partners (and others) below, that broader enterprise results don't matter? Firm partners, as shareholders, are not getting the performance they were promised, and deserve.

Confidence in the viability of business plans and budgets rests on accountability of the individuals who are responsible for establishing and achieving those plans and budgets. And that would be not only managing partners and their executive committee members, but also the practice group leaders in firms that use that business model. This is because, typically, the budgets are constructed from the input of each practice group on their projections of billings and collections for the upcoming year. It is directly from the harvesting of information at the individual partner level, and the vetting of its probability of being achieved and how, that the budget is pulled together and presented. A practice group driven budgetary process should, if properly performed,

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deliver an excellent, or at least as good as can be achieved, short term future forecast for financial results. So how does this get done?

It gets done by beginning with the fundamental realization that "leader" is not just a descriptive title of position (that could be "boss"), but rather, is critically a call for "leadership." Recall the famous quote of Benjamin Disraeli, "I must follow the people. Am I not their leader?"

The partnership chairperson, managing committee members and all practice group leaders should, as a group, proportionally reduce their compensation in every year they hold the position by enough to bring all other equity partners to projected partner compensation levels announced at the unveiling of the budget to the partnership at large, should operating performance not be sufficient to reach those income levels. The reduction should be a maximum of 20 percent of compensation. A lesser percentage does not have enough incentive, and more seems too great a disincentive to good leaders to step up. Build in incentives for superior performance if necessary, create whatever arrangement you determine is fair and appropriate for your firm, but survival of your firm should be enough for true leaders to do something.

It is time for the "talk" to take a back seat to the "walk" that will instill confidence in "leadership partners" who are tasked to look after and promote the best interests of their firm. Over the course of the last decade or more, law firms have spent tremendous sums of money to convert their management models to a practice group driven organization. So, maybe it is fair to now expect some positive results, or to at least ask why many firms do not appear to be getting much of an improved return from all that time and effort,

Those "leaders" who are unwilling to be held accountable for having or not having the skills, experience and abilities to do the job properly can resign and be replaced with persons who do take the responsibility of leadership seriously and with accountability. Anything less is not credible, and may lead to the accelerated loss of partners whose work and contribution to the firm are superb, but who are increasingly undercompensated due to poor operating results.

Partners must rally together to protect the institution of the firm and its culture with simple steps that demonstrate character, resolve, courage, and competence from their leaders. If the leadership partners cannot, or will not, it answers two key questions all of the partners are better off knowing now and not later:

Whether the leadership of the firm exists to promote the betterment of the firm and the partners, or whether the firm and partners exist to promote the betterment of the leadership partners?

Is the practice group model adopted as a means of getting true efficiencies and delivering real cross marketing collaboration, building bridges between offices and improving organically grown business — all things that can be measured and rewarded or punished — or are they simply a cloak for building silos and feudal fiefdoms, power bases for negotiating chunks of firm resources to promote the building of the practice and compensation levels of a select few within each silo?

The process that incorporates absolute accountability for results will deliver a budget that will finally confront reality, the first step in developing a business plan that works and a budget every partner can believe in. Otherwise "practice group leader" is not a description of the role performed, but an empty label of entitlement unattached to performance.

We don't necessarily have to determine or pass judgment on whether it is "good" or "bad" if our firm is run by a gaggle of unqualified and uninspired bosses, or commanded by Admiral Horatio Nelson. We have what we have. But we should not pretend or kid ourselves to be something we are not, because the delusion can have a salient impact on the level of success, and even survival, of the enterprise in which we are all a part.

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