

Double Team At The Top?

QUESTION:

"It would seem that many firms have a firm Chair and a managing partner. While this division of labor may make sense, I suspect that the skills involved are quite distinct. Should firms have both a chairman and a managing partner? Should what appears to be a common policy of automatically promoting the managing partner to firm chair at the end of the managing term, be the best way to go? What is your group's view on the right division of responsibilities between a firm chair and a managing partner?"

RESPONSE:

This is a question that is asked often in industry. Division of leadership labor, long favored by corporate governance advocates, has slowly gained momentum in the U.S. Reportedly, 36% of Standard & Poors-500 companies now have separate Chairs and CEOs (up from 22% in 2002). American executives often look to the UK for guidance on governance issues. There, most major public companies have separated the roles since a 1992 corporate-governance reform effort. However, in Britain, the Chair usually comes from outside company ranks.

Among UK law firms, there is a corresponding senior-partner role separated from that of managing partner; both are usually elected by the partnership, and elected independent of each other. What has remained consistent among the UK law firms are the titles "senior partner" and "managing partner," although the responsibilities seem slowly to be changing (and although still called "senior," this lawyer can be younger than the managing partner).

Traditionally, senior partners spent their time serving roles as firm ambassador, "voice-of-the-partnership," and nurturing key clients. This individual might also have provided "pastoral" support to partners and have been seen as the elder statesman with whom to talk through problems.

More recently, based on "soundings taken from throughout the partnership," a strong theme has emerged whereby many senior partners in the UK have become far more focused on taking a lead role in determining the firm's direction (which the managing partner is then required to implement). The senior partner (having often come from service as the head of one of the firm's major departments) is becoming more involved with client development, scouting to set up new offices, and helping knit the partnership together following a merger. In fact, as one prominent UK firm recently announced, "the role of our senior partner at the firm is the highest office for a partner, with responsibilities for ensuring the firm has a clear strategic direction, representing the firm externally and providing support for partners."

In North America, for whatever good and valid reasons, there seems to be little profession-wide consistency among law firms in the titles used or the responsibilities associated with the titles. At one prominent firm, one might find an attorney serving as CEO, while another attorney holds the position of Chief Operating Officer and has responsibility for most of the day-to-day management of the firm's multiple offices. At another firm, the Chair of the Executive Committee is responsible for major strategic initiatives (such as mergers and

acquisitions) and is supported by an Executive Partner, who runs the firm on a daily basis. It is often difficult for an outsider to determine the precise responsibilities and authorities of these positions from their titles.

As firms evolve, the appropriate structure can depend much on the size of the law firm, its culture, the resources that can be devoted to leadership and management, and the firm's historical leadership styles and approaches, not only to strategy and vision, but also to day-to-day decision-making. As firms grow, many evolve from having a weak leadership function with very decentralized control, to a substantially full-time leader who (perhaps in combination with the firm's executive director) is expected to make many of the decisions historically made by a management committee or the partners generally.

With the increasing size of law firms and the rapid changes in the marketplace, the job of leading a law firm can prove too much for one person. Having a leader focused primarily on strategy and a leader focused primarily on operations could be advantageous. That said, there is a leadership philosophy that holds that a ship can have only one captain. Under this theory, if there are dual roles, it needs to be very clear who is the captain.

On Having Co-Managing Partners:

• In the early years of my tenure, for a brief time, we had co-managing partners. We called ourselves Cisco and Pancho. I was Cisco and he was Pancho. The buck stopped with me, but we divided the duties. We are very good friends and law school class mates, but we have different approaches to the way we deal with people, different levels of patience, and different views of how we achieve the same goals. We had no difference of opinion about direction of the firm. We just had very different styles and views of how to realize the vision. I did not think we could afford to have two different approaches. It helped me as I got my sea legs, but I did not see it as a long-term arrangement that would work.

Whatever the structure involving multiple leaders, it is paramount that the leaders be committed to working as a team to advance the firm's interests. Without clearly defined roles and the spirit of cooperation, there could be serious problems. There are too many instances of law firms having suffered because the chairman or senior partner and the CEO or managing partner clashed with each other.

Titles aside, large firms now require a great deal of attention internally and benefit from significant external activity on the part of the head of the firm. In simple terms, there is, first, the operating portfolio, which includes the practices and the firm's infrastructure and, second, a CEO portfolio, which varies from firm to firm, but involves dealing with the partnership, the board or executive committee, strategic direction, oversight and coordination of the firm's practices, client relationships, and, of course, serving as the leader ultimately responsible for the welfare and performance of the firm.

Experience teaches the following:

- one and only one CEO often, but not always, is a good idea;

- all CEO's have too much to do in large firms that are lean on leadership; and
- a Chair or COO or other positions, with clearly delineated roles, can be very helpful in filling the gaps in the CEO's time and attention that are inevitable.

What are possible complementing leadership roles – (in no particular order):

- chairing the board meetings or partner meetings;
- client cultivation on behalf of the firm;
- presence at various internal and external events where the firm needs representation, but the CEO is not able to be present;
- dealing with partner issues;
- leading special projects - e.g. an acquisition of a group or firm, or integration of the same.

And as mentioned, a partner COO or some other similar title could also do some of this.

On Having A Management Committee Chair:

• I had a Management Committee Chair during most of my tenure and found it very useful. I found that the Chair was a fine sounding board for me and very useful for some of the personal meetings with partners or events where an "official" was needed but it didn't need to be me. It was also very useful in terms of chairing the Management Committee Meetings and some of the associated follow-up. From my standpoint, the two positions are quite different in terms of the skill-set required and an automatic succession from one to the other would be unwise.

• I had a Chair of our Partners Committee (our Board or Executive Committee) for all of my tenure. While not an executive CEO type role, it was terribly important. The Chair was elected on an annual basis by the members of the Partners Committee, the group from which the Chair was drawn. I assiduously avoided becoming involved in any politics associated with electing the Chair. I then relied on the Chair to help me build political support on the Committee for whatever initiative was important at the time. The Chair and I had an understanding that we would never differ in public, that we would work together privately to insure that we were totally in sync on all initiatives and then would insure that we would aim for a unanimous Partners Committee on all matters of importance which could then speak to our partners with a strong voice of authority on what might otherwise be controversial issues. I'd say that this worked at least 95% of the time. The Chair usually was a figure who had the unquestioned trust of the partners. As such the Chair could make both substantive and ceremonial appearances and, given the general understanding that the Chair and I never had opposing agendas, allowed us to leverage our leadership resources extremely well. There was never any expectation that the Chair would succeed me, although when it came time for the firm to choose my successor, several of the strong candidates had previously served as Chair.

As previously stated, if the firm has two leadership positions, it is critical that the leaders filling them work closely as a team. If they do not, it can be destabilizing, because partners naturally will approach the leader from whom they think they will hear the answer they want. Having dual leadership positions can facilitate sharing some of the challenges of

leadership, and the two leaders can serve as sounding boards for each other on difficult decisions. There are wonderful examples of professional services firms that have had strong dual leaders. Among them is Goldman Sachs, which typically has had a shared leadership model that appears to have worked well.

The bottom line is that having one or more partners back up the CEO, in whatever firm-wide positions fit the firm, can be very helpful.

One last thought - any good leader knows his or her strengths and weaknesses and instinctively has preferences for how he or she spends leadership time. Seeking the help of people within the firm whose skills complement those of the leader who have the time to do the work is a sign of a good leader.

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