



TYLER WILSON

TAKING THE HELM

**A REPORT ON THE CHALLENGES
FACING LAW FIRM LEADERS**



FOREWORD

In a recent annual review of law firms by Smith & Williamson, a concern was expressed about the lack of support for senior management in the UK's top law firms:

“This year's survey suggests a worrying lack of preparation and support for senior leadership roles within firms. Only a quarter of managing partners have a mentor or coach in their roles, for example.”

As former Senior Partners now working with law firm leaders, we were intrigued by this. We wanted to understand in more detail where Senior and Managing Partners go for support, and what is available to them. It is our belief that one of the few weaknesses of the partnership model is that most law firm leaders are inexperienced, or unsupported, when they take on these roles. This lack of support can often continue throughout their tenure.

So, we undertook a series of qualitative interviews to hear about people's experiences – looking at when partners first took up a leadership role, what were the biggest issues they faced; what support they had; what additional support would have been of benefit, and, finally, what support they look for as they become more experienced.

The key findings were as follows:

A SEISMIC SHIFT

The most significant conclusion from our conversations with Managing and Senior Partners is that the role of the law firm leader has had to change fundamentally in response to the impact of the financial crisis. The feedback (particularly from those who had held the role for longest) is that, prior to 2008, management of law firms could be ‘light touch’ and generally reactive during an extended period of growth for clients and firms alike. Since 2008, the ‘tectonic plates’ of the commercial world in which law firms operate have shifted. Put simply, the impact and influence of management (good and bad) are now significantly greater than they were.

CREDIBILITY

Senior and Managing Partners are still often elected into their roles by fellow partners to a significant extent on the basis of their reputations as expert lawyers or as ‘rainmakers’. This seems to be the main criterion that gives them credibility as leaders amongst their peers. This credibility is a crucial pre-condition for their effectiveness. This is in stark contrast to the selection of business leaders in other sectors, where the main criterion is their suitability for the job ahead rather than for the one that they are leaving behind.

UNPREPARED

If the role has become more challenging, needing even greater business acumen and leadership expertise, then the transition into role for many law firm leaders has become even more difficult than before the financial crisis. Our research indicates that, even where new Managing and Senior Partners have led large departments or served for extended periods on management boards, the common refrain is that they are still under-prepared for their new roles.



TOUGH AT THE TOP

The loneliness of these top roles was widely commented upon and is one aspect of the roles with which we can empathise from our own experience. At the very time at which the newly-appointed Managing or Senior Partner needs people to talk to about their new challenges, they come to realise that they have to exercise caution about how and with whom they initiate a conversation internally. As one Managing Partner put it, “no matter how benign, everyone within the firm has an agenda”.

SOURCES OF SUPPORT

Against this background, the range of support sought by senior law firm leaders is interesting. Our conclusion is that the overall situation is more subtle than saying “only a quarter of managing partners have a coach or mentor” might suggest. The perceived need for external support appears to be substantially reduced where leaders have confidence in a tight and experienced senior team, usually comprising the Directors of Finance, HR and Business Development. Again, where current leaders continue to have access to their predecessors and that relationship is a strong and trusted one, there is less inclination to seek external support.

A small number of the leaders we spoke to place particular value on non-executive directors who are able to combine their oversight/governance role with a mentoring one. Of potential surprise to anyone who has not been in the role might be the almost universal recognition across our interviewees of the value of sharing experiences with Senior and Managing Partners in other firms, either on a one-to-one basis or as part of formal or informal networks.

COACHING BY ANOTHER NAME

The responses became particularly nuanced in relation to independent external support. Many interviewees started by saying that they had not had assistance from a ‘coach’, but then went on to describe in detail receiving precisely the sort of support that we would characterise as senior leadership coaching. That support tends to involve a periodic ‘time out’ from the business, often away from the office, where the leader is able to have a conversation with someone they trust as an independent, confidential sounding board.

The conversations enable the leader to identify issues, explore a range of options in order to address them, consider the hurdles to implementation and map out a clear plan of action. The support does not come in the form of directive advice but rather offers an independent perspective that helps to broaden the leader’s thinking whilst offering constructive challenge.

Some of our interviewees have retained recognised business coaches; others have sought out experienced and successful business people or others with a deep understanding of developing strategy. There is a common theme, however, that the best support comes from those who understand the role that the leaders are in – and the particular challenges of managing a partnership, where a section of the workforce are also the owners of the business.

We hope you find the rest of the report, which contains more detail and colour from the research, thought-provoking. We would like to take this opportunity to thank everyone who took part and generously gave their time and input to the research.



CHALLENGES ON ARRIVAL

Across the interviews we conducted, it became clear that the challenges facing newly-elected Senior/Managing Partners fall into three categories:

- *A rapidly-changing external environment*
- *A need to optimise the business*
- *A lack of knowledge about the firm and the role they had accepted*

A RAPIDLY CHANGING ENVIRONMENT

It is a widely-held belief that there is an eight-year cycle from one economic crisis to another. Look back to 2008 and the world was in the throes of the financial crisis; eight years prior to that was the end of the dotcom boom; and that was preceded by the early 1990s property crash. All of these have had a substantial impact on the legal sector; by rights we should be anticipating another one soon!

The consequences of the 2008 financial crisis were cited by a number of respondents as having been the trigger for change in the nature of their leadership roles. This was felt particularly acutely in the case of new leaders inheriting a situation where swift action and difficult management decisions were needed.

Prior to 2008, many firms had seen income and profits rise year on year, without really needing to steer the business in a particular direction. In fact, in many partnerships there had been a strong sense that the most valuable support they could receive from senior management was for them to “get out of the way and let the partners do their jobs”.

Clients however now demand “more for less” in a highly competitive environment where long-term relationships have often been overturned by the rise of a procurement culture in the selection of lawyers. The financial crisis also revealed a number of underlying weaknesses in the business model in terms of income and costs.

Law firm leaders have had to drive an agenda for change within their firms; setting a strategy to achieve competitive advantage that differentiates them from other firms.

As a result, our respondents almost universally believe that perceptions have changed significantly. There is much greater appetite within partnerships to hear about “where we are taking the business”, and it is therefore now crucial for management to drive the business: setting strategy, communicating effectively, introducing proper reporting and rigorous business planning.

“My main challenges related to the transition from ‘proper work’ into management, particularly given the need for this to happen quickly in the light of some of the difficult decisions that had to be taken in the aftermath of the financial crisis.”

“The ability to react to the changing marketplace – and to persuade partners of the need to change – is a big challenge.”

CHALLENGES ON ARRIVAL

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Almost all law firms, worldwide, are run by lawyers. Despite this, the leaders of those firms normally have no formal training in management, do not necessarily enjoy it and the role often does not play to their strengths (which are frequently as rainmakers).

When new leaders are elected to the job, there is a common perception that somehow they are plucked from obscurity. In fact, our interviews illustrated very clearly that there is a robust methodology whereby they take on more senior roles in stages – usually first heading a department and then joining their firm's board.

Nevertheless, almost universally our respondents talked about the challenges faced by a lack of experience, an insufficient knowledge of the job and of the rest of the firm, not knowing what had gone on before or elsewhere, inadequate support and technical shortcomings. Few, if any, of our respondents felt fully prepared for their new role.

Almost without exception our respondents feel that the biggest issue they faced on taking on their roles was not knowing what they had let themselves in for – even if they had had experience on boards or in leading teams, the breadth and depth of the job was still a surprise to most.

Solving this conundrum is not simple. Handovers, for example, range from the too long (in one case, a year) to the non-existent (elected on Friday, at the desk on Monday). Many have had no programme to meet and discuss plans with each department. In some cases, they have even been discouraged from visiting different parts of the business, because it's been felt that it would give negative messages to partners that they were being scrutinised.

Despite this very obvious need to be better prepared, a number of respondents said that it was difficult to identify and train one particular candidate. Any sense of a coronation – rather than a free election – risks undermining the successor from the outset. Most feel that it is necessary to build and train a pool of candidates.

“We give up what we do, and do management instead, which we are incredibly unqualified for.”

“Despite having been on the firm's five-man board for 10 years, I still found being the person in charge a significant shock! I was taken aback by how little I knew about how to run the firm, how to make it work.”

“I recognise that there would be benefits in developing a cohort of rising leaders so that they are better placed for the top roles when their time comes.”



OPTIMISING THE BUSINESS

For a number, their arrival was triggered by (or coincided with) a seismic shock to the fortunes of their own firm – a number of causes were cited, including leadership issues, sharp falls in income, property issues and poor business support services.

All of this has required incoming leaders to act fast and decisively. Many speak of finding themselves “needing to make things happen”, which some found culturally challenging.

In addition, our respondents identify other areas as needing attention in order to optimise the business. These include more effective integration of lateral hires, programmes to support the retirement of partners at an appropriate moment for them and the firm, and the impact of technology and mergers.

There can be little doubt that the cost of finding, recruiting and supporting a lateral hire is a significant investment for any firm – despite everyone’s optimism and best efforts, new hires’ performance can often disappoint. Our respondents use a range of strategies to prevent failure – some building their own programmes and others providing a mixture of internal and external support for the incoming partner.

Another growing trend is an ageing partner population that wants or needs to work longer than before. With a general consensus that the primary income generating years are often between 35 and 55, this is clearly an area that needs active management. Many firms have yet to initiate a conversation within the partnership about how the firm can support partners to prepare over, say, a three to five-year period for life after partnership (a life that is increasingly likely to involve some sort of second career).

In our experience, many of these partners are worried about stepping down with little idea of what to do next after a career in one profession and often one firm. Many of our respondents think that a proactive conversation and some support in planning the next steps are a practical approach.

A number of respondents raised the issue of the impact of technology on the traditional way lawyers do business. The extent to which the legal industry has been able to shield itself from the cultural shifts happening around it, successfully continuing with business as usual, is somewhat remarkable. However, with rising legal costs and clients who are becoming more demanding in relation to the length of time an instruction may take to complete, new technology is paving the way for the use of artificial intelligence (AI) in law, promising to produce traditional legal work in a fraction of the time and at a fraction of the cost to clients.

Unsurprisingly, given the trend for consolidation in the legal sector in the last decade, a number of our respondents have led and executed a merger, or have had to deal with the consequences of one. It is striking, however, that many mid-tier firms are comfortable that they can continue to thrive independently. Many feel that a robust business model and a clear strategic focus are better routes to security than a merger. We heard no evidence of the existential crisis that the legal press confidently (and regularly) predicts.

“The biggest challenge was of the risk of the firm disintegrating. It needed a major shake-up. The numbers were down, there was a crippling increase in rent and a chronic need to invest in IT.”

“We had a badly divided partnership, internecine warfare had broken out and the firm was going through some high profile partner exits.”

“We’re now seeing the commoditisation of our sectors. The challenges presented by the need for change have become more and more important since 2008.”

TAKING ON A LEADERSHIP ROLE

As well as challenges for the firms they lead, our interviewees all confess to facing a number of issues from a personal perspective. These can be broadly grouped under the following key headings:

- *A sense of loneliness*
- *The challenge of time allocation*
- *Having the right skills*

ALONE AT THE TOP

As former Senior Partners ourselves, we empathise with the emotions articulated by our interviewees in expressing the loneliness of their roles.

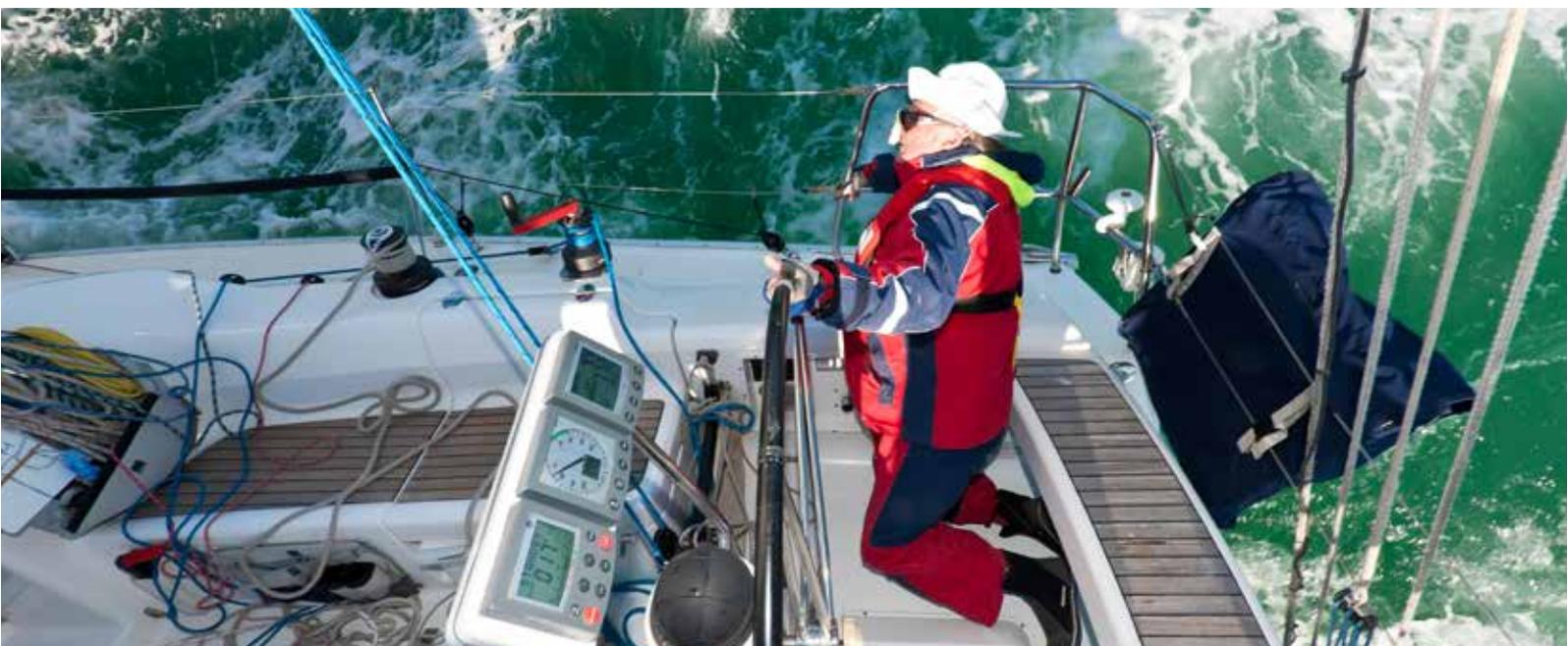
Many talk about the need to be careful about how relationships are perceived. Those who come to a leadership position after stints as heads of a practice or industry group, or of a specific office, are sensitive about avoiding the perception of having loyalties to their former teams. There is also a theme that new Managing and Senior Partners need to be careful not to create the perception of having a “gaggle of cronies”; their relationships with former friends in the firm have to adapt.

This feeling is exacerbated by the need to put appropriate distance between yourself as a leader and partners who are also friends. The culture of many firms is that people have grown up together professionally over a long period, and friendships are strong and deep.

“It’s an utterly lonely job. It’s all in your head. You can’t talk to anyone about it, and things have to be presented in a certain way.”

“The problem of loneliness gets greater over time. At the moment, everyone’s getting paid, but a moment is going to come when there’s a dip. That’s when I’ll get lonely.”

“There is a distinction between being a friend and being friendly. It’s necessary to get the balance right in order to make difficult decisions and to perform effectively.”



WHERE DOES TIME GO?

Another very significant issue from our interviewees was the time it takes to do the job correctly – and a strong sense from most that there is never enough of it, especially when needing to juggle multiple priorities. The challenge of transition into the top roles is daunting.

At a personal level, most new leaders leave behind the security of client-facing roles, where key performance indicators such as fees billed, hours recorded and new cases opened are available at a touch of a button to measure their success and expertise. These are roles for which they have trained for at least 20 years, and where they are openly recognised by clients and colleagues for the contribution they make. All of this gives them (justifiably) a strong sense of self-worth.

They then move into roles for which they have had little training and for which there are far fewer KPIs that reflect their personal contribution. It is also a shift from the peaks and troughs of client work to the rolling hills of management. It is a common reflection of the leaders who we have spoken to that “when things are going well, it’s all down to the partners; when they are going badly, it’s all down to management!”

Some are not full-time Managing Partners, so there is an ongoing struggle to maintain the balance between the time needed to manage, finding space for strategic thinking and continuing to run a practice.

Our interviewees ranged from full-time Managing Partners to those whose role contains an element of business development and those who are still actively billing. Senior and Managing Partners are still often elected into role by fellow partners on the basis of their reputations as expert lawyers or as ‘rainmakers’. This seems to be the main criterion that gives them credibility as leaders amongst their peers. This credibility is a crucial pre-condition for their effectiveness.

For those in the first category, it took some a while to adjust to the realisation that devoting themselves to management effectively ended their professional career.

For those still with an active practice, there is the challenge of competing priorities. The almost Pavlovian reaction, after 20 plus years’ training, to respond instantly to clients’ requests needs to be tempered by the demands on them as leaders of the business.

PROFIT OR LOSS?

Our respondents identify a number of business functions which they need to understand better on taking on their new roles, but financial literacy tops the list.

Many also feel that human resources is an area in which they need to invest time and gain experience.

“Unless leaders consciously make time to do some strategic thinking, they will always be dealing with the day-to-day firefighting. You need the time to look up and ahead in order to plan for the future.”

“I find the biggest challenge is managing a large number of projects whilst still being in the top 10% of fee earning partners.”

“I believe that many lawyer-managers need to be ‘financially smarter’ - better able to understand the figures and what they say. Some basic principles, like the difference between cash and capital.”

SEEKING SUPPORT

So, in a rapidly changing and increasingly challenging business environment, where do leaders find help and support? Our interviewees listed five key ways in which they find support:

- *Talking to their predecessors*
- *Sharing with their management team*
- *Support from coaching and mentoring*
- *Taking courses*
- *Engaging with their peers in other firms*

Probably unsurprisingly, a significant majority of our interviewees turned to the past, and the people who have experienced first-hand the issues that they face. Whether it is their immediate predecessor, or further back, this rich vein of experience is highly valued.

The second source of support is the management team surrounding the leadership. Having specialists in the key business support roles is seen as being crucial – Finance, HR and Business Development are most frequently cited.

At a practical level, new leaders also want to instil confidence internally that they are clear about what needs to be done – which militates against being able to start too many conversations which suggest that the new leader is unsure or uncertain about the direction of travel. For many, therefore, the ability to get an external perspective is invaluable – either from non-executives, “critical friends” as it were, or from third parties who come from a different sector and offer a different point of view.

More formal leadership support through coaching and mentoring has grown in use and popularity, and many of our interviewees have felt the benefit of it and are advocates for the process. The frequency of contact varies from several times a month to a few times a year – but the opportunity to get outside the bubble is always seen as valuable. Nor does the need diminish with familiarity – in fact, a number of respondents say that they have found it useful as they moved from one term of office to another in order to re-set their thinking.

In a number of cases, Senior or Managing Partners are making coaching more widely available to people in other leadership roles, and in some cases are developing internal resources.

“A former Senior Partner had been my long-term mentor and he has continued in that role.”

“Management is not so complex if you have a good team around you. I have been blessed with strong FD, HR and BD Directors.”

“I think that all senior law firm roles, from Senior or Managing Partner to Practice Group Leaders, definitely need on-going coaching support.”



More formal training courses are an important part of the mix for many of our interviewees - either existing courses at an academic institution – the Harvard Law and Business School management programmes were mentioned by a number, or bespoke courses for individuals or teams.

While external courses have been found to be helpful in both providing formal skills and another way of looking at the world, it is frequently felt that the experience is best shared or else the person attending is a lone voice, and often one that is not understood when they return to the office.

A final piece of the jigsaw is the communication between the leaders of different firms. Many interviewees talked about the value of discussion in various peer groups of Managing Partners from other firms and from other sectors (both formal and informal). Many say that it helped them to realise that other firms have equivalent challenges, or that there were issues that had not really registered on their radar.

“I had no training prior to being elected to the role. I went to Harvard for the Law Management Programme. I feel the course was ‘life-changing’ for me in terms of gaining an understanding about the business of law.”

“I hadn’t realised that Managing Partners spoke to each other. I went to a Managing Partners’ Forum event shortly after becoming Managing Partner and found this useful.”

WHAT NEXT?



We are very grateful to the Senior and Managing Partners who contributed to our research. Our report is based on face-to-face conversations that took place between September 2016 and February 2017 with 20 Senior or Managing Partners (or equivalent).

The firms ranked between numbers 20 and 75 in the Legal Business 100, with reported fee income in the 2015/16 financial year of between £40m and £200m and with between 35 and 220 partners. The people we spoke to have been in role for periods that range from a few months to 17 years.

It is clear that Senior and Managing Partners welcome support (personally and for their firms) in a number of forms. Going forward, we plan to put the research to the following uses.

- *To inform how we provide one-to-one support for people in leadership positions (Senior and Managing Partners, Practice Group, Industry and Office Heads).*
- *To shape our advice in relation to the planning and execution of one-off strategy projects.*
- *To lead discussions around career transition, both for firms in terms of how they structure their programmes for retiring partners and for individual partners who are navigating their way to the next stage of their careers.*
- *To support firms in relation to their lateral recruitment processes and lateral hires themselves in relation to their integration into their new firms. Our conversations tell us that effective integration is one of the key success factors in relation to lateral recruitment.*
- *It is also clear that people in senior leadership positions in law firms welcome the opportunity to build networks with their peers, both formally and informally. Going forward, we plan to facilitate such a forum, focusing on discussions and topics that we are told will be most useful to them.*



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Dick Tyler's early career was as a successful mergers and acquisitions lawyer at CMS Cameron McKenna. Subsequently, over a 14 year period, he held a number of leadership positions in the firm in which he gained significant exposure to the leadership challenges in a people-based business and to the different phases of the economic cycle. Dick now practices as a business coach and consultant to professional services organisations and their leaders, as well as tutoring the premier business coach training programme in the UK.



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Prior to setting up Tyler Wilson, James Wilson spent 35 years at Ince & Co supporting senior people respond to crises and times of significant change. Initially, that involved advising shipowners as they took bet-the-company decisions in the immediate aftermath of major maritime accidents. Subsequently, as executive senior partner, James led the firm through the financial crisis and a complete overhaul of its governance, structure, performance management and remuneration systems.



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