

## One Firm's Journey Moving Away from the Traditional Managing Partner Model



By Kelli M. Kennaday

Three years ago, our firm was faced with the administrative nightmare most firms dread: our managing partner announced that he was ready to pass his administration responsibilities to someone else. After seven years of committed service, his decision was not surprising, nor unexpected. However, in the head-in-the-sand style of many firms, we had neglected succession planning and had no clear idea of who should next fill the role of managing partner. As a mid-sized business litigation firm in Northern California, we have approximately 30 attorneys in various practice areas. Not large enough for a full-time managing partner, we have traditionally selected one partner to perform the bulk of the managerial duties, in conjunction with an office administrator. The demands placed on our managing partner, however, have steadily increased over time. Fifteen years ago, our IT needs were almost nonexistent, we devoted very little management time to business development, and we generally renewed our contracts with the same health plan, 401k plan administrator, and workers' compensation carrier year after year. Today, significant management time is required for our IT and business development functions, our various insurance needs and offer-

ings can change dramatically from year to year, and the concerns of both younger and baby-boomer partners have caused us to reevaluate our 401k plan, buyout funding, and other strategic-planning items. In short, the burden of managing the firm was becoming too much for one person to bear, particularly when that person was also expected to maintain a respectable, albeit reduced, level of billable hours.

Perhaps fortuitously, our managing partner's decision to step down coincided with the first formal strategic planning session that we had had in over 10 years. The consultant that we hired to assist us with our strategic plan suggested that we fold the selection process for a new managing partner into the strategic planning process. Since we generally like to govern by consensus when possible, we formed a small committee to poll the partnership in hopes that a strongly favored candidate would emerge. Through that process, it was determined that most partners were comfortable with having any one of four identified partners assume the role of managing partner. Unfortunately, when each of the candidates was approached about taking on the job, none wanted it. Each of the possible candidates had a successful, full-time practice, and none were enthusiastic

about either handing off half their clients to someone else, or working 50 percent harder than they currently were. Each of the candidates, however, indicated that they would be more than willing to participate in management at some level. From that kernel of commitment came the idea of changing our management approach from that of a traditional, single, managing partner to an Executive Committee model that strictly segregated responsibilities and accountabilities among committee members. This is the story of how we executed that idea and how it has turned out for us so far.

### The Way We Were

As an 88-year-old firm, we tend to do things the traditional way. Our management structure has historically consisted of a managing partner with authority to manage the day-to-day activities of the firm. As a practical matter, however, most significant decisions were made by the partnership as a whole, generally by consensus, if possible. We employ an office administrator, usually someone with a financial background, to oversee the day-to-day administrative tasks, including managing our accounts and vendor relationships, tending to our facilities issues, and managing our support or other professional staff. From time to time, we have also employed a human resources manager or another administrative staff member to assist the office administrator.

We also had a Management Committee, consisting of the managing partner, three other partners who rotated every few years, the office administrator, and



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an associate liaison member. None of the members of the Management Committee, other than the managing partner and office administrator, had any specific duties or accountabilities. The other members would sometimes be assigned or volunteer to take on specific tasks. The vast majority of the work, however, fell to the managing partner. It also fell to the managing partner to follow up with the other members of the Management Committee to make sure that they completed the tasks delegated to them. When the tasks assigned to those members fell through the cracks, they either did not get done at all, or responsibility for them reverted to the managing partner. Because the members of the Management Committee other than the managing partner were not specifically compensated for their service, expectations for their performance were low.

Perhaps the biggest burden placed on the managing partner, however, was the mandate to gain consensus for significant decisions. Because most partners wanted to be involved in the decision-making process for most significant decisions, our managing partner frequently spent hours going office to office mediating, negotiating, and building consensus for decisions that some might consider relatively insignificant. This method of management proved a double-edged sword: because all partners were part of the decision-making process, they could hardly complain about the outcome. They frequently could, and did, however, complain about the amount of time spent on management. This method also put the managing partner in the unenviable position of spending more hours on management than had been allotted to compensate him for his duties as managing partner. This disparity increased year after year in direct proportion to the number of issues that the managing partner managed. Although it was a system that we maintained for many years, it was not a system that was efficient. When the idea was floated for a new form of management, everyone was willing to try something different.

### Form Follows Function

Once we decided to try a new management structure, it was not terribly difficult to

come up with a structure that would work for our firm and for the individual partners who had agreed to participate in managing the firm. In our informal partner polling process, four names had consistently been floated as acceptable managing partners, so it was no great leap to suggest that we form a new Executive Committee and that these

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four partners all participate. Given that we started off with identified managers, we had the luxury of creating the right roles to fit the people, rather than trying to fit people to already defined roles. To create our management roles, we started by making a list of the various areas that required management attention. When we made our list, we were careful to include not only tasks to which management attention had been devoted in the past, but also tasks that were desired but had previously either not been performed at all or had been performed poorly. For example, all partners agreed that business development was important and that we, as a firm, needed to focus more on business development. In the past, however, business development was an area that had received very little management attention, largely because it was a task that we could and did push down the priority list when more urgent tasks, such as personnel management issues or a new lease, required immediate attention. Similarly, the partnership had frequently discussed the need to provide more formal training for our associates, but we had simply not

had time to create or implement a training program. In our strategic planning session, we added the creation and implementation of such a program to the Strategic Plan and, we needed someone to manage it. We also had a number of firm committees that had been given responsibility for specific projects, all of which needed drivers. So we included oversight of the committees to the tasks that we would assign to members of the new Executive Committee.

Once we had a comprehensive list of the areas that required management, we divided those areas among the four Executive Committee members, according to skill set, personality, and willingness to take on the task. The CPA on the committee became the finance partner, in charge of all things financial. The most technologically proficient partner became the partner responsible for the IT Department. The most senior member of the committee took responsibility for partner relations, while the partner who had taken responsibility for the strategic-planning process became the partner in charge of strategic planning and business development. Other tasks were assigned based on a logical fit or because one of the committee members had an interest in a particular area. The ultimate goal was to divide the job into four equal parts, none of which overlapped.

The structure of the Executive Committee ultimately ended up this way:

### Firm Relations Partner Responsibilities:

- Manages partner relations
- Coordinates efforts of the finance/facilities partner, strategic planning partner, and professional development/relations partner
- Assists with particular issues presented by the Management Committee members
- Allocates new projects to Management Committee members when a new project does not clearly fall under the responsibility of one of the Management Committee members
- Supervises and evaluates the director of administration
- Resolves staff human relations issues not resolved by the director of administration

- Periodically monitors finance and accounting matters
- Monitors the progress of the management team and of management issues
- Maintains conflict, file opening, and professional responsibility procedures
- Coordinates malpractice insurance
- Implements and monitors the firm file retention and destruction policy
- Handles other similar firm professional development and professional relations matters

#### **Finance/Facilities Partner**

##### **Responsibilities:**

- Monitors day-to-day finance and accounting issues
- Budgets and monitors budgets
- Plans buyout plan and oversees funding
- Monitors the 401k Plan
- Manages firm real estate lease issues
- Manages facilities issues (supplies, furnishings, equipment, and so on)
- Monitors the trust account
- Selects and implements health plan
- Oversees other similar finance and facilities matters
- Serves as the partner to whom Compensation, Retirement Plan, and Buyout Committees report

#### **Strategic Planning Partner**

##### **Responsibilities:**

- Oversees strategic planning for the firm
- Handles business development and marketing
- Assists the director of administration with strategic staffing matters
- Monitors firm hiring needs, including associates, summer associates, and staff
- Serves as media contact
- Supervises website development and maintenance
- Handles other similar firm planning matters
- Serves as the partner to whom the Business Development and Recruiting Committees report

#### **Professional Development/ Associate Relations Partner:**

- Manages associate attorney human relations
- Implements and manages continuing legal education
- Manages the associate review process
- Oversees associate meetings, mentoring, and retention
- Coordinates attorney training
- Manages information technology
- Oversees library acquisition and monitoring

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- Serves as the partner to whom the Continuing Legal Education, IT, New Matter, Contingency Fee, and Library Committees report

The only thing not accounted for by the new structure was someone to hold the title of managing partner. Since people would occasionally call the firm and ask for the managing partner, we determined that we would need to have someone hold the title. In addition, someone would need to chair the partnership meetings. Given the firm relations partner's duties, logically, it made sense for that person to also take on the title of managing partner. We made it clear, however, that this designation was titular, and that all members of the Executive Committee were equally responsible for firm management within their designated areas of responsibility. The managing partner did not have any greater authority than the other members, nor did that person have authority beyond the designated area of responsibility.

We also had to decide on the tenure of our Executive Committee members. It was somewhat arbitrarily decided that each of the Executive Committee members would serve a three-year term. To provide a smooth transition as the initial members of the first Executive Commit-

tee rolled off, however, it was decided that the initial members would serve staggered terms of two-and-a-half, three, and three-and-a-half years.

We also had to decide on appropriate compensation for the members of the Executive Committee. Previously, the Compensation Committee could award the managing partner a certain number of billable hours within a specified range for that person's work as managing partner each year. Moving forward, we decided to use a similar, although slightly lower, range of hours that we would distribute to the Executive Committee as a whole. We left it to the members of the Executive Committee to decide how to divide the total hours among them. The number of hours allotted was less than the members of the Executive Committee were expected to actually spend on their management functions. However, as all members of the firm are expected to contribute to management, the members of the Executive Committee agreed that the number of hours allocated was fair.

#### **Making It Work**

Once we had achieved partnership buy-in for the new management structure and decided who would fill each role, we had to actually make the transition. One of our main concerns was that firm members, and particularly partners, would not respect the new division of labor and would simply go to the person designated as the managing partner with all issues. Another concern was that people might "shop" for the Executive Committee member that they felt would be most receptive to their issues, rather than directing an issue to the committee member with formal responsibility for it. To avoid these predicaments, one of the committee's first orders of business was to agree to a strict policy of enforcing the formal division of labor. Each member of the Executive Committee agreed that he or she would not address issues that were not within the defined area of responsibility for his or her role, but would instead direct all inquiries to the appropriate committee member. At first, attorneys and staff alike did exactly what we expected: they took all issues to the managing partner or to the Executive Committee member with whom

they were most comfortable. Each member of the Executive Committee, however, held firm in directing inquiries to the appropriate committee member. Once it became clear that Executive Committee members would enforce the division of labor, people learned who was responsible for what and began directing their inquiries accordingly.

Another issue arose approximately four months after we implemented our new structure. A decision was made at a partnership meeting that was subsequently either disregarded or misunderstood by a firm committee. The firm relations partner became extremely frustrated by the situation and no longer wanted to act as managing partner. In fact, he wanted to resign from the Executive Committee altogether, feeling that his time and efforts were wasted. Concerned that the new structure would quickly disintegrate in the wake of this development, the remaining members of the committee convinced the firm relations partner to continue in that role without the managing partner designation or responsibility for chairing partnership meetings. Instead, they proposed rotating the managing partner designation among the remaining committee members at six-month intervals. This proposal was presented to the remaining partners as a way to salvage the newly implemented management structure. Some partners worried that rotating the managing partner designation at six-month intervals might prove confusing, particularly to people outside the firm. However, the suggestion was ultimately adopted. The existing Executive Committee remained in place with their existing responsibilities.

Since this early incident, the committee has run smoothly and as intended. Each Executive Committee member reports on his or her designated area of responsibility at both Executive Committee and partnership meetings and is held accountable for those areas by the other members of the Committee, the partnership, and through deadlines set during the strategic planning process. Tasks previously given short-shrift, such as business development coaching, have received substantive attention. Our firm website has been redesigned and is updated with new content on a regular basis. Our

new Associate Training Program has been implemented. Our buy-out plan has been overhauled. Administrative costs have been reduced, and the four Executive Committee members have been able to successfully keep up their full-time law practices. Does that sound too good to be true? Not quite.

### Back to the Future

We recently held another strategic planning session, and one of the things discussed was the upcoming transition of Executive Committee members as their terms came to an end. At this juncture, we must determine whether we are satisfied with the management structure as-is, or whether we wish to make subtle or wholesale changes. More importantly, however, we need to determine who will next fill the Executive Committee roles. As is our custom, we formed a small committee to poll the partnership to determine the answers to these questions. The results of that polling have been mixed. A significant number of the partners have been satisfied with the new management structure as-is. A significant minority, however, indicated that they dislike rotating the managing partner role. Those partners feel that rotating the managing partner role is confusing to both those outside our firm and to our staff. They have suggested that we return to having one person designated as the managing partner. Many of those same partners also feel that the Executive Committee has moved away from the practice of management by consensus and has instead adopted a more autocratic style of management. Those partners want us to return to management by consensus, with consensus-

building responsibility falling to the person designated as the managing partner. In other words, they would prefer that we return to a much more traditional firm management style that concentrates management responsibilities with a managing partner. Of course, should this view prevail, the managing partner will be required to spend substantially more time managing than any current member of the Executive Committee now spends, which places us squarely back in the position that we faced three years ago: no one wants that job.

If we continue with the current structure or a modified structure, we must also decide how to fill each of the Executive Committee positions as current members roll off. We do not have a large partnership so we do not have significant numbers of partners from whom to choose. Moreover, many of our partners dislike the business of practicing law and prefer to engage only in the profession of practicing law. Still others are willing to serve but are perceived as lacking the necessary qualities of good managers. An Executive Committee member who failed to carry his or her fair share of the managerial burden would either place an unfair burden on the other members or would leave a significant number of important tasks undone. Quite simply, it is important that we fill these positions with people who have the willingness and ability to get the job done and to do it well. I am not yet certain how we will accomplish this task. Creativity and flexibility will undoubtedly play a role. The only thing that I am fairly certain of at this point is that we will not return to the traditional, managing partner model. ■

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