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## Definitely Mabey

### Current thinking of U.S. small to mid-size firms (Canadian standards)

By Stephen Mabey, CA

The Managing Partner Forum 2013 Leadership Conference was last month in Atlanta. The conference was hosted by John Remsen Jr., president and CEO of The Managing Partner Forum. Karen MacKay of Phoenix Legal and I were fortunate enough to be part of the faculty. Approximately 75 participants from 65 law firms (no Canadian firms attended) participated in the daylong session that began with an address by Aric Press, vice president and editor-in-chief of American Lawyer Media. While Press' presentation was very well done, the most memorable quote for me was about alternative fee arrangements, which he described as "the slowest damn revolution he has ever seen."

The rough demographics of the firms attending were:

- Less than 20 lawyers: 13 per cent
- 20-40 lawyers: 33 per cent
- 41-75 lawyers: 30 per cent
- 76-150 lawyers: 15 per cent
- More than 150 lawyers: eight per cent

The managing partners were almost split in the length of time they had been in the role with 43 per cent having been in the position less than two years and 45 per cent having been managing partner for six or more years.

The participants' responses to two questions about 2013 and 2014 reinforced the belief it is a good time to be a small to medium-sized firm. When asked about 2013 so far they responded it was:

- Much better than expected. We had a very good year so far: 21 per cent
- About what we expected. A relatively good year: 44 per cent
- Ok, but not where we want to be: 27 per cent
- Not good at all. It's been a tough year: eight per cent

And when asked about 2014 they were similarly optimistic, responding as follows:

- We anticipate that 2014 will be a very good year: 31 per cent
- Cautiously optimistic, but still nervous about the economy: 45 per cent
- Hard to say. Fairly flat: five per cent

The response that surprised me the most was to the question about how many firms possess a two-tiered partnership structure, as I would not have thought it was as prevalent as the following indicates:

- Yes: 77 per cent
- No, but we are thinking about it: 16 per cent
- No, and it won't happen anytime soon at our firm: seven per cent

The participants were asked what, if anything, their firms were doing to cope defensively with the rapid change in the legal industry. The most selected answer (57 per cent) was "we have consciously made an effort to increase the level of certainty and clarity in our communications about key issues (compensation, strategy, later hires, etc.)." It was twice as popular as the next closest response, "we have discussed change in general at various meetings," which garnered 27 per cent of the votes.

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I have in the past commented on the need for law firms to embrace innovation to reach out and meet the challenges and how they seem to be falling short.

The participants' responses to the question "in addition to coping defensively is your firm proactively addressing anticipated changes?" supports this concern:

- Yes, we are doing a good job in this area: 29 per cent
- Yes, but our results are hit or miss: 19 per cent
- Yes, but we are struggling with being more proactive: 39 per cent
- No: 14 per cent

It seems from conversations that many firms have been focusing on strategic plans / strategies of late and this was borne up by 43 per cent of the participants indicating they had a strategic plan and another 33 per cent indicating it was a work in progress. The reasons for one seemed to be the correlation between improved performance in growth and profitability and having a strategic plan, which 16 per cent said there was a strong and direct correlation and 50 per cent said there appeared to be some correlation between planning and performance but it was hard to quantify.

It would not be a gathering of lawyers if the group was not canvassed on compensation systems. The participants were asked what best described their compensation systems and the responses were as follows:

- Parity among equity partners/shareholders: five per cent
- Mostly seniority based: five per cent
- Performance based—highly objective: 28 per cent
- Performance based—mostly objective: 51 per cent
- Mostly subjective system: 11 per cent

The following responses to the question about whether their firm's measure and reward non-billable firm building contributions were in keeping with why many firms experience roadblocks to innovation, growth, collegiality, and engagement:

- Yes. We track non-billable time and reward it handsomely: 16 per cent
- Yes. We track it, but we don't weigh it much when setting compensation: 47 per cent
- Yes. But it doesn't matter much and many partners don't record it: 24 per cent
- No. It is all about billable hours and dollars in the door at our firm: 13 per cent

*Many articles and past columns have spoken about leadership and the need to nurture it within our firms* but it

doesn't appear the Kool-Aid is being drunk by the following responses to the question "does your firm provide for formal leadership training for its current and future leaders?":

- Yes, for current leaders only: nine per cent
- Yes for both current and future leaders: 30 per cent
- No: 60 per cent

These last responses I will share are somewhat indicative of the schizophrenic nature of law firm management. The first segment deals with partners—managing partners, department heads, and practice group leaders—who are asked to do a job albeit without any documentation of what it is they are supposed to do. In response to the question "does a formal job description exist for the managing partner position?":

- 29 per cent said yes;
- 65 per cent said no; and
- five per cent said they were working on it.

The bad news is it is even worse for the positions that many firms tout as the best way to grow their firms—department heads and

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practice group leaders. When asked the same question, “does a formal job description exist for the position?”, 19 per cent said Yes; 79 per cent said No; and two per cent said they were working on it.

This last response requires a little set up so it makes sense. The participants were invited to select their top three responses to each of the two questions and then the answers were simply mathematically weighted to derive their order of priority. The first question was “what you believe to be your most important contributions in your role as managing partner?” and the second asked by contrast, “where you spend most of your time?”

### Most important:

- Initiating changes necessary to ensure long-term success: 7.61
- Building and maintaining consensus among partners: 4.95
- Managing day-to-day administrative affairs of the firm: 3.83
- Promoting and encouraging sharing, teamwork, and cross selling: 3.83
- Defining and implementing long-term strategic objectives: 3.72
- Dealing with underperforming equity partners/shareholders: 1.00

### Most time spent:

- Managing day-to-day administrative affairs of the firm: 8.23
- Building and maintaining consensus among partners: 6.05
- Promoting and encouraging sharing, teamwork, and cross selling: 2.98
- Dealing with underperforming equity partners/shareholders: 2.90
- Initiating changes necessary to ensure long-term success: 2.16
- Defining and implementing long-term strategic objectives: 1.19

The short, simple message is firms need to create a situation where their managing partners have an opportunity to lead and get out of the weeds (administrative work done by administrative staff).

The full set of responses is available on [appliedstrategies.ca](http://appliedstrategies.ca), if you are interested in reviewing all 34 questions and responses.

Until next month, as Rhonda Byrne is reported as having said:

*"To attract money, you must focus on wealth. It is impossible to bring more money into your life when you are noticing you do not have enough, because that means you are thinking thoughts that you do not have enough."*



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*This article originally appeared in the June 2013 edition of Canadian Lawyer. Copyright © Applied Strategies Inc.*