BUILD BETTER MANAGEMENT

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It's a funny thing about compensation systems. When profits are plentiful, even the worst compensation systems seem fine. But when profits decline, even the best compensation systems seem seriously flawed. So too with management. During periods of expansion and prosperity, or relative stability, management appears to be working efficiently. That which is clearly not well managed seems to have little impact beyond an annoyance factor. So fine tuning management is given little if any priority.

When times are tough, however, regardless of whether caused by external, internal or a combination of factors, any management inefficiencies quickly exacerbate the problem. It's almost as though the shortcomings are invisible during periods of prosperity or stability. And as we know, out of sight is usually out of mind. When bad times arrive at the firm's doorstep —make no mistake that this eventually happens at all firms— those firms which are well managed will more easily weather the storm. On the other hand, those firms which are poorly managed will stumble longer, or may fail to ever regain their footing.

Look around you at the law firms which have failed during this recession. Regardless of whether a solo, small, mid-size or very large firm, they all have one factor in common which we can see in hindsight: poor management. Now keep in mind that this is a far-sweeping statement. That's because management covers the gamut from human resources to technology, from leadership to succession planning, from marketing to finances. All are key management areas. So one firm's poor financial management may lead to its demise; another may fail from a lack of succession planning, and yet another from an inability to hold onto talent due to poor people and compensation management.

Over the years I have come to recognize that most firms are poorly managed. There are exceptions, of course. But for the most part, I can honestly say I rarely encounter a firm which is PROactively addressing management issues. It's a delightful experience for me when I encounter a firm which attempts to stay ahead of the curve. Remember the old axiom: ***fire prevention*** is easier, carries less risk, and is far less costly than ***fire fighting***. You counsel your clients to be proactive in any number of areas. But alas, lawyers rarely follow their own advice.

Over the years I have also come to recognize that small firms, and mid-size firms of up to approximately 40 – 50 attorneys in size, are consistently understaffed where management and administration is concerned. I'm not talking about too few secretaries. Let me be clear on that. Most firms could get by with less secretaries. If people were properly trained in how to use the tools —particularly the technology tools— that they already have, and if the lawyers would avoid procrastinating such that most work becomes an emergency, whether it started out that way or not, and if the lawyers prioritized the work assigned with a little more care and diligence, the average firm could cut secretarial staff without having a negative impact on client service.

So what am I talking about, then? I'm talking about the fact that there are too few administrative business managers in law firms. Most of you are understaffed in that area. Or you have administrative staff who are improperly trained. Or if they're properly trained, you don't give them sufficient authority to be effective.

Worse still, lawyers are spending otherwise billable time to manage areas which can be more cost-effectively and efficiently done by a non-lawyer. And let's face it, when you have a choice between bringing in more work and/or getting billable work done, versus designing and implementing a new hire training and orientation program, for example, or researching the latest practice management software choices, you're going to pick client work every single time. Unless, of course, your turnover goes through the roof, or work is not getting out the door. Then you will go into reactive mode and make a decision. Often without the knowledge and sufficient time allocated to make the *right* decision, let alone to properly implement the decision.

At most firms, there is a two-fold resistance to proper management staffing. First, there is a perception that it is too costly for the firm to employ an administrative manager. This is an easy perception to debunk. Have all lawyers track their non-billable time. Create some broad categories such as human resources, marketing, financial etc. Add sufficient detail to know, upon review, what work could have been delegated to a sufficiently trained and experienced non-lawyer manager. Take that time and multiply it by each attorney's Effective Hourly Rate (EHR). The EHR is the amount which is ultimately *collected* on each hour worked, after billing adjustments and collection adjustments are taken into account.

Since most lawyers have more work to do than hours in the day, it's valid to assume that the time could be easily converted to revenue. I think you'll find that in mere months you would recover more in increased revenue than an good manager's annual salary and benefits. But let's assume that instead of converting the time to billable hours, you use it for non-billable time which cannot be delegated: client development, strategic growth planning, and so forth. Just by having someone else ***consistently*** focusing on receivable management, billing practices and procedures, and good human resource practices which reduce turnover, will produce sufficient pay-back, without taking a single non-billable hour into account.

Now you'll notice I mentioned not just recording non-billable time, but properly categorizing it. That's because once you realize you can economically justify having someone, you want to know what areas in particular, e.g. what skills, will be most beneficial to the firm. Each firm is somewhat unique in this regard. Some management basics are universal, but the rest of the needs will vary from firm to firm. At some, financial management skills will be key, whereas at another technology management and innovation will serve the firm best.

The second area of resistance is a mindset that lawyers cannot be managed by non-lawyers. I have found that it is true that a lawyer will never abide by a non-lawyer telling him or her how to practice law. But that's not what we're talking about. For many lawyers, the drive to maintain total autonomy often outweighs the ability to follow rules designed to enable effective office functioning. What you need to understand is that the resistance to being managed has nothing to do with whether it's a lawyer or non-lawyer trying to implement best practices and procedures. This point was driven home when I recently listened to the marketing partner of a large firm complain that his fellow partners exhibited virtually no cooperation in getting initiatives off the ground.

With top-down support, and accountability from partners to work as a "team" in a collaborative environment for the benefit of all —eschewing the type of firm which is basically a bunch of solo practitioners sharing overhead but each doing their own thing— a non-legal manager can be very effective. It's really about accountability, buy-in, and firm culture. Lawyers can only be managed when they ***agree*** to be managed.

With an effective manager in place, your firm can address issues PROactively going forward. By doing so, your firm will be better prepared to face the inevitable challenges that the passage of time and vagaries of the marketplace will place in its path.

Here are the essential elements to building better managers.

Education. To be effective, a law firm manager must be well versed in a number of essential skill areas. Each area by itself is highly complex, and carries serious consequences for the unwary and uneducated. Most of these skill areas are not able to be learned by trial and error, or just by applying common sense. In fact, common sense can be misleading in some highly regulated management areas. Look to live seminars, teleseminars, and webinars, as well as magazines, e-newsletters and blogs.

The Association of Legal Administrators (www.alanet.org) should be number one on the list of organizations. Your manager should not be given the option of your support. Your manager should be *required* to join, and to utilize the excellent educational opportunities locally, regionally, nationally, and online. In addition, free or subscription-based online resources provided by consultants like myself, vendors, and law firms, offer readily-available and timely information to address virtually any topic.

Make sure you line-item budget management education. If you don't, every opportunity will always be an uncomfortable discussion, and your manager will cease asking. That's a mistake which can eventually lead to serious consequences.

Clear responsibilities and the authority to carry them out. Aside from a detailed job description and organizational chart which indicates who to report to for what, (including those who report to the manager) the office administrator must have the necessary support and authority to act. Managing partners should know the difference between discussing how something will be managed, and voicing an opinion regarding it, as opposed to taking control and micro-managing. The second path undermines authority, and usually destroys morale and self-confidence.

You may not always agree with the methods employed. But if you are relatively sure that a mistake will not cause irrevocable harm, you should step back and let your manager act. Often you will be surprised that the results are better than you expected; in fact often better than you would have gotten with your own method. Occasional mistakes provide necessary training for a manager.

Information. Your manager must be in the loop where information is concerned. Too many are left out in the cold, and find out important information through the grapevine or after the fact. It's difficult to be effective under those circumstances. And it's virtually impossible to be **PRO**active.

As an example, at one firm long ago the managing partner felt it was "inappropriate" to involve me in the attorney hiring process. He felt that candidates would feel uncomfortable with a non-lawyer being involved at any level in the process. I would often not find out about a hiring until the new attorney reported for the first day of work.

As you can imagine, this was often disruptive to my schedule and that of other key administrative people. It made us look bad to the new associate or partner—unnecessarily— and made their first few days unnecessarily stressful. It made an awful impression of the firm which lingered long after they were situated.

Once I had to set up a female associate in the handicapped stall in the ladies room with a folding table, portable phone, and sign which reminded ladies not to flush when the associate was on the phone —no I'm not kidding— for several days because every available nook and cranny, from conference rooms to library, were already occupied. We had no office, no furniture, no secretarial capacity, and not even a spare dictation unit to assign. Had I been in the loop, I certainly would have worked out the logistics better for all concerned.

I was always strong in human resource management, having been blessed with great "people" instincts which I continually augmented with additional education. By the time orientation was completed, I knew whether we had a "keeper" or not. To try to convince the managing partner I should be invited to contribute more actively in this area, I got in the habit of handing the managing partner a sealed envelope with the new attorney's name on it at the completion of orientation. Inside was a single sheet of paper with either the number of months or years that I predicted the attorney would last. If the attorney departed, voluntarily or involuntarily, the managing partner would open the envelope to review my prediction. I was amazingly accurate.

I admit that my predictions, regrettably, never had the intended impact; usually they just ticked him off. Once, to prove I had been "lucky" he grabbed an old envelope labeled with an attorney's name who was still with the firm; she had become a partner and was a long-term success. Inside, my written prediction was simply "keeper."

Happily, over the years attitudes have changed at many firms regarding the involvement of the firm's manager in hiring at all status levels. But I am still advised in confidence on a consistent basis by unhappy managers who are consistently left out of the information loop.

There are two separate philosophies of management where information is concerned. One is that the holder of information is more powerful when the information is not shared. Call it job security. Call it a feeling of superiority. There are some who will hold onto information until it is forcibly pried from their cold, dead hands. Or, as they see it, extended only on a "need to know" basis. Typically these are highly controlling people who tend to micromanage. Since no one can effectively manage if they don't have the underlying facts and informed perspective, these environments may have managers, but they are dunsels.

I always held the other philosophy regarding management of information. I felt that the more I shared information, the stronger and more effective I became, because I empowered those below me to function more effectively. Improving communication between key administrative people will always improve alignment, understanding, teamwork, and promote creative PROactive thinking. The key to all of the above is the sharing of information.

Acceptance. Such a simple word carries with it a world of meaning. Let me say it as clearly as possible. To be effective, you must accept that your office administrator is like your partner. Instead of recoiling from the "upstart" who dares to adopt an ownership mentality, recognize that the most effective managers will feel they are as vested in the well-being of the firm as the actual owners are. Treat them with the care and respect you confer on your most treasured partners. Don't be dismissive or push them away to arms length. Welcome them to the inner circle. Encourage them to watch every penny and process as though it were their own. Share your concerns, fears, and vision for the future. Then watch the results as they PROactively help you guide the firm and navigate often choppy waters, to reach the desired goals.

You may already be thinking this, so I'll address two last questions as I wrap up. Must your manager come exclusively from a law firm environment? Must your manager be hired fully experienced? The answers are NO and NO. Many highly successful law firm managers, myself included, came from outside the legal industry. The challenges are that the manager will require some specific mentoring and education to get up to speed in some key areas unique to the legal industry. But their management experience and perspective will often prove to be wider and therefore invaluable.

Good managers can also be "home grown" by coming up through the ranks. The strongest advantage is that the person knows every facet of the firm, knows the legal industry well, knows all the players, understands the challenges of the firm's practice areas, and easily carries the firm's cultural "flag" forward. The challenges here will be more in the acceptance arena, as it is difficult for some attorneys to recognize the person's increased capabilities and authority. A former paralegal or secretary may never achieve the desired cooperation from some attorneys, who may always treat them as though their status remains unchanged. That reduces the manager's effectiveness. And sadly, the firm may wind up training another firm's best future manager as a result.

Your firm has a choice. It can remain undermanaged, as most firms are. And if you're lucky, you will prosper in spite of that fact. But your firm may never achieve its true potential. And challenges such as our current recession may one day prove a fatal obstacle. Or you can create a better-managed firm which is more pleasurable to work in, more profitable, and better able to withstand future challenges. Choose wisely.