# Addressing Structural Complexities

## by David Maister & Patrick J. McKenna

Large law firms today are structurally complex organizations with management and partners overburdened by time-consuming and often conflicting roles. We frequently hear comments like this from members of management:

> *We are divided into departments and discipline-based practice groups. We also have industry groups, and a growing number of individual client teams aimed at coordinating the many services we provide to our best clients. All of these departments, practice groups, industry groups and client teams are organized across geographic locations. It's not at all clear what should each of these groupings be responsible for, and how their activities should be coordinated and evaluated.*

Then, individual partners will weigh in:

> *As a trial lawyer I'm first and foremost a member of the Litigation Department. Because most of my litigation experience is with employment matters, I am a member of the Labor and Employment Practice Group. And as I have a good amount of my work with WalMart and McDonalds I am active on those two Client Teams, and also on the firm's Retail Iindustry team.*

And finally, from the Managing Partner:

> *If you are a key player in this firm, you can spend an inordinate amount of time in meetings. I participate in no less than 10 meetings a month myself. There has got to be a better way to organize our firm for effective operations!*

There is a better way, but the way firms organize and manage has not kept up with their increasing complexity as businesses. Eventually - we think sooner rather than later - this will significantly impede their continuing success.

Not only do modern firms have more "types" of organizational groupings than in the past, but these groups now have broader responsibilities than the simple "generate and bill work" goals of the past. To survive and flourish, individual groups within today's law firm are accountable for client loyalty, knowledge transfer, development of their people (junior and senior) and many other "balanced scorecard" items.

To make it all worse, many of these groups are composed of people who, because of geographic dispersion, do not see each other regularly face-to-face. They have to operate as members of a 'virtual' organization. Many would not even recognize some of their own partners.

We certainly would not profess to have answers to these complex issues that would fit every firm's situation. However, we believe that there are five perspectives that must guide any review of a firm's structure.

**Imperative 1:  Examine Structure, Process *and* People**

We would first observe that the solution for an individual firm must always address three aspects of any organization: structure (how are we organized); processes (how different levels of decisions are to be made); and people (appointing the right individuals to play the complex roles that will make it all work.) No one dimension will solve the problem: all three must be examined.

**Imperative 2: Recognize shifting priorities in structural design**

Structural changes alone will not resolve conflicting priorities and competing demands for resources, but structure does nevertheless matter. The evolution of professional service firms over time is suggesting that some structural approaches do work better than others. Most successful global firms, in a broad array of professions, have tilted the importance of their different organizational "axes."

While individual differences between professions and firms exist, there is a general trends to make the target client industry the most important (and organizationally powerful) grouping. Clients repeatedly telling their professional service providers that they had better get to know and understand their business have largely driven this.

Next, in authority and emphasis, comes the specifically-targeted client team. Few sophisticated clients today believe law firm claims to be able to offer the level of seamless service across jurisdictions that they seek. Well-orchestrated client teams are the only answer to making any seamless service representation a reality. Don Lents of Bryan Cave notes "It is my sense that there is a growing focus on client teams, and the need for such teams to be front and center in the thinking of firms."

Third, and with increasingly less power and responsibility inside most organizations are the traditional discipline or service-line groups, built around a focused technical specialty. Firms need to have highly focused and skilled technical people, but few, in most professions, are still primarily organized that way.

Finally, (and this is a huge revolution from the past) the trend has been to make geography the least important and powerful dimension of the complex matrix. In the past, the office head (or country head in mega-firms) was the source of all resources and the arbiter of last resort. Today, in many firms, an office head may preside over a location whose professionals all belong to groups headed and 'controlled' by a powerful partner located elsewhere.

This is not meant to denigrate the role of the geographic leader. As Bob Dell of Latham & Watkins points out: "Having the right leader in an office can be extremely effective in facilitating the success of all the other groups therein. There seems to be something about physical presence combined with a leader who is perceived as less biased toward any group that can be very powerful in resolving competing demands."

**Imperative 3:** **Establish Mandates for Each Group**

Even if you have an ideal structure, there will always be problems with coordinating cross-boundary resources and dealing with conflicting priorities. You cannot make all cross-boundary issues go away by simple redesigning the boundaries.

Beyond structure, firms must ensure that each group has a clear mission (or mandate), which is understood by those inside and outside the group. It is apparently tempting, if our experience is any guide, for firms to launch groups of different kinds with ambiguous charters, and then leave it to powerful (or not-so powerful) group leaders and rainmakers to determine through negotiations over time precisely how the groups will interact.

This 'abdication' of examining the issue in advance rarely achieves an optimal result. Under such an approach, power rather than principle determines group goals, and how groups will interact, and we believe this leads to lesser performance. Resolution of conflicting goals and clear, agreed-to guidelines for decision-making over trade-off situations must be determined in advance. We discussed specific procedures for addressing and resolving these questions in our book *First Among Equals* (Free Press, 2002.)

We also believe that firms must stop treating all groups alike (which many unfortunately do, for administrative convenience.) It is possible to use different types of groups for different things: lots of little teams for client-level relationships, one large central group for financial and administrative services. A large, growing, and complex law firm doesn't have to be (in fact, can't be) made up of units which have similar roles, look alike, have the same targets and are managed in the same way.

In making all of this work, it is almost better to stop thinking of permanent or semi-permanent "departments," and begin to use the language of "teams." There is a great deal of evidence that organizations work better when people feel that they are (a) volunteers -self-selected to (b) small (c) mission-oriented teams.

This is not just a matter of making people "feel good." It has always been true that winning professional service firms succeed most by designing their organization from the bottom up – through the voluntary enthusiasms of individuals. You'll be better off with a messy set of teams filled with enthusiasts, than you will with a logically correct set of groups, filled with good citizens.

As Ben Johnson of Alston & Bird remarked "One problem is that too many law firm 'leaders' are afraid to create more energy than they can control. I tell people I'd rather

have created more energy than I could control than not created any energy at all.  Here's to structural complexity!  Here's to dispersed leadership!"

## Imperative 4: Clarify Agreements Within the Groups

Firms can successfully have many teams of different kinds, but there needs to be a clear understanding what "team membership" implies. As a matter of practicality (although not, alas, reality in some firms) there also needs to be a limit on the number of teams (and the number of roles) one person can play.

For teams to work, there need to be clearer, more explicit guidelines (even rules of engagement) that team members have agreed to observe. Clarifying team members' rights and obligations can go a long way to becoming more efficient and effective. (Even as simple a rule as "You must do what you said you were going to do" would transform some firms and save a lot of wasted meeting and planning time.)

The need for such agreements, while always wise, has become ever more critical in a virtual world. As Harry Truehart, chairman of Nixon Peabody observed, "Getting people and procedures that facilitate effective 'management at a distance' is the biggest challenge in making groups work."

We believe that if far-flung groups made up of many autonomous individuals are to make cohesive decisions over time, then it is necessary that the group members agree in advance the principles on which they will base their decisions – the guidelines the group members agree to follow. Only with such an agreement in place can a decentralized organization make consistent decisions.

Part of the solution, may involve thinking of (and formalizing) different levels of team membership. For example, levels of "Team membership" might include (i) full decision rights – possible called Team Leadership, or (ii) right to be consulted – called Team Membership or (iii) right to be kept informed – called Team Affiliation. (These are examples only.)

## Imperative 5: Choose the Right Group Leaders

Many law firm leaders believe that selecting the right leaders (and having enough of them) is more important than structure or process.

Peter Kalis, Managing Partner of Kirkpatrick & Lockhart, states the view forcefully: "Structure and process - while as essential to a law firm as a skeleton and a nervous system are to a human - are prone to ossification and thus are fundamentally at war with the dynamism of the marketplace.  People, on the other hand, are not.  We try to elevate the empowerment of our people over the organizational niceties of structure and process except to the extent that those structural and process features work to empower our people."

Choosing the right people for leadership positions was always important, but is even more critical in complex organizations. Consider just some of the (newly important?) skills that today's group leader probably must have:

• the ability (and interest in) motivating and influencing people they never see in person,
• the ability to delegate and trust others to manage important relationships
• the ability to play a "linking-pin" role, simultaneously thinking about the overall good of the  firm while taking care of the need of the unit they are responsible for
• the ability to manage people who have core disciplines other than the one in which the leader was specifically trained

In our experience, many firms have not really thought through the requirements of today's leadership roles. It is a common syndrome that all initiatives (client team, industry, geographic, functional etc.,) are seen as important, so the same partners always end up on all of the committees.

As a result, it is somewhat hit-and-miss as to whether the right people get selected for these roles, their mandate is clear, their performance as leaders discussed and evaluated, and whether they receive any assistance or guidance in learning how to perform the role.

Not only does this hurt the firm by (possibly) leading to less effective team leadership, but it's not clear that it is wise to consume the scarce time of valuable people by asking them to manage and / or get involved in everything. This is simple economics – a valuable resource should always be focused on its highest and best use.

Of course, to make this work, there is a need for key players to be willing to let other people decide some things even when they're not there – a situation which does not exist at all firms!

We do not mean this to be a throw-away line. To effect real change firms must not try to establish "theoretically correct" structures and processes, but must have honest discussions among power partners about the types and nature of the firm's group processes that would, in fact, be honored. We have seen too many firms go through the motions of putting in place what appear to be sensible organizations, when everyone knows that certain key partners will not adhere to the policies that have been adopted.

We're not idealists here – we recognize the realities of the need to accommodate personalities and special situations. But we also do not believe that progress is made by pretending or obtaining "false consent." That is why organizational solutions must be custom-designed for each firm, and need to be the result of a comprehensive review, not, as is so frequently the case, the net result of an accumulation of a  series of incremental changes driven by short-run pressures.

**Moving Forward**

We believe that there is a distinct process that firms need to go through to find their own customized solution to managing a complex law firm.

The steps are these:

1. Assess the partners "pain and difficulties" with the current organization, and determine their appetite for examining the issues and considering changes. This will usually require a process of interviewing key partners across the firm. As Stauart Pape of Patton Boggs observed: "The private practice of law is inhabited by individuals who rank independence of action very highly and only reluctantly accept some organizational structure." No change can be made unless there is a keenly-felt sense of either pressure or opportunity.

2. Collect and assess the evidence as to how well the organization and its components are currently performing and interacting. This will usually include not only an in-depth view of financials, analyzed according to numerous perspectives, but also evaluating external evidence (including, perhaps, input from selected clients.) and internal structural frustrations and performance inhibitors.

3. Design and implement a process to mobilize the partnership and generate commitment to redesign organizational structures and processes, and explore the major alternatives (including possibly re-constituting key practices.) Any redesign, must, of course, ensure continuity of strategy formulation and implementation through the firm. Bob Dell (of Latham & Watkins) commented that this step can be immensely challenging. He noted that "The power of inertia in law firms is sometimes stunning. A redesign can be clearly superior to the existing design and yet nearly impossible to implement."

4. Examine, consider and implement methods for the development of special skills and competencies, including team management abilities and new metrics that may give better indications of the organization's functioning and response to external forces or internal pressures.


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