Why Aren't Law Firms Bringing in Outside Directors?

Half of the Big Four firms in the U.S. have non-executive directors. There's growing sentiment that law firms should consider a similar approach.

By **Dan Packel** | June 04, 2021

There's no shortage of interest in the legal industry today about what the Big Four are looking to accomplish: particularly, whether they're going to find a way to snatch substantial work from U.S. law firms–perhaps aided by the regulatory reform process that's **unfolding** in a **number** of states.

But perhaps that interest should also extend to some of the organizational practices in place at Big Four firms. I'm going to spotlight one today, based on a recent **LinkedIn post** from Canadian law firm consultant Patrick McKenna.

That's bringing in independent directors from outside their organizations to sit on their boards.

In the U.S., KPMG just recently announced the addition of a third independent director. **Roel Campos** happens to be a Big Law veteran, having served as a partner and chair of the securities enforcement practice at Hughes Hubbard Reed before transitioning into the retired status of senior counsel last year.

He joins another law firm veteran, former Norton Rose Fulbright U.S. managing partner Linda Addison, who in 2018 was the second independent director named to the KPMG U.S. board, following General (ret) Janet C. Wolfenbarger by one month.

PwC's U.S. board also features three internal directors, including attorney and former SEC commissioner Troy Paredes.

So, if lawyers are helping oversee the operations and strategy of the big accounting firms, why aren't U.S. law firms turning to outsiders for similar guidance?

McKenna has a rare insider perspective on this. He told me a little while back that he'd been the only non-American, non-lawyer to have been appointed to the board of an Am Law 100 firm, flying in on a monthly basis to meet with 10 others at a firm he declined to name for three-and-a-half years until the middle of 2019.

From the beginning, he said, he had to push the group toward a big-picture approach.

"At the first meeting, the chairman gave me an agenda. I said, 'Help me understand this please. How many of the items are internal versus external, or operational versus strategic?" he remembered, indicating the focus should be on the latter side of both dichotomies.

On the one hand, it's a discouraging sign that even the outlier firm open to expanding its governance model had to be nudged to continuing thinking more broadly.

But on the other hand, perhaps the tide is turning. And if so, it's in part because McKenna's own thinking on the subject is gaining traction. He said in his LinkedIn post that the leader of a firm with offices in New York and Hong Kong referenced a **six-year old article** he wrote on the subject and the firm leader explained that he was looking into putting together a board of external directors to guide his firm.

Another indicator here is the fact that, as of earlier this week, his post had racked up 2,800 views–a clear sign that it's not falling on deaf ears.

The next part of the discussion, then, is who should firms be considering for these roles? Retired Big Four partners? Established consultants? Former executives at clients? All these seem like a good starting point. And seems that small investment of less than $50,000 for showing up a number of times a year (or now attending virtually) would pay off.

Presuming there's an interest in listening.

https://www.law.com/2021/06/04/why-arent-law-firms-bringing-in-outside-directors