



## Is Law Firm Leadership Too Great a Sacrifice?

A surprising number of law firms find leadership succession to be among their most pressing issues. Despite the fact that law firms are comprised of talented professionals, many are finding that successful partners are opting out of top leadership roles. The reasons for the gap in available leadership talent are increasingly tied to the disincentives for partners to consider the leadership path. Unfortunately, the consequences of a leadership vacuum are severe: with no clear successor in sight, firms can experience increased instability and often enter into a state of strategic drift, putting the firm's clients and its practice at risk.

### Disincentives to Taking Leadership Positions

While many firms successfully identify partners demonstrating some or all of the necessary leadership skills and abilities, they often find that these partners lack the commitment or desire to fill a leadership role, particularly one which requires giving up all or a material part of their practice. Increasingly, partners with leadership potential are citing the disincentives to entering law firm leadership roles - the enormous professional and personal costs associated with being in a leadership position and the fact that the 'leadership rewards' simply don't compensate.

In most firms, individuals tapped for leadership positions demonstrate the traits of a well-rounded partner: they are intelligent and talented, respected by their peers, have strong emotional intelligence, and are in demand by clients. They also understand that there are challenges associated with law firm leadership and recognize that leadership opportunities in a law firm are unlikely to be as lucrative or as stable as client-related opportunities. In many law firms, partners who develop a significant book of business garner greater financial rewards, career success, internal respect, and longevity than those in leadership positions. While this makes sense from a business growth and generation perspective, it acts as a disincentive for talented individuals capable of pursuing either the major rainmaker or firm leader path and devalues the role that leadership plays in firm success. Given the growth in size, complexity and management demands of law firms today, leadership roles can often be all consuming, and thus the choice between leading and practicing law becomes even more distinct.

This choice also presents long term ramifications. Partners leaving leadership roles often struggle to reenter practice, particularly if they have been serving in leadership for an extended period of time. In some instances, they do not wish to return to the practice of law, but in others, they have simply been out of the practice long enough that stepping back into substantive work requires an acclimation period. While a number of firms have sought to define the pathway and compensation treatment for those exiting leadership roles, many firms have not directly addressed the issue or provided any specific reassurances. For many mid-career partners considering leadership roles, the level of uncertainty around their post-leadership career and compensation is too great, and the choice to remain in a stable and financially lucrative practice becomes quite obvious. A further complication for some mid-career partners is that they may be turning to leadership just as their practice would naturally start taking off. So even if they maintain the business they built coming into the leadership role, they may sacrifice potential growth in that business to focus on the firm.

In addition to career path and related financial disincentives to taking on a leadership role, talented, mid-level partners identify other more personal disincentives. In many cases, mid-level partners are at a life stage where family commitments are still weighty and time consuming. Partners who would like to maintain some form of professional-personal balance have observed how personal lives can be sidelined as managing partners and firm leaders face the time pressure and competing demands of both clients and firm management requirements, particularly in larger, multi-office firms which require significant travel. Some leadership candidates also perceive the difficulty associated with making decisions and driving progress in highly democratic and often critical partnerships and conclude that the stress and push back associated with managing their peers are too personally taxing and burdensome.

### Filling the Leadership Gap

So how can firms begin to address the array of disincentives for those partners considering leadership positions in an effort

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to fill leadership gaps at the top?

- **Focus key leadership roles (e.g., chair or managing partner) on the most critical strategic priorities:** A first step to filling leadership gaps and putting the right people in place involves defining high value roles and focusing top leadership talent on the most important strategic issues facing the firm instead of time-consuming and lower value tasks. This involves focusing a chair or managing partner's role on 1) defining short- and long-term strategic priorities, 2) implementing the firm's strategy and leading strategic initiatives, 3) growing the firm's revenue base through client development and talent growth, and 4) motivating and managing partner performance. By providing a clear definition and high value focus for the role, the firm can better define the leadership commitment and contribution expectations for individuals considering the role.
- **Align key leader compensation with this more strategic role and expectations:** There is no doubt that high caliber candidates require appropriate incentives to lead law firms. In order to create the right incentive system, law firms need to align compensation for high potential individuals with the expectation that they will be driving the firm's strategic direction and delivering material growth in the firm – while sacrificing a portion (or more) of their practice. This means that in shifting a highly productive partner away from practicing law to focusing on firm leadership, firms must reflect the individual's practice-based opportunity cost through an initial slotting at a higher base compensation. In future years, base compensation for these leaders should be set based on demonstrated success in implementing the firm's strategic plan, improvements in the firm's financial performance, and growth in business generation. In addition, a lucrative bonus system should be offered to reward key leaders for extraordinary growth in firm financials (i.e., materially above three-year average growth in revenue per lawyer and profits per equity partner) or accomplishment of high value strategic initiatives (e.g., innovation initiatives or acquisition of groups of talent/another firm).
- **Provide a soft landing:** In addition to concerns raised about compensation during the time of service, high potential leadership candidates also express concern about what will happen after they step out of top leadership roles. For mid-career partners, this can present a risky scenario, as they may be forced to sacrifice all or a material portion of their practice while serving as firm chair or managing partner. In order to attract these partners into top leadership roles, firms must offer compensation protection for top leaders for a period of time after exiting their roles. This typically takes the form of a commitment to hold compensation flat (or relatively flat) for two to three years following the end of their term, allowing time for the individual to rebuild his or her practice. This transition back to practice can be difficult, so providing both compensation stability and the support and commitment of other partners can help ease the process and improve the likelihood of success.
- **Design and share leadership and management responsibilities to maximize contributions:** In order to make leadership positions work for the highest potential candidates, firms should also look at alternative ways to structure management roles in order to leverage the strengths of each individual and best maximize the time dedicated to leadership. For example, in scenarios where high performing mid-career leaders are expressing a desire to continue to practice (albeit not full-time), consider re-allocating distinct areas of responsibility (e.g., oversight of lateral hiring or professional development) to another member of firm leadership with the skills/aptitude, including business leaders in the firm. While few firms have effectively and entirely replaced partner level leadership with business executives, many firms have succeeded in establishing experienced executives in roles of broad-based operational and management responsibility – and are increasingly transferring more responsibilities historically allocated to a partner leader to these individuals. An effective and empowered executive can dramatically reduce the time commitment required of partner leaders in dealing with day to day management issues, freeing up partner leaders to focus on strategic leadership issues or better balance leadership with practice commitments.

In today's challenging environment, the value of strong law firm leadership is at a premium and many firms have sought to develop younger partners as leaders. Despite demonstrating leadership potential, some of these individuals are opting out because law firm leadership appears to be too great a sacrifice. Ensuring that the right partners are serving in the roles and avoiding future leadership gaps will require addressing leadership disincentives today.

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