



Establishing a High Functioning Governing Board

In today's rapidly evolving legal industry, law firm leaders face increasingly complex decisions and difficult strategic choices. These decisions shape the trajectory of the firm's growth, profitability, short-term competitiveness, and long-term sustainability. At the heart of these strategic deliberations often lies the law firm's governing board, a body entrusted with a critical responsibility: charting the firm's course into the future.

For too long, law firms have fallen into the trap of allowing history and precedence to define the role of their governing board, and in many cases, the board's role has been either too far down in the weeds of firm operations, or too hands off to provide effective oversight. Today's governing board is no longer simply a body of senior partners who gather on a monthly basis to provide a perfunctory sign off on decisions already made by the firm's Managing Partner. Nor is it a group that gets mired down in day-to-day operational issues. (Firm operations and day to day management are the responsibility of the firm's Managing Partner and COO, or in some cases, a smaller committee under a bifurcated governance model.) Instead, a high functioning law firm governing board operates as a true "Board of Directors," working through a range of critical strategy and management topics via rigorous discussion, decision-making, and follow up.

Given the crucial role the law firm governing board plays in shaping a firm's future, the time has never been better for firms to test whether their board is functioning at an appropriately high level.

The Purpose of the Governing Board

While the size, composition, title, and structure of law firm governing boards differ from firm to firm, the overall purpose of the governing board is fairly consistent across firms with high functioning boards. In law firms with the most effective leadership and governance models, the primary governing board of the firm serves as a critical strategy and policy setting body – essentially the guiding force responsible for overseeing the firm's strategic direction, governance policies, and major decisions. The most critical functions of the law firm governing board include:

- **Establishing Strategic Direction:** One of the primary functions of the governing board is to set the firm's short- and long-term strategic direction. A first step in establishing a strategic direction requires the board to engage in developing a deep understanding of economic, client and competitor trends impacting the firm and the firm's key competitive opportunities and challenges in light of those external forces. Informed by this understanding, the board must formulate a strategic plan that positions the firm for long-term success. This requires the board to make difficult strategic choices and prioritize the firm's best opportunities for practice area expansion, industry focus, geographic growth, client development, talent acquisition, DEI, innovation and more. A board which is forward-thinking, externally oriented, and willing to make real strategic choices is critical to the law firm's ability to adopt and pursue a winning strategy.
- **Setting Firm Policies and Involvement in Key Decisions:** Another key role of the governing board is to set firm policies. Often, this translates into leading difficult change processes associated with historic and/or sensitive firm policies, including policies around partnership admissions or expectations, the criteria or process for allocating partner compensation, contributed capital and more. In addition to setting firm policy, the governing board is responsible for reviewing recommendations from the Chair/Managing Partner, Practice Group Leaders, and other committees on critical issues, such as office openings, office closures, lateral partner hires, mergers and acquisitions, partner terminations, and more. In this capacity, the governing board serves as a true decision-making body, particularly on issues which are vital to the firm's long-term health and sustainability.
- **Oversight and Accountability:** Effective oversight is a crucial aspect of the governing board's role and one where boards often fall down. The board serves as one of the few (and thus particularly essential) sources of leadership accountability in a law firm, holding both management and partners responsible for their actions and commitments. A prime example of the governing board's role in this regard involves oversight of strategic plan implementation efforts. Effective governing boards mandate accountability on implementation actions, through regular status

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updates on implementation and measurement of implementation progress. All too often, when boards fail to require accountability, firms experience limited follow through – on strategic plan implementation as well as other important management initiatives.

Beyond oversight of strategic plan implementation, the law firm governing board also plays an important role in overseeing the Chair/Managing Partner performance and the firm's finances. The board is particularly well positioned to evaluate the Chair/Managing Partner's effectiveness, to ensure that decisions are being made and communicated throughout the firm, and to address management performance challenges, when needed. The board also serves in an essential financial oversight capacity whereby the board actively reviews, analyzes, and discusses key aspects of the firm's financial performance and health on a regular basis.

- **Communication and Partner Engagement:** Governing boards in law firms typically consist of highly influential and business-minded partners who are elected or appointed to collectively make critical decisions for the partnership – as a whole. The aim for these individuals is to set aside their practice, office, or partner constituency “hat” and participate in discussions from a firmwide perspective. In this capacity, governing board members take on a key responsibility -two-way partner communications or dialogue. This translates into board members proactively cultivating partner input on strategy and execution through regular formal and informal, individual and group, partner discussions and education. These efforts are best performed in support of management communications and decisions around strategy implementation or policy changes.
- **Partner Compensation:** In many firms, the governing board plays a central role in partner compensation and performance evaluation, typically serving as the Compensation Committee or heavily overlapping with the Compensation Committee. In this role, the governing board must provide an objective review of partner performance, offer high quality and individualized performance feedback, and fairly allocate compensation based on each partner's overall contributions to the firm. The highest functioning governing boards leverage the partner compensation setting process to engage in providing partners with feedback on their performance and facilitating partner goal setting for the coming year. In this capacity as the firm's Compensation Committee, the governing board is charged with leading a compensation setting process which is seen as both comprehensive and fair, and also helping to incentivize and coach partners to contribute to their greatest potential.

Realizing the Board's Purpose

Understanding the purpose and key responsibilities of the law firm governing board is a necessary first step in moving towards a higher functioning board. Translating that understanding into reality can be even more challenging and often requires intervention to adapt, or even reinvent, the board's operating norms.

From an operations perspective, high functioning boards do more than simply prepare for and conduct well-organized, discussion-based board meetings at regular intervals. Truly effective boards harness the energy, insights, and influence of board members to accomplish critical change management initiatives. This can be much more readily accomplished when the Chair/Managing Partner appoints board members to take on more active and productive roles in leading specific initiatives. In such firms, board members spearhead specific strategic initiatives such as practice or geographic growth projects or serve as a point person for major changes such as restructuring the firm's partner admission process. In this capacity, board members help shoulder the responsibility for progress on strategic goals. This shift from a passive and reactive mode of operation to a more proactive and accountable leadership team enables boards to accomplish meaningful strategic advances for the entity.

A high functioning law firm governing board is a driving force and key determinant of the firm's future. By establishing a strategic direction and providing accountability to ensure that the firm makes progress towards achieving strategic goals, governing boards shape their firm's competitive position, financial performance, and ability to remain relevant in a rapidly changing legal industry.

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