

# Law Firm Governance and Measurements of Success

PETER BLAIR



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## Executive summary

MOST LAW firms operating in England and Wales are governed today in a way that would be instantly recognisable to a lawyer from a century ago. However, changes to the regulatory environment, more demanding clients, the search for external investment and a ready availability of information about competing organisations mean that firms must now examine both the way they do business and the way they measure the success of their firm, in order to both work in the most efficient way possible and to be able to maintain long-term success, avoiding the boom and bust cycles that have affected law firms recently and which have caused much disruption to the industry.

This report proposes a new structure for a law firm based on a more corporate, specialist model, and suggests that a successful strategy, based around a long-term success plan, can only be achieved with this more corporate governance model coupled with robust measurements of success which support this strategy.

Part One of this report examines the way that the majority of firms are structured now before going on to discuss lessons that can be learnt from other firms and industries. It offers organisations of differing sizes and complexities new models of governance which are pragmatic and designed to promote specialisation and efficiency. Importantly, the report also leads a firm through its stages of growth – and details the structural changes which will be necessary if it is to operate efficiently

and thrive, as it moves from a small firm, where management is necessarily done by the partners, to a large firm, where specialisation is the key and where experts in the fields of organisational management can be brought in. This will ensure that the organisation operates in the most efficient way possible while the partners concentrate on their own areas of expertise – that of providing high-quality legal advice and providing strategic leadership for the firm.

The report goes on to propose new ways that success can be measured in a law firm – both internally and externally – and suggests that the standard measurements currently used for external comparison amongst law firms are unsuitable. It offers new, medium and long-term, success metrics which better support long-term thinking and which can be used to amend payment and reward structures to match a firm's strategy. The new measurements seek to create a level playing field, where firms can be compared for their efficiency independent of firm size, and offer a useful alternative to the traditional measurements of success such as revenue.

A new internal measurement is offered which can replace firms' reliance on the billable hour and which helps to focus fee earners on the overall profitability of each matter, their department and the firm.

The report examines the issues that the firm and its partners will face if a decision to change governance and adopt new measurements of success is taken. Any such step is difficult and this difficulty is

exacerbated in a partnership where the tradition has been one of partner-led management and where the owners of the business have felt the need to be wholly responsible for the management and even the administration of the firm.

Part Two consists of three case studies – anonymous Firm A, BrookStreet des Roches and Ashton Graham – analysing their respective governance models and measurement systems and whether these are sustainable for future success.

This report also features a data analysis in the Appendix – a listing of firms’ rankings using various measurements proposed in this report. This reveals some fascinating differences in the ranking results.

Targeted at senior management in law firms, this report will enable a law firm to adopt a sustainable and profitable governance model according to firm size, as well as attractive measurements of success, which could see it climb up or, even, appear in the legal industry benchmark lists.

## About the author

PETER BLAIR is the founding director of Mar-aon Consulting Ltd and works with law firms and other organisations in the areas of strategic planning, governance, risk management and conflict resolution. He also works directly with managing partners and other law firm leaders as an executive coach.

He was the first chief operating officer at Field Fisher Waterhouse LLP and before that worked in a number of roles at The Honourable Society of the Middle Temple (one of the Inns of Court), before working as deputy chief executive and director of finance.

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