Unlocking the Catch-22 of Institutional Change

How management professionals and managing partners work together to professionalise management in law firm partnerships

Professor Laura Empson
Director, Centre for Professional Service Firms, Cass Business School


A new logic is emerging within the rarefied world of the law firm partnership.

Traditionally sustained by professional autonomy, clan control, and representative democracy, partnerships are based on ambiguous and negotiated relationships amongst professional peers, who are the firm's owners as well as its core producers. But in recent years there has been a growing acceptance amongst partners in large international law firms that they require more explicit forms of performance measurement and management and more hierarchical structures of governance in order to maximise Profits per Partner. In other words, the professional partnership is becoming a bit more corporate.

Central to this institutional change is the rise of the management professional: senior people in specialist functional roles such as COOs and CFOs and Directors of IT, HR, Business Development, and Marketing. Rather than simply doing the bidding of the partners, which tended to be their role in the 1990s, these management professionals are increasingly ‘thinking managers’ with the power and influence to bring about change: the professionalisation of law firm management. As a result of the Legal Services Act, it is now possible for non-lawyer management professionals to become partners of UK-based law firms – indeed, a few law firms have already appointed management professionals to the partnership.

It was this change which prompted us to study the rise of the management professional and their role in the professionalisation of management in large international law firms. As part of our research we interviewed management professionals and managing or senior partners in 20 large international law firms. Our detailed findings appear in a Working Paper recently published by the Cass Centre for Professional Service Firms.

The Catch-22 of institutional change is that the people who have the power to force change are often not motivated to do so, while those who want to introduce new ways of doing things are more likely to be peripheral, low status or external actors, and therefore lack the authority to put their ideas into practice. But when we started to explore the increasing professionalisation of management within law firm partnerships, we discovered that it often hinged on an intriguing dynamic relationship between the managing partner (or other dominant, high-status player such as the senior partner) and most senior management professional such as the COO or CFO (internal to the firm but still external to the partnership). Working together they were able
to overcome the limitations of each other’s social positions within the partnership, and were thus able to introduce and sustain change.

This process begins with the decision by the managing (or senior) partner to appoint a non-lawyer with high level management experience from outside the legal sector to a senior management position. The management professional then attempts to utilise their management expertise and introduce management practices they have developed in their previous management roles. Neither the managing partner nor management professional has extensive formal authority among the partners but the former at least has some. While the managing partner is reliant upon the management professional’s specialist management expertise to envision change, the management professional is reliant upon the managing partner’s social capital to help implement change.

For example, our research found that, although it was typically a relatively far-sighted managing partner who recognised the changing nature of the legal market and sought out the management professionals, he¹ was often not fully aware of what he had set in motion. Some of the management professionals in our study described how they needed to help the managing partner and other influential partners understand what “professional management” could mean in practice. They sometimes also took responsibility for educating the managing partner about what his own role might reasonably encompass, as the following comment explains.

“When they went into a recession I demanded that they have really got to understand where you make money and where you don’t. And that was very controversial initially. I remember taking a list of partners showing how much they had billed to the managing partner and him (asking) whether he should have that information.” (Management Professional)

In the meantime, the management professionals initiated specific changes within their direct areas of responsibility, with the approval of the managing partner. They often sought to gain greater control over the business service areas by introducing matrix style management, so that all business services staff reported to them in a centralised business services function rather than just to the heads of their local offices. In the process, the management professionals began to build cohesion within the business services area, and added to their own social capital amongst the partners through evidence of their specialist management expertise.

This was an area in which the management professionals clearly had the advantage over the managing partner. Apart from perhaps a brief secondment to the legal department of a client firm, the managing partners in our study have typically worked in law firms (and often just one law firm) for their entire careers. Our study found that they supplemented their limited specialist management expertise (a missing element of their social position) by recruiting high calibre management professionals who could bring perspectives from different fields.

The management professionals recognise that on occasion their “inside-outsider” position could be an advantage:

¹ All the managing partners in our study were men.
“The advantage of not being a partner is that I can be the slight outsider…to prod the business to change….That is difficult to do from within.” (Management Professional)

However, more generally they viewed their lack of legal background and the fact that they were excluded from the partnership as a serious impediment.

Many management professionals stress the close and collaborative personal relationships they have developed with their managing partners. They are often located in offices adjacent to the managing partners, who may spend as much time in their company as with any individual partner. Management professionals attend key meetings with their managing partner, perhaps advising him about how to handle a difficult disciplinary discussion with a partner or offering support during challenging budget negotiations with a practice head. As one management professional recalled:

“As we went into the meeting, the senior partner said to me ‘we are going to play this as a good cop, bad cop.’ I was supposed to be the bad cop.” (Management Professional)

Some management professionals report how they have been used by managing partners to take the lead in introducing management initiatives, enabling the managing partner to protect himself somewhat from the anticipated backlash from partners (and forcing the management professionals to “spend” their social capital rather than risk his own). As one interviewee described:

“We introduced partnership assessment centres four or five years ago but it was a little bit like Alice in Wonderland…No one was actually failed…So I said ‘this can’t be right, you have got to fail a number of people on this’. The senior partner and managing partner said ‘yes, we agree.’ So we failed 10%, a very small percentage of candidates, and all hell breaks loose, from the senior people whose candidates have failed…and this battle raged for 2-3 weeks until finally it died down a bit and the senior partner and managing partner then put their heads back above the parapet and said, ‘yes we agree with this and have agreed all the way along’.” (Management Professional)

Whilst the managing partner may use the management professional to help smooth the passage of a controversial initiative, the relationship is reciprocal: on occasion the management professional may call upon the managing partner to champion his or her own initiative.

In time, long-serving and successful management professionals may be able to develop the social capital within the partnership to behave “as if” they are member of it. One of the management professionals in our study has been in the firm for 20 years. He has worked with a series of managing partners and senior partners and served on the Board. His continuity of tenure has enabled him to develop a high degree of trust among the partners and incoming managing and senior partners look to him for advice as well as information about the operations and economics of the firm.

Our study suggests that the dynamic interaction of the management professionals and managing partners reflects the different sources and relative strengths of their social position. Individually it is difficult for them to create a fundamentally new pattern of thought or institutional logic within the context of a professional partnership. By working together, however, they are able to overcome the limitations of each other’s social position, making it possible for them to engage jointly in bringing about institutional change.
Interestingly, the executive search consultants we interviewed as part of our study report that the law firms which were the first to recruit senior management professionals continue to look outside the legal sector for fresh talent, whereas those law firms who have been slower to “professionalise” management, now brief headhunters to find management professionals with experience of working inside a law firm.

Overall, there is a growing acceptance among lawyers that high-calibre non-lawyer management professionals should be involved in running the business and that business services should themselves be run as businesses. The causality of this change is complex. In part, the appointment of more highly qualified management professionals reflects lawyers’ changing attitudes to management. But the appointment of these individuals has also been instrumental in changing lawyers’ attitudes to management. As one managing partner in our study explains:

“We are in a world now where we need a fusion of skills - of course the lawyer skill is one of the fundamentals in being a successful law firm but it is not the only skill and in some senses, it is not even the predominant skill anymore…effective management is just as important.” (Managing Partner).