

Management Structures

A solicitor's business, like any other business, requires to be managed properly if it is to be effective - but how? Who is to be responsible for what? What should be the management structure?

Solicitors normally carry on business in partnership and the Partnership Act 1890 (Section 24 (5)) provides that every partner is entitled to take part in the management of the partnership business. Nowadays, if the business is to be managed properly, the partners will have to agree to vary this.

How each firm does manage itself will largely depend upon the nature of the firm, that is on its size, location(s) and type of practice but some general guidelines can be set out.

Partnerships do not have any statutory structure like a company but the partners are the owners of the business and are responsible for the conduct of its business and affairs. They, therefore, share in corporate terms the responsibilities of the shareholders and of the directors. The partners are also among the persons who deliver the legal services which are the product of the firm. These three functions must be recognised as distinct although related and, as with a company, be reflected in the management structure of a firm. However difficult they may find it and however reluctant they may be to do it, it is vital that the partners agree who will be responsible for the different aspects of the management of the business and affairs of the firm and delegate to them the necessary authority.

While there is no doubt but that there is a real difference in scale between the management of a firm of two or three partners and the management of a firm of twenty or thirty partners, some form of management structure has to be in place in all firms. In most firms, the major policy decisions of the firm will be made by the partners and it will normally have been set out in the Partnership Agreement that some will require unanimity, some a special majority and some a simple majority. One of the major policy decisions of the partners must be to decide how the firm is to be managed and by whom and it is essential that, when this decision is taken, the necessary authority is given to those appointed so that they have the freedom to act within the guidelines/parameters laid down. When the management structure has been agreed, it should be set out in writing and everyone should be told who is responsible for what. It is also vital that the partners agree not to interfere with directions given by those appointed to manage and that they follow the directions given by the management.

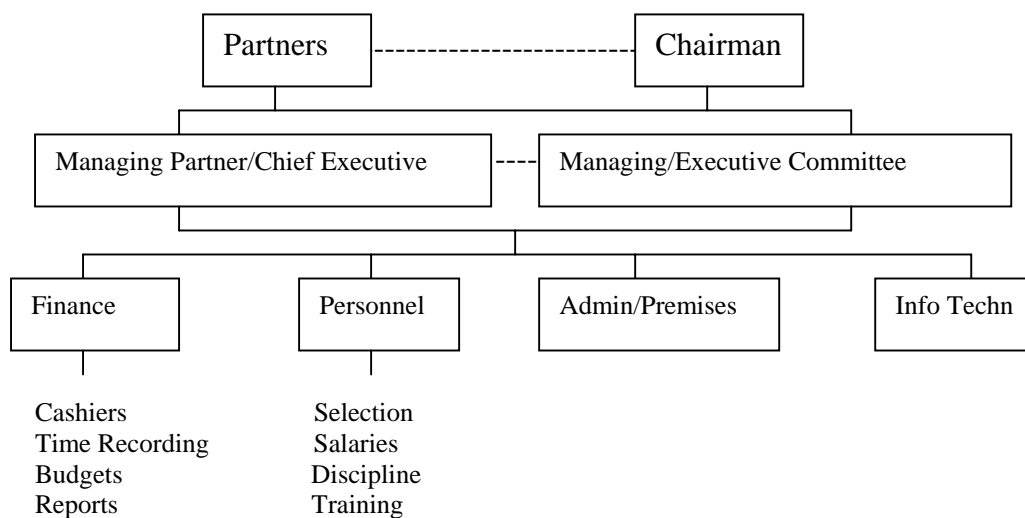
What type of management structure?

Historically perhaps the most common type of management structure has been the benevolent dictatorship where all the management decisions are taken by one partner who, whether by virtue of leadership qualities or financial clout, was accepted by the other partners as the management decision maker. With the right dictator, the decisions are taken quickly and the other partners do not spend unremunerative time on management matters. In a small firm, this may still be appropriate but, even in such a firm, the difficulties of this method of operation are likely in due course to

produce problems. The complexities of the operation of a business in these days make it very difficult indeed for one person to have all the necessary know-how or the time available to fulfil the job properly. There is also a propensity for the dictator to retain information (which adds to his or her power!) which should be circulated to the partners. There are also likely to be succession problems - particularly if no one else has been involved in what is being done.

Management is sometimes delegated to a committee or committees of partners. Committees can be valuable in bringing together know-how from different areas and in working out policies. They tend, however, to be talking shops and to have interminable meetings unless well controlled. The decisions of committees may also be compromises although, in certain situations, this may not be inappropriate. The main problem with committees, of course, is that, while they may take decisions, they do not implement them and are, therefore, not effective unless it is clear who is charged with the responsibility of carrying out their decisions.

The problems of the committee type structure, therefore, naturally lead on to a structure where one or more individuals have specific responsibility for managing different areas, e.g. personnel, finance, premises, information technology, training, etc. This, however, will only work if there is proper co-ordination, perhaps through the medium of a Managing Partner/Chief Executive and/or an Executive/Management Committee made up of those responsible for managing the areas of operation. The most effective type of management structure will probably be the type where one person co-ordinates the management of the whole firm with individuals responsible to him or her for specific areas. Diagrammatically, it will be rather like a family tree with the partners at the top responsible for overall policy and below them one person responsible to them for developing and implementing that policy, with perhaps one or a number of persons reporting to that person and managing specific areas of operation. Under each of the managers of the specific areas of operation, there may well be further levels of responsibility.



The designated Cash Partner should probably be part of the Management Structure - either the Managing Partner himself or the Finance Partner (if there is one).

The size of the family tree will, of course, depend upon the size and the nature of the firm but the important thing is that each person on the tree knows what they are responsible for and to whom they report.

In a larger firm it may not be possible or cost effective for the partners to meet except very occasionally. In this case, the partners should appoint a Policy Committee from their own number and delegate to them all the decisions which could be made by a majority of the partners. The Chairman/Senior Partner should chair this Committee but it will be important to define clearly the separate roles of the Chairman and the Managing Partner/Chief Executive.

Firms should have a Client Relations Partner and this person should probably be someone in the Management Structure - perhaps the Chairman or the partner responsible for quality control but he need not be a member of the Executive Committee.

Who should be the managers?

The time and the know-how of the partners of a firm are among the main assets of the firm and it is, therefore, vital that the use of these assets to deliver legal services cost effectively should be maximised. This certainly argues for the day-to-day management not being dealt with by the partners but being in the hands of experts who have proven experience in the various aspects of the management as this enables the partners to get on with delivering legal services. On the other hand, management requires leadership and, as part of the management of a law firm involves the management of those who deliver the legal services, it is probable that acceptable leadership can only be given by those who are partners. This, however, is no reason why the managing partner(s) should not be supported by non-lawyer employees appointed to manage certain parts of the operation. It is also clear that the implementation of many of the management policy decisions can be carried out on a day-to-day basis by suitably qualified or experienced administrators - they should, of course, be part of the family tree even although not involved in the management policy decision making.

Some partners are not suited for management, either because they have no wish to be involved or do not have the necessary skills. Their main function will be to deliver legal services and/or attract business to the firm. A not uncommon problem is that the partner who would make the best managing partner is also a high fee earner. While fee earning is obviously important, if the services are to be delivered cost effectively, the firm must be properly managed and the partners will have to take this into account when making their decision. Whether a managing partner continues to be a fee earner or becomes a full time manager will probably be determined by the size of the firm but this is a major policy decision to be taken by the partners.

Conclusions

It is vital that a management structure appropriate to the size and nature of the firm is laid down by the partners in writing as part of their overall policy and is made known to everyone in the firm.

It should be clear who is responsible for what in the management of the delivery of legal services and in the management of the support services.

While all the partners will normally be "directors" of the firm and responsible for the overall policy of the firm, some of the partners will be executive directors with day-to-day management responsibilities while others will be non-executive directors whose main function will be to deliver legal services and attract business to the firm (some of them may have specific responsibilities for business development and, in this respect, be executive directors).

Points to remember

- Define a management structure in line with the needs of the firm and the skills of the fee-earners and para-legals available.
- Identify the Designated Cash Room Partners and Client Relations Partners on the structure.
- Publish the structure to all employees.