

The Administrator Evolution: A Survey on Choices and Challenges for the New Millennium

By Jeff Coburn and Eva Braid

Editor's Note: This article is the first of many slated for 2001 on the topic of Administrator/Executive Director job functions, tasks and responsibilities. The authors gathered the information here for a presentation during the 2000 ALA Educational Conference and Exposition. Later this year, *Legal Management* will publish the findings of a new Knowledge, Skills and Abilities survey of law office managers and their managing partners. And, ALA is completing a separate and unrelated White Paper about the very topic addressed in this survey report: the role of professional management in the legal environment. That Paper will appear this summer.

It may be true that the more things change, the more they stay the same.

For legal administrators, the fundamental business goal of the job is the same: Make the law firm as efficient and profitable as possible. The methods and tools to make this goal reality are changing.

More than a decade has passed since an article titled "The Administrator of the 1990s: A New Breed?" appeared in this magazine (*Legal Administrator*, May/June 1988). A follow-up article on the same topic appeared five years later: "The Changing Role of the Large Firm Administrator" (*Legal Management*, November/December, 1993). The author made a series of predictions in these articles. Here are some highlights:

- In any given large firm over time, the executive director role will evolve through three-phases. In Phase 1, the first and most basic stage, the role focuses on what is best described as day-to-day administration. Then, in Phase 2, an administrator takes a higher value-added general management role. In the third and final stage, the administrator achieves the highest level, as the position becomes one of firmwide leadership.
- Administrators of the future will become more like "chief operating officers" of their firms. As such, they will work more closely and spend more "quality time" with the firm's chief executive officer.
- In the future, executive directors will play an increasingly important role in non-traditional areas such as lateral recruiting, partner productivity, attorney compensation, practice management and strategic planning. In some firms, the administrator will provide the leadership in defining the firm's future vision, focus and direction.
- The growing importance of the executive director role will be reflected in compensation, which will begin to approximate that for productive equity partners.

Ultimately, the authors hypothesized, the executive director role would become so vital to a law firm's overall success that the firm's managing partner, if asked to name the handful of individuals the firm could least afford to lose, would include the executive director as one of those named.

To what extent have these predictions been borne out? Today, 12 years after the initial article, how do executive directors view the role they play? And what do executive directors envision as the new horizons for this role coming into the new Millennium?

To help answer some of these questions, we (with *Legal Management's* help) conducted a survey of U.S. administrators in firms with more than 50 attorneys. The findings were originally presented during the May 2000 ALA Educational Conference and Exposition.

Of 700 surveys sent, 126 administrators responded. Respondents represented a broad spectrum of firm sizes:

- 26% from larger firms (250+ attorneys),
- 37% from medium-sized firms (100-250 attorneys), and
- 37% from smaller firms (50-100 attorneys).

Significantly, 80 percent of respondents use the title of either Executive Director, Chief Operating Officer or Managing Director. Only 20 percent use the traditional "Administrator" or "Director of Administration" titles. While titles in themselves are not significant, the increased use of these loftier monikers suggests an uplifting of the role in the minds of at least the occupants of this position if not the partners themselves. For purposes of this report, we use the terms "Administrator" and "Executive Director."

Even though these respondents are from larger firms in general, many of their thoughts and predictions apply to administrators and executive directors across the board. In the new economic reality, many of the same issues of growth, authority and compensation are the same no matter where your work.

While respondents from all firms agree that the 1990s were a period of significant change, most believe the new Millennium presages even more. As one respondent notes, "The pace of change [and] the increased complexity combine to represent a double whammy for the legal administrator."

Job Scope

The survey asked respondents to list the functions that, in their view, had undergone the greatest change in recent years – and those functions they believe would change the most in years to come. Not surprisingly, technology ranked at the top of both lists. As one respondent replies, "The explosive growth in technology has resulted in colossal changes for administrators, who are forced to navigate without charts or compasses." Comments another, "There is a danger that technology will become a full-time job."

Other functions that have grown significantly in recent years according to administrators responding to the survey include strategic planning and practice management. These are both functions listed at the outer-edge of administrator functions in the 1988 survey. Respondents also expects human resources management to increase in importance and complexity in the years ahead.

In a related question, 16 different areas of management responsibility were listed and administrators were asked to rate their degree of involvement in each – both currently and as they expected it to be in the future. For each list, the five areas in which administrators expressed the highest degree of involvement were as follows:

Current Involvement

1. Branch office management
2. Firm profitability
2. Strategic planning
3. Firm governance
4. Firm culture/integration

Future Involvement

1. Practice management
2. Strategic planning
3. Firm growth
4. Firm governance
5. Firm profitability

The fact that practice management ranks so highly reflects a wave of activity sweeping U.S. law firms to reform their practice group systems. In many firms, administrators are playing a growing leadership role in the practice group management and planning processes.

In a related survey question, administrators were asked to express their degree of agreement with the following statement: "*Going forward, executive directors will become increasingly involved in practice management and planning,*" to which 89 percent of respondents answered in the affirmative.

The other new activity appearing on "future" list is the area of firm growth. This reflects another wave of law firm activity – mergers and acquisitions, a topic that was barely on the administrator's radar screen 10 years ago. On this point, the survey asked respondents to express their degree of agreement with the following statement: "*The current trend in law firm mergers will continue into the future.*" A huge majority – 88 percent – agreed. Contrary to what one might imagine, survey respondents view law firm consolidation as more of an opportunity (68 percent) than a threat (32 percent). This may reflect a confidence among respondents that, in the case of a merger involving their firm, theirs would be either the dominant or the survivor firm.

On a related issue – law firm diversification – administrators gave their reaction to the following statement: "*Over the next decade, law firms will increasingly diversify into non-legal and ancillary services.*" Survey respondents weighed in with an 81 percent affirmative that the current trend among law firms to diversify into multidisciplinary practices would continue. Some administrators believe that these forays into consulting, training and other non-legal services represent interesting new challenges to their role in the areas of profitability accounting, human resources and technology.

Other areas in which administrators expect to see significant increases in their future role include partner compensation (an area historically "off limits" to non-lawyers), associate management, client and matter intake and lateral recruiting.

As a group, respondents foresee a growing focus of their time and attention devoted to strategic vs. administrative issues. Respondents report that, in 1990, they spent an estimated 14 percent of their total time on strategic matters. Today, they believe this figure is closer to 35 percent and they expect the time spent on strategic issues to grow to as much as 50 percent within 10 years. If true, this foreshadows an entirely different role for large firm administrators over the next decade.

The survey then asked administrators to assess their perceived level of effectiveness ("high," "medium," or "low") at three specific points over the past decade: 1990, 1995 and 2000. As the following numbers indicate, administrators believe their impact has more than doubled during the decade of the 1990s:

| <u>Year</u> | <u>% responding "high" impact</u> |
|-------------|-----------------------------------|
| 1990: | 37% |
| 1995: | 72% |
| 2000: | 86% |

Using a forced-choice list of possible factors, the survey went on to ask questions of administrators who believe their impact has grown. It asked them to specify the factors to which they attribute their greater impact. Topping the list was "the increased importance the firm has placed on the position" (35 percent), closely followed by "my increased knowledge/experience in the position" (33 percent) and "improved supervisory relationships" (20 percent). Other responses to this question included the following:

- an improvement in the firm's governance structure;
- the increased recognition that lawyers cannot manage;
- the increasing size and complexity of law firms;
- the power that derives from control over technology; and
- the increased ability of administrators to behave like leaders.

Some analysts of law firm governance hypothesize that an ineffective governance arrangement can provide the executive director with a leadership void. It is this vacuum that serves to enhance their overall effectiveness. To test this hypothesis, the survey asked respondents their reaction to the following proposition: *"Having a strong, effective managing partner makes it more difficult to be a strong executive director."* An overwhelming 88 percent of respondents disagreed with this statement.

In their comments, respondents cited desirable governance conditions such as "having a strong managing partner," "having a managing partner and administrator who work as a team," and "having a management committee that is on the same page" as important factors to their success.

Other portions of the survey reaffirmed these sentiments, where administrators were asked to enumerate what they considered the principal obstacles to their role effectiveness. Ranking at the top of the list was "poor/slow decision making" (41 percent), "ineffective firm leadership/governance" (33 percent), and "internal politics/infighting" (27 percent). Other obstacles mentioned included "micromanaging," "management by committee," "the inability to deal with the untouchables," and "people who still believe that only lawyers can influence firm operations."

Compensation

An important measure of any administrator's value is how well the firm compensates them. In this regard, administrators were asked a two-part question: (i) What is your current compensation (including benefits) relative to that of an average equity partner in your firm?, and (ii) What do you believe your compensation *should be* relative to that of an average equity partner?

On the first question, 67 percent of respondents say their current compensation is below that of an average equity partner in their firm – and 38 percent report that it is at least 25 percent below. Of the remainder, 18 percent say their compensation is about equal to that of an average equity partner, and only 15 percent say it is actually higher.

On the second part of the question -- what these administrators think their compensation should be – 36 percent feel it should be higher than the average equity partner's, 32 percent think it should be about equal, and the remaining 31 percent believe they should be paid less than an average equity partner.

This raises an important question: If, in the opinion of the firm's managing partner, the executive director is among the handful of least dispensable individuals in the firm, shouldn't his or her compensation be at least commensurate with that of an equity partner who provides the same overall level of value or contribution? And, in most firms, wouldn't this value/contribution tend to be greater than that made by an average partner in the firm? Conversely, if the value/contribution made by the executive director is not at least equal to that made by the average partner, then the question arises as to whether the individual is performing the job adequately and whether the firm has the right person in the role of executive director.

Satisfaction

Finally, the survey asked administrators whether their overall satisfaction with the position has changed during the past 10 years. A significant 64 percent of respondents report a higher level of satisfaction, while 18 percent rate it as about the same and another 18 percent say their satisfaction level has declined.

The questionnaire then asked administrators to specify those aspects of the position they found to be most – and least – satisfying. At the top of the "satisfiers" list were "the ability to effect change" and "achieving results" (by far the two most cited). These were followed by "the people," "the interesting and stimulating nature of the work," and "being a part of firm governance." Respondents cited these among the least satisfying aspects of the position: "the cumbersome decision-making process," "difficult partners," "ineffective leadership," "partners who don't 'get it'," and "administrivia."

Predictions for the Future

What does the future hold for administrators and executive directors? Here are some points for discussion. Think about and plan for the changes that will affect how you do your job.

- Law firm consolidation and diversification will continue.
- In the largest firms, as the administrative staff grows, there will be an increasing need for strong "middle managers" in finance, HR, and MIS.
- Executive directors in firms of all sizes will play an increasingly important role in strategic planning – in both substance and process. Increasingly, strategic planning will replace technology and finance as the pathway to administrator power and influence. As Guy Bennett of Perkins Coie put it so eloquently in the 1988 article, "Planning is the one function that ultimately leads to everything else."
- Despite the benefits of longevity, executive directors will become more mobile as firms seek to lure the best administrators from their existing firms with lucrative salary and bonus packages.
- The compensation package for top executive directors will begin to approximate that of the firm's more successful equity partners.

In the future, one of the principal differences between firms that thrive and those that merely survive will be the quality and effectiveness of their planning and management. And these functions, in turn, will depend more and more upon the firm's administrator. In this way, it is reasonable to speculate that larger law firms of the future will be increasingly known for and differentiated by the quality and effectiveness of their executive directors.

To obtain a copy of the complete survey, contact the authors via e-mail at jeffcoburn@aol.com or by telephone (617) 526-0400.

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Article Synopsis

Administrators and firm executive directors are building credibility and authority in their firms. Learn the findings of one survey that reveal how these professionals view their jobs and responsibilities now – and in the future.

SIDEBAR

Survival of the Smartest:

Here Are Experts' Observations About the Future

To provide additional perspective on this issue, the authors invited a panel of well-known executive directors to present their views during the ALA Educational Conference session in Denver:

- Marilyn Chenault Minot, Executive Director, Hill & Barlow, Boston
- Jack Colbert, Executive Director, Hale and Dorr, Boston
- John Gerhard, Executive Director, Nixon Peabody, New York
- Ed Wesemann, former Executive Director, Arter & Hadden, Cleveland

The panelists made the following observations and recommendations for administrators:

- Become a champion for long-range planning and drive the process if you need to. Have a vision for the firm and share it with the partners.
- Build a strong team to back you up. To this end, hire people who are better than you.
- Learn to write effectively. Writing is the attorney's medium and they respect it.
- Above all else, be an expert in the firm's finances. Ultimately, your power and authority stem from your mastery over the economics of the firm.
- Be conversant on legal industry issues and trends. Keep up with industry literature and actively network with other administrators.
- Consider the firm's clients as your clients and always use your role to work on their behalf.
- Reach the following agreement with your partners: "You take care of the front yard. I'll take care of the back yard. And we'll agree to stay out of each other's turf."
- Be action-driven and execution-oriented. As a rule, it's better to ask forgiveness than permission.
- Stay with your firm as long as you can. Longevity brings credibility.

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