

The Current State of the C-Suite: Part Two

How firms can find (and retain) the right executive

In 2010, 250-attorney firm Brownstein Hyatt Farber Schreck LLP appointed a Chief Executive Officer Blane Prescott to oversee its strategy and operations. Prescott had more than 25 years of law firm management experience, working as a consultant, firm senior vice president and managing director, and law firm executive committee member — but he didn't have a law degree.



ERIN BRERETON

Owner, Chicago Journalist Media

“Executive recruiters and coaches and companies are looking for individuals who have strong leadership skills and are able to lead a company in a way that will be effective not just in the current era, but going into the future.”

AARON BOYD

Editorial Director
C-Suite Insight



In February 2012, Pepper Hamilton LLP appointed Scott Green, who has an MBA from Harvard and a bachelor's degree in accounting from the University of Idaho, as its first Chief Executive Officer. Green also isn't an attorney; he was serving as executive director of 1,000-attorney firm Wilmer Hale when Pepper Hamilton approached him about the position.

“[Pepper Hamilton] had made the determination that having a non-lawyer executive was a good business move,” Green says. “They wanted to be structured more like their clients, with more of a corporate model.”

With the number of firms with a gross revenue of \$1 billion or more rising from 17 to 20 from 2011 to 2012, it's not surprising that large firms would consider appointing a leader with significant finance and operational experience — even if meant uprooting the traditional partner-run law firm business model.

However, BigLaw isn't the only industry sector adopting a new management structure. Now this trend is becoming more common all across the board.

“Coming out of the downturn, law firms in particular were looking at ways to modify and streamline their business solutions,” says Charles Volkert, Executive Director of legal staffing agency Robert Half Legal. “We're now seeing chief information officers, chief operation officers and chief executive officers of law firms of all sizes — big, small and mid-sized firms.”

Gibbons P.C., a 230-attorney firm with offices in New Jersey, New York, Philadelphia and Delaware, was ahead of the curve. The firm created several new C-level positions 12 years ago; June Inderwies, who started at the firm 28 years ago as a temp, was named its Chief Operating Officer and Executive Director.

“The firm was growing,” Inderwies says. “It wanted to have the professionals in those industries handle the business side, and have the lawyers do the lawyering.”

It’s a fairly simple concept, but one that can be difficult to execute. Once a firm recognizes that it needs a business professional on board, how can it attract and hire the right executive — and cultivate potential internal C-suite talent? What qualities should a firm seek in the C-level hire to ensure that person can fill the role successfully?



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SIMONE GREEN
Legal Staffing
Director at CLS Legal
Staffing



FINDING THE RIGHT C-LEVEL HIRE

A firm’s list of desired attorney attributes won’t necessarily apply when it comes to the requirements for a C-level business hire. Executives need several skills to succeed in a law firm environment, such as:

Real-world experience

Education isn’t everything. According to a recent report from executive search firm Crist/Kolder Associates, just 40 percent of chief executive officers have graduate business degrees.

Aaron Boyd, Editorial Director of *C-Suite Insight* magazine and Director of Governance Research for Equilar, which compiles analysis on public company management roles, says a study conducted by *C-Suite Insight* several years ago found that roughly 50 percent of chief executive officers didn’t have an MBA. “Executive recruiters and coaches and companies are looking for individuals who have strong leadership skills and are able to lead a company in a way that will be effective not just in the current era, but going into the future,” Boyd says.

Financial knowledge

According to Crist/Kolder’s 2013 Volatility Report, the number of chief executive officers with a finance background hired by Fortune 500 and S&P 500 companies increased substantially in 2013. The legal industry isn’t immune to that trend.

“One of the main roles of the executive director or chief financial officer or chief operating officer of a law firm is the bottom line,” says Simone Green, Legal Staffing Director at CLS Legal Staffing, which places management and support staff at law firms and Fortune 500 companies. *“Who [could be] better than someone who has worked in the financial services industry and is all about making a profit?”*

The ability to work within law firm structure

Executives need to respect the way attorneys think and work, and work that way themselves.

“Lawyers like to think about an issue and come to a decision,” says Ronda Muir, Founder/Principal of Law People Management LLC, a consulting firm that implements behavioral science principles in the legal workplace. “The person who walks the halls and tries to brainstorm will not be welcome.”

Providing clear reasons — and desired outcomes — for new policies or operational changes will help C-level executives obtain support for proposed plans.

“Law firms are steeped in tradition; you can’t try to make wholesale changes overnight,” Volkert says. “But at the end of the day, the firm is looking for someone who can help it grow, and from a law firm’s standpoint that means everyone makes more money if [the idea] works.”

An extroverted nature

“Law firms are a very different world,” says David Shapiro, President/Managing Partner and Owner of legal search firm Sanford Rose Associates. “You really have to be a consensus building machine and have a lot of emotional capital.”

Historically, managing partners led law firms; but successful attorneys don’t necessarily have a business background. Adding a business expert to its team can help a firm’s productivity and profits rise. Yet, in addition to making sound business decisions, they also need to know how to lead. “They have to bring someone with finance or management experience to be able to fine tune the firm like a lean business,” Shapiro says. “It’s almost like bringing a quarterback on board.”



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ENTICING EXECUTIVES

Finding qualified C-level candidates is only half the battle. Convincing them to accept a position in a completely different industry may require a strong sales pitch. Retaining qualified C-level employees can be just as tricky. But it’s important: The total cost of replacing staff members may be as high as 90 to 200 percent of an employee’s annual salary, according to a 2008 Society of Human Resource Management study. Higher salaries — such as the ones C-suite executives command — can result in a greater potential loss.

Firms may be able to attract and retain business executives by highlighting C-level law firm job

DAVID SHAPIRO
President/Managing
Partner and Owner,
Legal Search Firm
Sanford Rose
Associates



benefits, including:

A new undertaking

"Most are seasoned professionals and have been in different industries for several decades," CLS' Green says. "[This can be] an opportunity to do something different and have a big new challenge."

One of Shapiro's clients, a Boston-based, 70-attorney law firm, recently hired a chief executive officer who had previously worked in a position similar to a chief operating officer for an Am Law 100 firm. The executive was happy to make the move to a smaller firm because it meant dealing with less personalities and more responsibility. "[His feeling was], 'A small firm wants to bring me in and give me the reigns; that's a great opportunity for me,'" Shapiro says.

A better work/life balance

Firms may want to stress that they can offer corporate executives a different experience. Shapiro says, "The general vibe is typically not as stuffy as a large corporation," adding, "You may not be answering to as many people; it can be a more relaxed lifestyle than in the corporate world."

Law firms can also often be more flexible about where an executive is based. Volkert says the executive doesn't necessarily have to be based at the headquarters office. "He can work in one of the firm's other locations, which may be appealing from the lack of relocation standpoint," he says.

Equal Executive Pay

Like many high-level attorney candidates, C-level executives want a sizable salary. Firms may actually have more flexibility when determining non-attorney compensation.

"The firm can pay that person whatever it wants to," Shapiro says. "There's not going to be any issue from an attorney who says he brought in \$1 million in business and questions why the firm is paying a lateral hire \$700,000 walking in the door."

However, money alone may not be enough to retain key C-level talent. Corporate executives often sacrifice lucrative extras when transitioning to the legal world, including:

Stock and other items: Because many corporations have started paying executives in equity over the years, C-suite professionals now consider more than just take-home pay when looking for a new job, according to Boyd. "An executive will consider how many rewards the person has that haven't vested yet," Boyd says. "There can be quite a bit of value to that, beyond just what the typical executive salary is."

Corporate perks: Many organizations have reduced perks in recent years due to shareholder input and increased spending scrutiny, according to Boyd. However, if your C-level candidate will be giving up access to a corporate jet or paid club dues, consider sweetening the deal with a bonus. Some firms are able to offer incentive-style bonuses that may, in fact, outpace the corporate world, according to Volkert. And, Shapiro says, "The partnership could say, 'Depending on how well you do your job, we'll award you certain points against firm profits.'"

Establishing specific goals to evaluate C-level performance can help firms gauge just how much extra money their executives are worth. Muir says, “One thing I push with firms is that they measure and compensate for the amount of collaboration and mentoring that happens so they have some way to get feedback on the benefits other partners or officers have with the [C-suite executive].”



“Even small firms and boutique firms are seeing the benefit of having someone run their firm from a more non-trade track, so to speak,” Green says. “[But] firms would love to groom someone from within who truly understands the culture and could take over a leadership role.”

SCOTT GREEN
Chief Executive
Officer, Pepper
Hamilton LLP



CREATING A C-SUITE FROM WITHIN

Crist/Kolder’s annual executive survey found that just 28 percent of all new U.S. CEOs were recruited from outside their companies in 2013.

Law firms that vastly reduced staff during The Great Recession may have a hard time immediately identifying future C-level talent — but they can benefit from investing on who’s left, according to Muir. “They’ve worked to maintain the bottom line, but to grow and compete, they know they’ll have to start looking at internally developing their own people,” she says.

To help young attorneys or staff members who show managerial promise prepare for a future C-level role, law firms can fund financial and management education — or offer their own courses. For example, in 2011, Gibbons established the Gibbons Leadership Academy. The program, which Inderwies says, “was developed to develop internal talent,” features courses based on executive coaching, building a practice and other management skills attorneys will need to eventually run a department or an entire firm. Gibbons has used it to train 80 percent of the firm’s attorneys.

Key clients can also provide learning opportunities by mentoring younger attorneys. Volkert says, “[Firms can] get lawyers more accustomed to what’s happening with their corporate clients, and take that association and partnership to have them work on site with the corporate partners.”

An external corporate chief executive officer brings a lot to a law firm’s table: management practices from other industries; experience working with a different business model; and a fresh look at firm operations.

Some law firms, however, may find that priming an employee to someday govern the firm offers them a unique advantage.

“Even small firms and boutique firms are seeing the benefit of having someone run their firm from a

more non-trade track, so to speak,” Green says. “[But] firms would love to groom someone from within who truly understands the culture and could take over a leadership role.” ■

ABOUT THE AUTHOR

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