

The Benefits of Running a Law Firm Like a Business

Administrators who enter the C-Suite are helping some firms enhance efficiency — and profitability.

BY ERIN BRERETON



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In recent years, a number of law firms have incorporated Chief Executive Officer (CEO) and other C-suite roles, filled by administrative professionals rather than attorneys, to provide a fresh take on operations.

Many, however, haven’t, according to Dan McCormack, CLM, MBA, ACC, Founder and CEO of legal business consulting firm Dan McCormack & Associates LLC.

“When it comes to a CEO title, you will see it at national and global [firms] — but still not often enough,” says McCormack, who is also a member of ALA’s Professional Development Advisory Committee. “The legal community is reluctant to change and very slow to adapt to new things; that thought process stems from the top.”

Although firms have traditionally been helmed by attorneys, the accelerated pace of law firm closures in the past two decades has raised questions about the ideal leadership system.

Being owned and run by partners can cause law firms to spiral if departures dent profitability, according to a Yale Law School professor's analysis of firms that collapsed between 1988 and 2014. The American Lawyer's examination of 12 failed firms found amid rising costs per attorney, nearly all had amassed significant debt.

Could adopting a more corporate leadership structure be the key to law firm continuity and financial success?

TAPPING OUTSIDE EXPERTISE

Survey results published in an ALA white paper show as of 2019, 21% of law firm leaders had worked for a firm that had a CEO who was an attorney. More leaders had encountered a CEO who wasn't an attorney. They said this provided benefits such as a business-oriented perspective and allowing the managing partner and executive committee to focus on strategy.

Chicago-based personal injury firm McCready Law decided to add a Chief Marketing Officer (CMO) role and promoted a firm administrator to Chief Operating Officer (COO) as it expanded to new markets such as Indianapolis and St. Louis.

Since starting at the firm in early 2023, the CMO has spearheaded marketing and other initiatives, including the implementation of efficiency-enhancing customized AI tools. He's been so instrumental to the firm's growth, Founder and Managing Partner Michael McCready says, that his title has changed.

"He's got such a diverse background; outside of marketing, he formed his own tech businesses," McCready says. "He has been of great assistance to me in planning how we get from where we are to where we're going. He's evolved into a Chief Strategy Officer."

Integrating the two C-suite positions meant that McCready, who had been handling the firm's books, case management and other efforts, could step back from those processes — a decision he says some firm leaders struggle with.

"I saw my bandwidth was getting stretched," he says. "It's been a tremendous help. I'm not a marketer; I don't have a background in accounting or finance. I realized I had largely taken the firm as far as I could take it — and if I wanted [to] continue on this trajectory, I had to accept there are people that know how to do what I'm doing much better than I do."

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A business professional can help firms perform operational tasks such as reviewing service provider costs, McCormack says, to make sure they're competitive; or design a holistic program that will ensure internal systems are being utilized to their full potential.

"From a cost perspective, you're getting a return on investment in terms of efficiency — faster document production, better network telecommunication," he says. "Lawyers can't be spending three hours analyzing a new technological process. They should be involved in the final decision, but other people should be doing that legwork."

BOOSTING THE BOTTOM LINE

The financial benefits firms may reap from bringing a C-suite professional on board can be notable. Having a Chief Financial Officer, Chief HR Officer, or Chief Information or Technology Officer strongly correlates to higher average profits per equity partner, according to a Colliers Law Firm Services Group survey of Am Law 200 law firms.

When national full-service firm CM Law decided to add a COO and Finance Director position in 2023 to help the firm strategically grow as it entered its second decade in business, the leadership team was open to hiring an administrator to fill that role, says Grant Walsh, CM Law Co-Founder, Co-Managing Partner and General Counsel.

"We thought, do we want someone that has a lot of law firm experience and could say, 'Here's what I've observed?'" Walsh says. "We also thought there are strengths from bringing someone in who's not familiar with the legal marketplace; maybe we don't want someone that [thinks] 'That's how law firms should do it' — because all we're doing is the same thing firms have always done."

After vetting candidates via a 60-question application and interviews, the firm hired a business professional with background in finance and experience dealing with lawyers on the client side — who Walsh says was able to reassess elements such as why the firm uses certain vendors.

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“That’s invaluable,” he says. “Having an outside perspective really was a breath of fresh air. A lot of what she did in her first year was [ask], ‘Why do you do it this way? Tell me why you use this protocol.’ She was able to almost put a mirror in front of us and allow us to look at things differently through her lens.”

The COO and Finance Director also monitors bookkeeping, interfaces with the firm’s CPAs and produces monthly data reports that highlight which initiatives are producing strong ROI and costs that could be re-examined.

“Without her eyes on the details, we would be wasting money,” Walsh says. “She has really helped us to eliminate some of that waste to make sure we are making the right investments for the future of the firm.”

BUSINESS STRUCTURE BEST PRACTICES

Incorporating a corporate C-suite-type role can potentially enhance a firm’s daily operations; yet viewing it as an extended endeavor is critical, according to McCormack.

“The person coming in could have a lot of ideas, but the benefits are going to take a while to be recognized,” he says. “[Firms need] patience and the ability to say, ‘This is a five-year plan; here’s where we are today — let’s go down this road and see the results.’ To establish a benchmark, you could allow them to handle all contracts and vendor relationships.”

If a firm is trying to iron out major structural issues, though, McCready suggests possibly holding off on hiring a C-suite member.

“It should be a forward-thinking decision, and not a decision to stem the bleeding,” he says. “That’s not the time to drop \$250,000 on a C-suite individual. You should get your firm in order so that person can elevate and bring your firm forward.”

Because leadership hires may need to be in contact with multiple departments in and outside of the firm,

strong communication and client service proficiencies, McCormack says, can help a candidate perform well in a C-suite role.

“You have to have that ability to adapt to the audience because you are interacting with everybody,” he says. “With operational matters at a law firm, many things are involved; many communication levels, many people — you have to be able to understand all that.”

With experience working in a fast-paced environment and making critical decisions, attorneys possess an admirable amount of knowledge, McCormack says. Bringing in similarly skilled analytical, marketing and other professionals can help their firm improve efficiency at essentially all levels.

“You have people who can do this — the only question is why not?” he says. “While firms make great money, maybe they’re cutting themselves short in terms of long-term potential.”

C-suite roles within law firms might not be the norm today; however, the move toward bringing in more business professionals from other industries, Walsh says, is picking up steam.

“If you’re a five-person firm, oftentimes you’ll have an office manager who’s a non-lawyer,” he says. “That’s great in a one-firm, one-city setting — but when you’re a national firm and have a footprint across multiple jurisdictions and dozens of attorneys, it makes sense to bring in a business mind to grow.”

ABOUT THE AUTHOR



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