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Managing the Firm For A Healthy Future: Partner Structure and Strategy

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Professional Practices Alliance

The Pressures Firms Face:

- How to respond to Brexit
- More sophisticated and demanding clients
- Escalating costs of office space
- Managing Older Partners
- Attracting and retaining Millennials
- Eroding profitability
- Ability to differentiate and to drive change

Ten strategies to respond to these challenges:

1. An international strategy to address Brexit
2. Adapt your practice structure and resourcing to changing client needs
3. Consider outsourcing of services or functions
4. Regularly revisit your partner retirement age
5. Embrace flexible/agile working

6. Actively manage partner performance
7. Align partner reward to the firm's strategic needs
8. Review firm decision-making to drive change & respond quickly to opportunities & threats
9. Update business protections in your partnership deed
10. Create a safe environment to encourage innovation

1. An international strategy to address Brexit – the key options & issues

- Get on a plane and be more visible
- Set up or join an international alliance
- Open your own EU office
- Merge with an overseas firm in the EU

Open your own EU office

- Have a business plan with specific aims and expectations
- Plan for 2 years+ to break-even
- Structure for tax, regulatory, employment/partnership law and immigration...
- Who will relocate to drive it, on what terms, and for how long?
- Local hires to expand it - be aware of local law risks on team/lateral moves

Merge with an overseas firm?

- Be clear on merger aims and expectations
- Can you align objectives, culture, rates, profitability & profitsharing?
- Are there major client conflicts?
- Seek key client and stakeholder buy in
- What structure(s)?: Global & local partnerships; Swiss verein; other umbrella arrangements
- Post-merger integration – break down barriers and create culture of cross-referral

2. Adapt your practice structure and resourcing to changing client needs

- The changing shape of professional practices to reflect client needs
- Can you maintain conflicting practice shapes with different economics within one firm?
- The impact of changing practice shapes on the next generation

3. Consider outsourcing of services or functions

Travelers/The Lawyer report: *Innovation in the Legal Sector*

The outsourcing trend -

- IT functions (34% of those who ramped up outsourcing)
- Facilities management (15%)
- Secretarial and document management (15%)
- Majority (62%) disagreed outsourcing has created risk on adequate & consistent client service delivery
- Not all firms are pursuing outsourcing and 9% outsource less than 5 years ago

4. Regularly revisit partner retirement age

- Tensions between:
 - Changing needs and expectations of older partners
 - Continuing needs of firm to build next generation
 - Need of younger professionals to see clear career path
- MRA provision – direct age discrimination & risks
- Show objective justification – proportionate means of achieving legitimate (social policy) aims of the firm
- Show no less discriminatory way of achieving those aims
- Consult, consider alternatives and document

5. Embrace Flexible/Agile Working

To address office space pressures and costs, Millennial expectations, and Partner/staff family responsibilities.

- Part time working
- Flexible hours
- Job sharing
- Hot desking
- Working from home or elsewhere
- Technology to facilitate remote working & engagement
- Paperless office
- Policies and procedures
- Coaching to enable & support change

6. Actively manage partner performance

- Annual (or more frequent) appraisals:
 - Objectives directly linked to your firm's business plan and strategic needs
 - Honest feedback
 - Document thoroughly and promptly
 - Act consistently
- Partner underperformance processes:
 - Set clear expectations and timescale for improvement
 - Provide support, resources & coaching
 - Document thoroughly, promptly & honestly
 - Act consistently

7. Align partner reward to strategic needs

- Merit based profit share allocation
- Measure performance against balanced objective criteria
- Specifically tailor criteria to your firm's business plan and strategic needs
- Use criteria to reward financial and non-financial contribution
- Be aware of:
 - Maternity leave
 - Part-time working
 - Long term sick leave
 - Disabilities which affect performance

8. Review firm decision-making to drive change & respond quickly to opportunities/threats

- Partner decision-making by unanimity: Good for culture, Bad for change
- Centralise day to day management
- Clearly define management roles, responsibilities and powers
- Streamline voting majorities for decisions on key issues for the firm

9. Update business protections in your partnership deed

- Notice periods
- Garden leave and suspension
- Restrictive covenants:
 - Trend in anti-team move provisions
 - Set off against garden leave
 - Retention/claw back provisions

10. Create a safe environment to encourage innovation

- Encourage original and independent thinking (look for new ideas rather than upcycling old ones)
- Brainstorming across the generations
- Be disruptive. Be brave!

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