

# WHY SOME FIRMS FLY

Part 4 in a management series from Beaton Consulting



# 04

## FINDING THE BALANCE OF POWER

### The key to sustainable governance and management

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There's an uneasy relationship between power and partnership in many law firms.

Partnerships are traditionally founded on a philosophy of democracy, collegiality and consensus, and an implicit assumption that power is shared and equally distributed. But, as firms grow in size and complexity and face increasingly intense competition, democratic principles often create significant stresses that may have a negative impact on how the firm is governed and managed.

Many of these stresses stem from the inherent conflicts and inefficiencies that come with a partnership structure. Partners must wear many

'hats' – as owners, managers, rainmakers, service providers and team leaders. Different firms have adapted to deal with these challenges in different ways.

By trusting in democratic principles, many firms wind up too democratic for their own good. They become stressed – and even paralysed – by the inherent inefficiencies of decision-making processes based on consensus, leaving them too slow or completely unable to respond to market opportunities or strategic issues. Often the only decisions made are those on which partners can agree, rather than those that are best or most important for the firm. And each time all the partners have to meet in an attempt to make decisions, the opportunity cost in lost billings runs into thousands of dollars.

In other firms, the scales tip too far the other way. They are essentially dictatorships, where one person

rules the roost and no one else has significant power. Little thought is given to succession planning and talented partners frequently become disillusioned and demotivated, and many may leave.

And some are firms in name alone, in reality little more than a collection of fiefdoms or silos. Power is concentrated amongst individual partners and their teams but there is little that binds these teams together as a functioning collective entity.

Efficient governance and management requires acknowledgement not only that power is important, but also that it comes in different guises. Sustainable business models for law firm partnerships generally involve finding the right balance between directed power, collective power and individual power.

In practice, that means reaching agreement on key policy decision areas and clarifying governance and management roles and entities: who has the authority to make which decisions? Inevitably, this means forgoing some 'democracy', and some individuals yielding some of their directed power in order to make the firm as a whole more powerful and protect the long-term interests of all. Sorting out roles and re-wiring power structures can be a delicate and dangerous task often best undertaken with independent external assistance.

By establishing processes and structures that balance the three types of power, firms that fly have taken steps to curtail the deficiencies of democracy, increasing the efficiency of their governance and management, without disempowering individuals, and thereby enhancing the overall performance and sustainability of the firm.

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