

**LARGE SOUTH AFRICAN LAW FIRMS CAN BE MORE EFFECTIVELY
MANAGED BY BUSINESS PROFESSIONALS**

A Research Report
presented to the

Graduate School of Business Leadership
University of South Africa

In partial fulfilment of the
requirements for the

**MASTERS DEGREE IN BUSINESS LEADERSHIP
UNIVERSITY OF SOUTH AFRICA**

by

D.G. Denman

November 2007

Study Leader: Dr S. Shipham

Acknowledgement

I acknowledge that without the support of my family, friends and colleagues the completion of this research would not have been possible. I furthermore thank my study leader, Dr Sidney Shipham, for his guidance and advice in making the report possible and the respective participants that provided insight into the workings of the various law firms.

Executive Summary

Any business strives to maximise profitability in order to increase the distribution of profits to the shareholders. Law firms are no exception although the primary difference is that all the shareholders are in fact active in generating the revenue for themselves. They are therefore generally involved in the management of the business to varying degrees.

The composition and roles of management in law firms differs substantially as does the organisational culture. Firms vary from a traditional partnership characterised as an owner managed entity to that of a hybrid corporate model where a CEO is charged with the responsibility of corporate performance. The involvement of partners or directors, employment of business professionals and roles of Boards and various committees is studied to identify the manner in which the organisation is managed.

The research is aimed at identifying appropriate management structures and roles that will lead to increased efficiencies and ultimately increased profitability as a result of improved gearing and leveraging of resources. The paper will furthermore aim to

- Identify the reasons for the forms of business employed by large law firms;
- Identify similarities and differences between different professional services firms' management structures;
- Investigate the external environment impacting on the professional services environment;
- Identify the prevalence of employment of business professionals in South African law firms and their levels of authority; and
- Identify the potential barriers to change in instituting alternative management structures.

The paper is a phenomenological study of six large South African law firms that agreed to participate in the study. Semi-structured interviews were held with individuals involved in top management positions at these firms and consisted of both senior lawyers and business professionals. Whilst it is accepted that the information provided could be guarded, consistent results were experienced and is therefore deemed to be accurate.

The study indicates that there are varying degrees of conforming to a corporate hybrid model by the law firms studied and instances of traditional practices still being maintained by some law firms. It is however evident that there has been a shift from traditional owner managed entities to that of corporate structured entities. There are nevertheless still inconsistencies prevalent within the corporate hybrids when the internal mechanisms are studied. Whilst the structures employed by each entity obviously meet their current requirements, it is believed that they can be more effectively structured to allow the maximisation of partner focus on client matters as apposed to operational issues.

It is furthermore evident that there is generally poor formalisation of strategic focus and even though it is professed by most firms to exist, corporate and lower level strategies are seemingly not a priority. There are also varying degrees of focus at top management levels from strategic-like issues to operationally detailed matters better left to lower level management. Most partners and directors however still enjoy being involved in all matters that strike their interest which at best is a waste of their time and influences their capacity to maximise revenue generation. Despite the fact that any single director will hold anything between approximately one and five percent share in the business, the culture is often one of a partner has the right to decide what is best in a given situation, should he or she feel it is appropriate.

Whilst organisational culture and trust in professional managers is deemed to be the biggest stumbling block to change, it remains the owners' willingness to

delegate control as the final hurdle to change. It is likely that change will only be effected, once tangible proof or compelling reasons are available to convince the owners that control can be maintained through the effective election of office bearers, provision of mandates and the employment of appropriate structures and professionals to handle the business affairs on their behalf while they attend to client matters and revenue generation. It is recommended that appropriate change is brought about where such reasons are prevalent in an organisation and that migration toward a corporate model is brought about as and when the owners are able to see the value therein.

CONTENTS

CHAPTER 1: ORIENTATION	1
1.1 Introduction	1
1.2 Background to the Study	1
1.3 Objectives	3
1.4 Scope and Focus	4
1.5 Importance of the Study	4
1.6 Study Environment	5
1.7 Clarification of Concepts	5
1.8 Plan of the Study	5
1.9 Summary	6
CHAPTER 2: THEORETICAL FOUNDATION OF THE STUDY	7
2.1 Introduction	7
2.2 Boards and Top Management: Roles and Responsibilities	7
2.3 Environmental Analysis	11
2.4 Strategic Planning	15
2.5 Organisation Design	21
2.6 Decision Making Effectiveness of Organisation Design	27
2.7 Culture and Change	28
2.8 Summary	30
CHAPTER 3: LITERATURE REVIEW	32
3.1 Introduction	32
3.2 Business Forms for Law Firms in South Africa	33
3.2.1 Partnerships	33
3.2.2 Unlimited Private Company (Inc.)	35
3.3 Design of Law Firms	36
3.3.1 Partnership Models	37

3.3.2	Contributing Factors to Design	39
3.4	Management in Law Firms	42
3.5	Culture and Change Management Issues	47
3.6	Summary	50
CHAPTER 4: RESEARCH METHODOLOGY		52
4.1	Introduction	52
4.2	Research Objectives	52
4.3	Research Design	53
4.3.1	Population	53
4.3.2	Data Collection	53
4.3.3	Data Analysis	54
4.3.4	Validity and Reliability	55
4.3.5	Ethics	55
4.3.6	Limitations and Delimitations	56
4.4	Summary	56
CHAPTER 5: DISCUSSION AND RESEARCH RESULTS		57
5.1	Introduction	57
5.2	Form of Business	58
5.3	Decision Making Structures Employed	60
5.3.1	Shareholders Interest	60
5.3.2	Executive Boards and General Management Committees	62
5.3.3	Responsibility for Strategy Formulation	65
5.3.4	Responsiveness of Decision Making Forums	66
5.4	External Environment	66
5.5	Business Professionals Employed	67
5.6	Barriers to Change	68
5.6.1	Receptiveness to Alternate Business Models	69
5.7	Summary	70
CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS		72
6.1	Introduction	72
6.2	Form of Business	72

6.3 Decision Making Structures Employed	72
6.3.1 Shareholders	72
6.3.2 The Board	74
6.3.3 The Chairman and CEO	74
6.3.4 Professional Business Managers	75
6.4 Change Management Issues	77
6.5 Summary	77
CHAPTER 7: REFERENCES	80

List of Figures

Figure 1: Board Leadership Style	10
Figure 2: Porter's model (1985)	13
Figure 3: Stakeholder demands by Pearce and Robinson	14
Figure 4: A Company's Strategy-Making Hierarchy	15
Figure 5: The Common Elements of Successful Strategy	18
Figure 6: Deliberate and Emergent Strategies	19
Figure 7: The Risk of Strategic Drift	20
Figure 8: Organisation Structure	22
Figure 9: Mintzberg's Organisation	22
Figure 10: Professional Bureaucracy	24
Figure 11: The Five Types of Decentralisation	25
Figure 12: Traditional Partnership Model	37
Figure 13: Proposed Law Firm Model	76

CHAPTER 1: ORIENTATION

1.1 Introduction

This study investigates the management roles and top management structures employed within large South African Law firms. The evolution of the external environment has brought about immense change and this has transformed the way traditional law firms are required to approach the transient situation. The change to business in the main, influenced by the opening of international markets and a change in government over the last decade has brought about changes to the structures of most law firms in South Africa. The extent and focus of change to management structures versus the appropriateness of change relative to the requirement for change is contextualised in this study.

This study will identify the different approaches to management of large law firms in South Africa and will specifically focus on the relationship between the shareholders, top management and other management structures, with the view to proposing a structure to meet the demands of the modern business environment.

1.2 Background to the Study

Traditionally law firms were established as partnerships as a form of business. Some partnerships in South Africa have existed in their current form for more than a century. A partnership is fundamentally a democracy where the shareholders are in essence also the originators of revenue and decision making requires varying levels of agreement, ranging from a majority vote to consensus.

Partners are generally trained from entry level as candidate attorney's and are moulded over time to fit the firm's culture and perpetuate the methodologies and manner of practicing the law. It is not only the practice of law that rubs off on the attorneys progressing through the ranks, but also the management styles and

philosophies. It is widely acknowledged that attorneys do not receive management training as part of their formal training and mostly obtain this skill largely through osmosis.

The partnership structure traditionally provides for the intimate involvement of the partners in the running of the business or at least performing senior management functions in the firm, often detracting from their ability to practice their profession due to the time invested in managerial issues. The demands and complexity of the modern business environment that no longer affords professionals the luxury of fulfilling the roles not akin to their core business and calls for a wide range of skills.

Although some firms have moved away from the partnership as a business form and established an incorporated business as a preferred structure, the inner workings and management of the firm, still clutches to the direct involvement of partners/directors in operational decision making. The situation is very much one of centralised control and a reticence to delegate authority. That said, there are instances where the direct involvement in operational tasks is waning, placing greater reliance on and trust in professional business managers.

The question that begs to be asked is what role should the owners of the business play in the management and how effective can they truly be? What alternatives are there, and how can efficiencies be obtained without relinquishing control over the business?

The complex and fast paced business environment we find ourselves exposed to today, demands a professionally geared organisational structure to anticipate the requirements for the attainment of a competitive advantage. Within the realm of service oriented firms, competitive advantage is attained through the provision of superior service and areas of speciality entrenched in the professional that is the firm. It is therefore more so the requirement for a professional services firm to

harness the full potential of its intellectual capital in servicing clients and to explore alternative methods of managing the organisation.

The alternative is also not necessarily as simple as it may be purported to be. Especially so because the very owners of the business are “employed” within the business and will be subjected to the rules and policies created by the business professionals they have appointed. Where outsiders are employed to lead the firm in its long term and day to day management, there is often a chasm between the professional and the “external” management team resulting from different experience and training.

It is this very relationship that needs to be explored to determine the viability of an external management team to run the professional organisation on behalf of the owners, or alternatively up to what level should there be ownership intervention.

1.3 Objectives

The purpose of this research is to explore a body of knowledge consisting of literature and reports from countries other than South Africa to ascertain what has been done to improve the managerial efficiencies of large professional services organisations.

The research aims to identify the key managerial and structural considerations that affects the performance of large professional services organisations and will result in a proposal on the appropriate managerial and structural considerations within the context of the South African business environment.

The paper will aim to

- Identify the reasons for the forms of business employed by large law firms;
- Identify similarities and differences between different professional services firms’ management structures;

- Investigate the external environment impacting on the professional services environment;
- Identify the prevalence of employment of business professionals in South African law firms and their levels of authority; and
- Identify the potential barriers to change in instituting alternative management structures.

1.4 Scope and Focus

Whilst the research is applicable to all professional service organisations the study focuses on law firms given the difficulty in accessing relevant information in this environment. The focus of the study will be on the top management roles and structures and the effectiveness of their contribution to both the short and long term management of the firm. It will not seek to evaluate the effectiveness of individuals within their current roles and it is intended to consider the effectiveness at a conceptual level.

Whilst all efforts will be made to obtain as many participant firms as possible, the author is cognisant of the fact that many firms may be reluctant to be willing participants. A requirement of confidentiality and anonymity will therefore be provided to participant firms prior to their inclusion in the study.

1.5 Importance of the Study

Most professional partnerships shall remain in their present form in perpetuity, unless compelling reason is provided for change to take place and the overwhelming benefit to the individuals are clearly portrayed. As South Africa evolves into an increasingly exposed global participant, the opportunity for organisational evolution is potentially going to be left behind when the professional firm does not have the capacity to focus on strategic issues not directly related to the profession. Focus on organisational change to meet the demands of the changing environment will require constant attention and the

ability to respond rapidly will be the distinguishing factor between leading firms and their flailing competitors.

The results of this study is intended to provide professional service organisations with a blueprint for designing organisation structures that meet the requirements of ownership control but limited involvement in managerial structures to ensure that the skills of the professional are maximised and efficiencies of the organisation as a whole are leveraged.

1.6 Study Environment

The study environment is that of organisation management with a focus on the strategic leadership element of the organisations.

1.7 Clarification of Concepts

A professional services firm in the context of this specific study is limited to law firms. It could however also be applied to other large professional service firms in for example, the accounting, architectural, engineering or medical industries.

1.8 Plan of the Study

- Chapter 2 will provide a theoretical basis for the study and will develop concepts to illustrate the problems identified in this chapter.
- Chapter 3 is a study of appropriate and relevant literature.
- Chapter 4 defines the research problem and research questions.
- Chapter 5 covers the research design, data collection and analysis.
- Chapter 6 reflects on the results of the study.
- Chapter 7 discusses the results and provides general conclusions and recommendations.

1.9 Summary

This paper will research the roles and structures of top management structures and the roles of the professionals employed in those roles, whilst acknowledging the prevalence of owners working within the business, but with due cognisance of the requirement to manage a diverse business environment and meeting the increased client demands for service excellence.

The factors influencing decisions over various models employed in large South African law firms will be considered with the view to proposing a broad model to structure law firms, specifically focusing on top management roles.

CHAPTER 2: THEORETICAL FOUNDATION OF THE STUDY

2.1 Introduction

The first chapter provided an overview of the situation relating to the management of professional services organisations and this chapter will serve to investigate the theory that exists relating to top management roles and their impact on performance of the organisations within the scope the following headings:

- Roles and Responsibilities of Boards and Top Management.
- Environmental Analysis.
- Strategic Planning.
- Organisation Design.
- Decision Making Effectiveness of Organisation Design.
- Culture and Change.

The theoretical foundations will serve as a basis for recommending changes to existing methodologies employed by law firms and the focus areas listed above are appropriate to assess the effectiveness of an organisation's leadership ability.

2.2 Boards and Top Management: Roles and Responsibilities

The top management structure of any large organisation is the composition of senior people commonly known as the board, management committee or a similarly termed collective. Although the terminology may differ, the purpose of providing guidance and being the highest decision making body within the organisation is common to all established structures. Boards that fulfil a passive role merely fulfil legal requirements to have a board (Huse, 1998). It can be argued that for an organisation to be an effective leader in an industry, it requires that the board takes an active role in providing strategic direction to management. The control role of boards uses agency theory (Jensen and

Meckling, 1976) to exercise control over management on behalf of the owners. In an entrepreneurship context, the role of the board is to provide advice and assistance to top managers and assists in maintaining a network of contacts (Forbes and Miliken, 1989). There is therefore not only a requirement for boards to be active participants in directing an organisation, but while they need to ensure that they provide appropriate assistance and exercise control over management, they must ensure that appropriate authorities are delegated.

Theoretically, the control of a company is divided between two bodies: the board of directors and the shareholders. The amount of power exercised by the board varies with the type of company but the division provides for accountability and the opportunity to exercise good governance. In small private companies, the directors and the shareholders will normally be the same people which arguably results in no real division of power and the directors are accountable only to themselves, save for any external stakeholders that may be present. This is also largely true for large private companies.

In large public companies the board has the ultimate decision-making authority and are generally empowered to formulate company objectives, set policy, name members of advisory committees, hire and monitor performance of senior executives, determine dividends and issue shares (BusinessDictionary.com, 2007). Specific individual responsibility and management tends to be delegated downward to individual professional executive directors (such as a finance director or a marketing director) who deal with particular areas of the company's affairs. (BusinessDictionary.com, 2007). The most important consideration is arguably that in large organisations, shareholders divest their management responsibility to a board, who in turn appoint a management structure to run the business on their behalf due to their inability to do so themselves.

The role of the board is therefore to provide leadership within a framework of appropriate and effective controls to ensure sustained success of the business. This is done through the determination by the board of the business' strategic

aims, ensuring the necessary resources are in place to meet its objectives. (Higgs D, 2003)

Strickland et al (2005) assign the lead responsibility for crafting and executing the company's strategy to senior management, but acknowledge that it is the duty of the board to critically appraise and approve strategic plans, evaluate the strategic leadership skills of the CEO and other top management and institute a compensation plan for top executives (Strickland, Thompson & Gamble, 2005). In crafting the organisation's strategy they identify the following five integrated tasks as top management's responsibility:

- Developing a strategic vision of where the business should be and what the product-market-customer-technology focus should be. The vision provides long term direction and should infuse the organisation with a sense of purposeful action.
- Setting objectives that convert the vision into specific performance outcomes with specific target dates and levels of achievement.
- Crafting a strategy to achieve the desired outcomes and move the company towards the objectives.
- Implementing and executing the strategy effectively and efficiently in an operations-oriented manner, creating a strategy supportive environment capable of delivering the desired results.
- Evaluating the performance and instituting corrective adjustments in long-term direction, objectives and strategy realised from a changing environment or new opportunities.

Strickland et al have certainly identified strategic tasks for top management, devoid of operational level functions, reinforcing the responsibility expected from the executive level in an organisation.

Taylor (2003) suggests that most boards spend the majority of their time managing the status quo that is current trends, budgets and results instead of

focusing on corporate renewal activities thereby positioning the company for the future. The distinction between the role of the board and management is of critical importance to the current well being and future growth of any organisation. Whilst it is understood the role of the board is that of strategic direction and corporate governance, Taylor's model in Figure 1 calls for a move towards an entrepreneurial responsibility of boards. This will however only be possible in an advisory capacity at a strategic level within the organisation and one should guard heavily against the board delving into the micro or operational related matters of the firm.

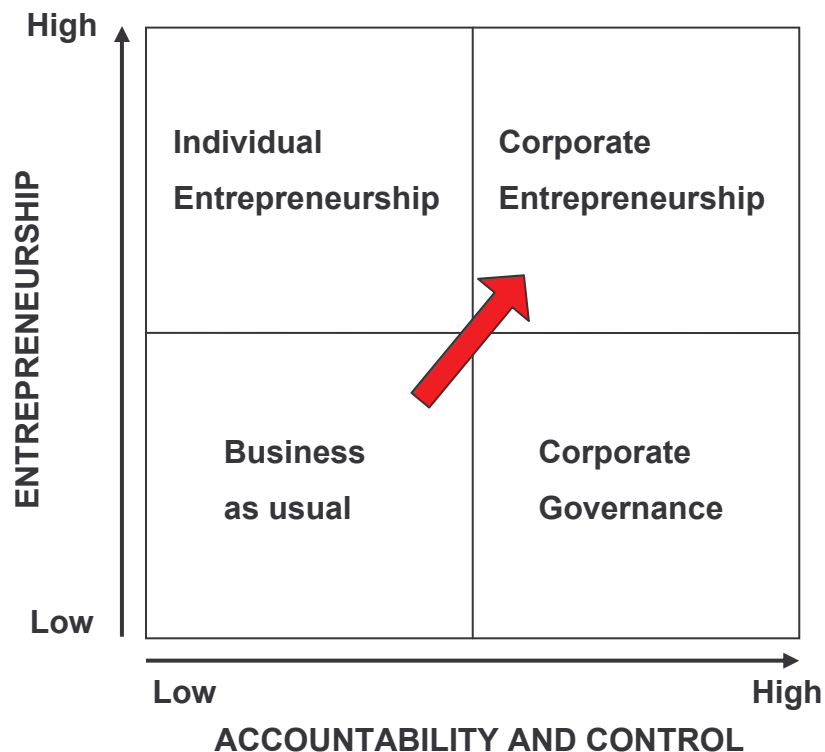


Figure 1: Board Leadership Style

Source: Taylor (2003:4)

It can consequently be argued that all too often boards involve themselves in the lower left-hand quadrant, investigating the current situation and ensuring that yesterday's policies and practices are enforced. This situation can result in the

market progressing and the firm's relative position to their competitors regressing without the realisation that it is taking place.

In a situation where lawyers build their own practices and operate as individuals to service their clients, the situation of individual entrepreneurship may occur, particularly when a young partner is keen to climb the partnership ladder and invests heavily in marketing and impressing potential clients. This situation arguably leads to poor accountability to the remaining partners in the firm and a situation of "my clients" and not the "firm's clients" can arise.

This model therefore depicts the requirement for Corporate Entrepreneurship, which facilitates the growth of the client base whilst maintaining a strong sense of accountability and control. It is however only feasible if the board instils a culture of Corporate Entrepreneurship and manages the change from the top down. Although it is acknowledged that relationships are important to building a practice, it is equally important in a large organisation to have a sense of unity and common purpose.

2.3 Environmental Analysis

The South African business environment is more diverse and therefore arguably more complex now than it has ever been before. South African business has fought its way through the turbulent post apartheid era within a volatile macro economic environment exacerbated by a volatile Rand, skills shortages, high unemployment and widespread social development issues (Lewis J.D., 2002) African productivity is comparably low when measured against the rest of the world which suggests high indirect costs and business related losses. (Eifert et al, 2005) There are new democratic emergent imperatives that Government is imposing on businesses such as BBBEE, FAIS, FICA and the like, providing additional social and business hurdles in the path of achieving a productive business environment.

The introduction of each of these legislative instruments not only require specialist consideration, but also have a profound effect on all areas of the business including but not limited to legal practice's, human resources, financial management, information technology, procurement and investment of capital. The burden is not limited to knowledge acquisition but has a profound effect on time and cost for management to consider. It is argued that it is imperative to employ specialist skills to firstly devise strategies to effectively meet the compliance demands and thereafter to obtain competitive advantage over competitors. It is inconceivable therefore to rely on line managers within a firm to devise these strategies and calls for the employment of professionals in these roles that are necessary to enhance the existing skill set.

In addition, South Africa's emergence in the global environment has introduced a new segment of external opportunities and threats and the shifting dominance of global powers and their influence over the African continent will play an increasingly important role in the requirement for responsiveness of top managers in South African organisations. Hodgart (2000) identifies that South Africa is also faced with transformation into an international competitive environment, along with countries such as Australia, Canada, various European countries and leaders, USA and UK. The trend of moving towards international and even multi-national firms is resulting in an increased footprint across the globe and should serve as a warning to local firms that the competitive space is likely to change.

Whilst there are still certain barriers to entry by International firms to South Africa such as the legislative framework and the exchange rate, it is quite possible that in time the international US, UK, European and even Asian firms look south for opportunities through mergers and acquisitions. South African firm's themselves are active in pursuing M&A opportunities as evidenced in a couple of large firm's joining forces to create the mega-firms within the context of the South African

landscape. It is arguably possible that the following step could be to merge with large international firms to create an African powerhouse presence.

The external environment impacts directly on the strategy of the professional services firm which will from time to time have an impact on the structure of the organisation. To completely understand the environment and the factors that have an impact on organisation, a high level external analysis should be conducted of the South African business environment relative to the professional service organisation using Porter's model depicted in Figure 2.

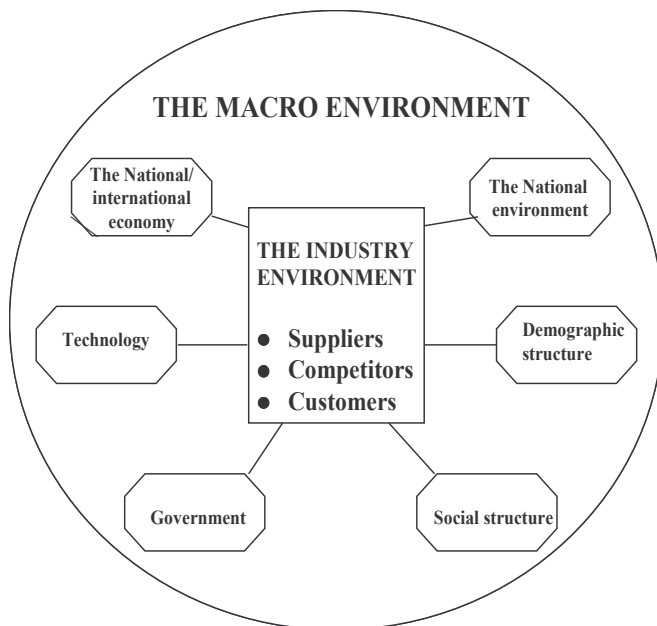


Figure 2: Porter's model (1985)

Porter's model investigates the direct industry environment as well as the various factors within the external environment that have a potential impact on the industry.

Important to this study is the international environment, industry and technological considerations which in terms of the analysis can also be seen as the immediate competitive environment, the area in which various firms compete for business on similar terms. The theory behind the model calls for a study of

the industry environment, specifically the suppliers, competitors and clients or clients. The macro environment analyses those aspects over which an individual organisation has at best, limited influence but often no control whatsoever. This does not suggest that it is not important to consider these variables. In the contrary, it is of great importance to analyse the macro environment in order to leverage advantage over the competition.

Pearce and Robinson echo the areas of study focused on in the Porter model but reflect the stakeholder expectations. Figure 3 below assesses the demands placed on the stakeholders from the perspective of each stakeholder.

STAKEHOLDER GROUP	DEMANDS
Stockholders/Shareholders	Appropriate returns on their investment
Employees	Job satisfaction
Clients	What they pay for
Suppliers	Dependable buyers
Governments	Adherence to legislation, regulation and taxation
Unions	Benefits for their members
Competitors	Fair competition
Local Communities	The organisation to be a responsible citizen
The General Public	The firm's existence to improve the quality of life

Figure 3: Stakeholder demands by Pearce and Robinson

Source: Pearce and Robinson: 2003

A shortcoming in the two models is possibly an analysis of the intensity or severity that the various concerns may have on the business. Neither model assesses the complexity of the problem that must be dealt with. This is of particular importance to this study, as it has a direct bearing on the ability of the professional to understand the importance of the variables and provide appropriate strategic direction to deal with the situation appropriately.

2.4 Strategic Planning

Strategy is formulated at various levels within an organisation. Corporate strategy and Business strategy are the focus of top management whilst Functional-area strategy and Operating strategy is the domain of senior functional managers, as depicted by Figure 4 below (Strickland, Thompson & Gamble, 2005:35). Law Firms are not immune to the necessity of producing strategies and are influenced by the environment in similar ways to production oriented firms. Given the environmental variables at play it is imperative that professional services firms undertake a strategic planning process to ensure they remain competitive and are able to adjust to the changes in the environment. Strategy is crafted by leadership and should be developed at various levels of the organisation as evidenced in Figure 4.

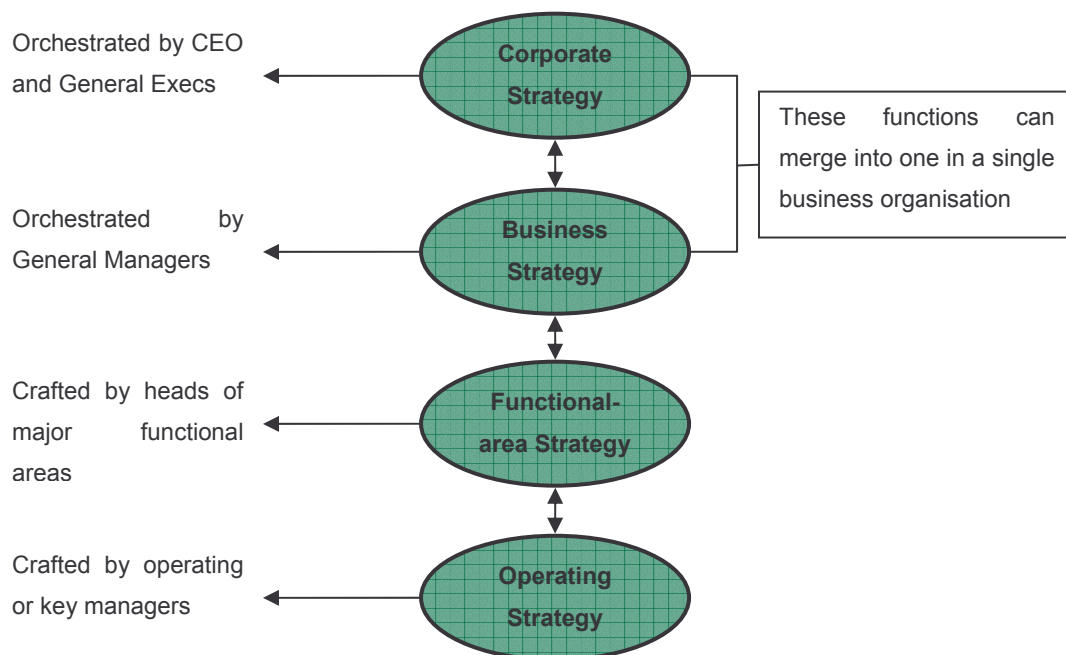


Figure 4: A Company's Strategy-Making Hierarchy

Source: Strickland, Thompson & Gamble (2005:35)

Corporate strategy. Corporate strategy consists of the kinds of initiatives used to establish business positions in different industries, the approaches corporate

executives use to enhance business performance and establish competitive advantage. Top management of an organisation is therefore responsible for providing strategic direction to the rest of the business and converts information received from the business and other stakeholders into a meaningful strategy. (Strickland, 2005:35)

Hodgers (2000: 473) states that a coherent competitive strategy for a law firm should contain:

- A clear strategic positioning and the key strategic components for achieving it;
- The strategic capabilities and competencies required by such a strategy;
- The organisational processes to deliver the strategy;
- An in-depth understanding of the client and market knowledge and understanding.

Corporate strategy is a vital component to the effective functioning and direction of a business, requiring skilled and knowledgeable leaders to firstly identify the strategic requirements, formulate the strategy and importantly effectively communicate their requirements to the following level, i.e. business strategy or functional if the business strategy is combined with this level.

Business strategy. Business strategy concerns the actions and approaches crafted to produce competitive performance in a specific line of business. This role is fulfilled by business unit heads or the same top management that defines corporate strategy where only one line of business exists. (Strickland, 2005:35) The business strategy needs to be developed from the corporate strategy with due understanding of the competencies required to execute that strategy and the institution of the processes required to deliver the strategy.

The corporate and business strategies are arguably the most important strategies for a business because the functional-area and operational strategies

feed of the former strategies. The lower-order strategies are not any less important than the corporate and business strategies and non-alignment of the lower order strategies can have a detrimental effect on the business success. It is however the higher-order strategies that provide the direction for the business taking the macro and micro environment into account.

Functional-area strategies. Functional area strategies are concerned with the actions, approaches and practices to be employed in managing particular functions, business processes or key activities in a business (Strickland, 2005:35). The primary purpose of functional strategies is to support the company's overall strategy and therefore calls for coordination and integration of all subordinate strategies such as the IT, Marketing, Financial and HR strategies.

Operating strategies. Operating strategies concern the approaches for managing operations that have a strategic significance and although at the lowest level of the hierarchy, its significance should not be underestimated. (Strickland, 2005:35) Failure at this level will result in the output of the organisation not meeting expectations and will result in significant problems for the organisation.

Although the functional area and operating strategies can be formulated in isolation, they can truly only be effective if crafted with due consideration of higher order strategies. It can be argued therefore that failure to craft higher-order strategies will result in ineffective lower order strategies and therefore poorer business effectiveness.

The extent of any analysis performed in this study will be focused on the corporate strategic level's interaction with the Business strategy with specific attention provided to the role player's ability to provide effective input at that level.

Assuming, firm's do craft a strategy to deal with the multitude of variables identified during the process of environmental analysis, it is inappropriate for top management to become complacent merely in the knowledge that a strategy exists. Figure 5 below reinforces this view, where Grant indicates the necessity for not only a strategy to be crafted but also the effective implementation through an understanding of the supporting variables that include the resources, and environment and the prevalence of simple, consistent long term objectives.

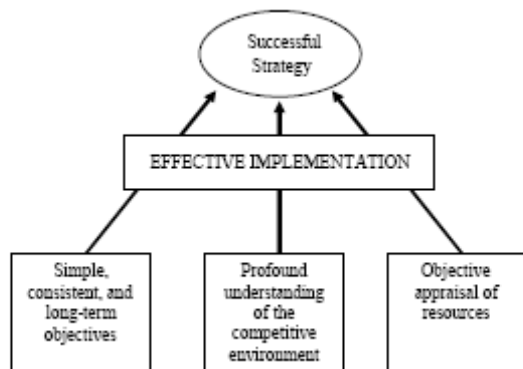


Figure 5: The Common Elements of Successful Strategy

Source: Grant (1998)

Mintzberg has indicated the potential for inconsistencies in the design and execution of strategies as depicted in Figure 6 below. It is evident from the model that despite there being an intentional strategy, some aspects thereof will not be realised and there will be strategies employed not initially planned for, resulting in the realised strategy. The greater the ability to understand and anticipate the external environment, the better organisations will be placed to realise their strategies in a consistent and planned manner. It is important for boards to realise however, that they must ensure that the deviations are within acceptable limits when striving to achieve the long term objectives for the organisation.

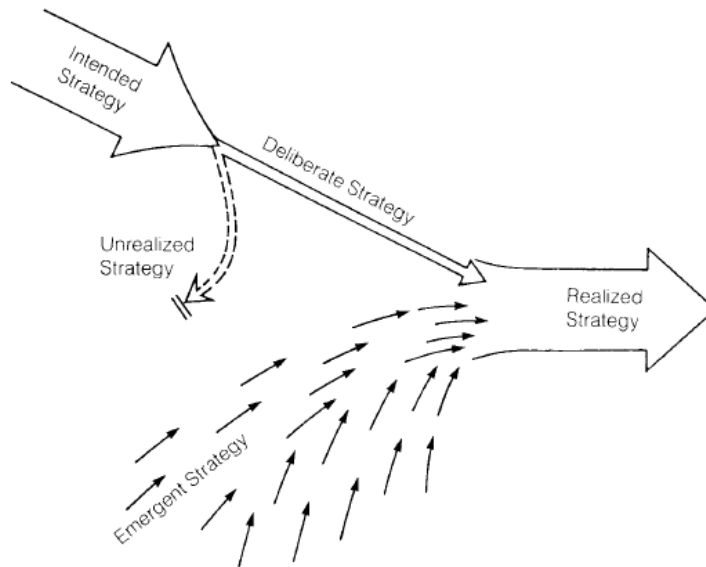


Figure 6: Deliberate and Emergent Strategies

Source: Mintzberg (1987)

A second consideration is the impact that strategic drift has on the organisation's ability to apply its strategy and also the ability to analyse their requirements, whilst minimising the cost of maintaining a competitive position. Strategic drift, conceptualised in Figure 7 (Johnson, 1988) depicts the impact of change on the strategy of an organisation over time relative to environmental change. The model indicates that as time progresses and the organisation fails to react to the change appropriately, the organisation will be required to react drastically to close the gap.

It can be argued that in terms of the Deliberate and Emergent Strategy model, the emergent strategy, forced by environmental change over time, will be the dominant strategic focus resulting in the realised strategy. The key for organisations is to anticipate the environmental change and incorporate the change in their strategy from the outset to minimise strategic turbulence.

If an assessment of environmental change is not conducted regularly, the organisation is going to be found to be required to conduct transformational

change in order to re-align itself with the environment. This is a resource sapping process and detracts from the core business of the organisation. It makes sense therefore to continuously assess the organisation's position relative to the environment in order to avoid transformation or at the very least, minimise the impact thereof.

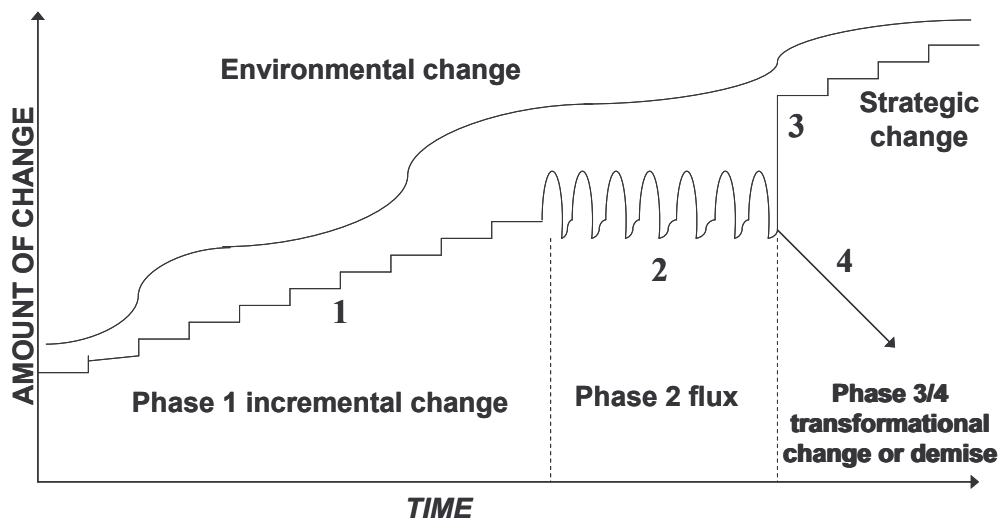


Figure 7: The Risk of Strategic Drift

Source: Johnson (1988)

In Johnson's model depicting the risk resulting from strategic drift, phase 1 depicts incremental change that is consistent with changes in the environment. However, depending on the "volume" of change over time, unless the organisation's incremental change keeps pace with the environment it will end up in a state of flux (phase 2). This phase results in knee jerk strategies or band aids to resolve immediate problems, resulting in competitive momentum being lost and ultimately requires major interventions in phase 3. It is here where organisations will be most vulnerable to losing their competitive position due to their inability to offer similar service to clients as what competitors can. Successful strategic change in phase 3 will return the organisation to phase 1, yet failure can result in the demise of the business.

Hodgers (2000), characterises law firms in two phases of change. Those who refuse to acknowledge the requirement for change and those that anticipate change and who manage their change. Law firms' that do not change are required to undergo momentous change at times resulting in major upheaval and unhappiness within the firm. They are often then complacent, following the view that they have undergone change and are now well positioned, failing to realise that as time progresses they fall behind once more, requiring major change in the future again. This failure to monitor the external environment and adapt continuously results in phase 3 in Figure 7 being repeated over and over again.

Failure to conduct strategic planning and develop corporate, business and functional strategies relative to Figure 4 as discussed above will result in strategic drift and mitigation of the associated risks will need for transformational interventions to be effected.

2.5 Organisation Design

Organising is the process of creating a structure for the organisation that will enable the organisation to effectively achieve its objectives (Smit and Cronje, 1999). An organisation design is depicted most commonly through its organisation structure, which is the manner in which the functions, tasks and responsibilities have been assigned within the organisation. Although there are a variety of models that can be used to design the organisation structure, this study will only analyse the functioning of the top echelon of the organisation's structure, with a primary focus on the interaction between the board and the top managerial structure as evidenced in Figure 8.

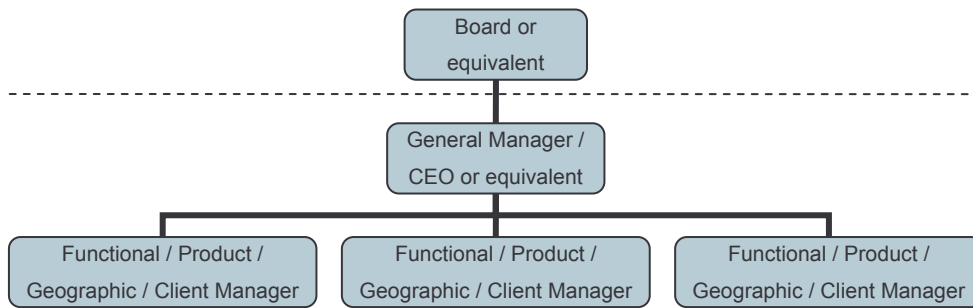


Figure 8: Organisation Structure

Whilst it is acknowledged that structures can be designed according to function, products, geography or clients, it is not important to this study other than to acknowledge that the organisation can be structured according to a variety of reasons. The contention in this paper will however focus on the relationship and responsibilities afforded above and below the line in Figure 8.

To determine the various alternative structures that can be contrived, the various structuring option of both the organisation as a whole and the top management structures will need to be investigated. Mintzberg (1979) developed a structural model of organisations where he considered structure as the sum total of ways in which an organisation divides its labour into distinct tasks and then achieves coordination among them (Mintzberg, 1979: 2).

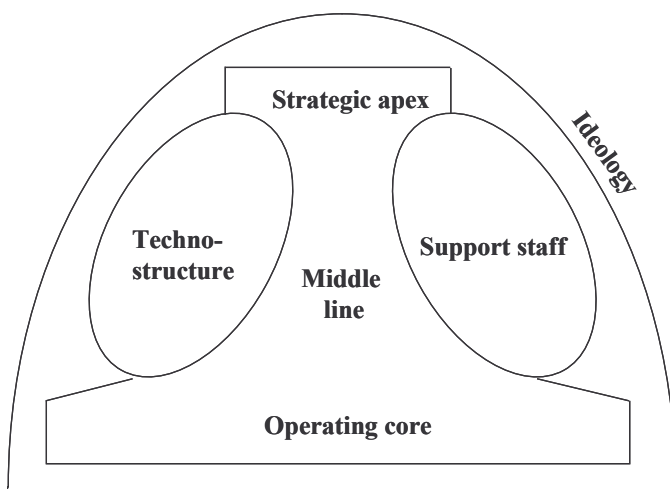


Figure 9: Mintzberg's Organisation

Source: Mintzberg (1980)

Although the five elements of Mintzberg's models remain valid, the influence of each element on the organisation may have changed over time. The five elements depicted in Figure 9 are defined below (Mintzberg, 1980):

- The **strategic apex** consists of the top managers of the organisation, and their personal staff.
- The **middle line** comprises those managers who sit in a direct line of formal authority between the people of the strategic apex and of the operating core.
- The **operating core** includes all those employees who themselves produce the basic products and services of the organisation, or directly support their production.
- The **techno structure** consists of those analysts, out of the formal "line" structure, who apply analytic techniques to the design and maintenance of the structure and to the adaptation of the organisation to its environment (e.g., accountants, work schedulers, long-range planners).
- The **support staff** includes those groups that provide indirect support to the rest of the organisation (e.g., marketing, human resource, IT, public relations, payroll and office administrative support).

Mintzberg identifies the professional bureaucracy as the structure that best defines a professional services organisation and it is characterised by a large operating core controlled by professionals. The standardisation of skills is the primary control mechanism enforced through the learning culture in the organisation. Professional autonomy and dominance of the operating core constrain the influence of the administrative components and is arguably one of the most significant barriers to change. The lack of a techno structure and a limited emphasis on the middle line and strategic apex is indicative of the involvement of attorneys in all decision making aspects within a firm.

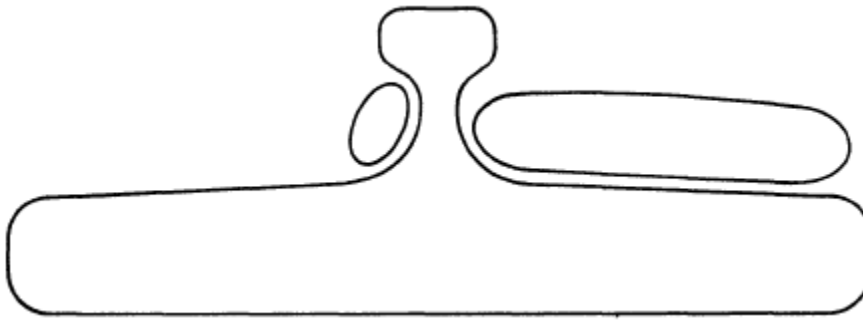


Figure 10: Professional Bureaucracy

The professional service firm relies on the expertise of the professionally qualified staff to provide the expert service to clients, hence the inflated operating core depicted in Figure 10. A service environment is furthermore characterised by an administrative intensive operation which explains why Mintzberg depicts an inflated support staff. Finally, the techno structure traditionally is given a small role within the professional bureaucracy given the functional expertise within the operating core. Whilst this model may be relatively old it still holds true for many professional services firms today although a case can be made that although it is employed by many firms, it may no longer be as valid as it used to be when initially designed. This view is purported due to the changes in the business environment and the evolution to large organisations that can no longer effectively be controlled through traditional means.

The organisation design is important for a variety of reasons. It defines the hierarchical relationship between management and their subordinates, the span of control, the manner in which business is conducted and how decision making power is dispersed in the organisation.

Decision making is divided into two groups, namely vertical and horizontal decentralisation. Vertical decentralisation refers to the extent to which formal decision making power is "delegated" down to the chain of line authority, whilst horizontal decentralisation refers to the extent to which power flows informally outside this chain of line authority in other words to support staffers and

operators in the operating core (Mintzberg, 1980). Figure 11 below indicates how these two forms of decentralisation combined with selective decentralisation (power is dispersed to different places for different decision processes) and parallel decentralisation (power over various decisions is dispersed to the same place) yields five different kinds of decentralisation (Mintzberg, 1980). Both the structure of the top management structure and the level of decentralisation of decision making is key to this study on large law firms in South Africa.

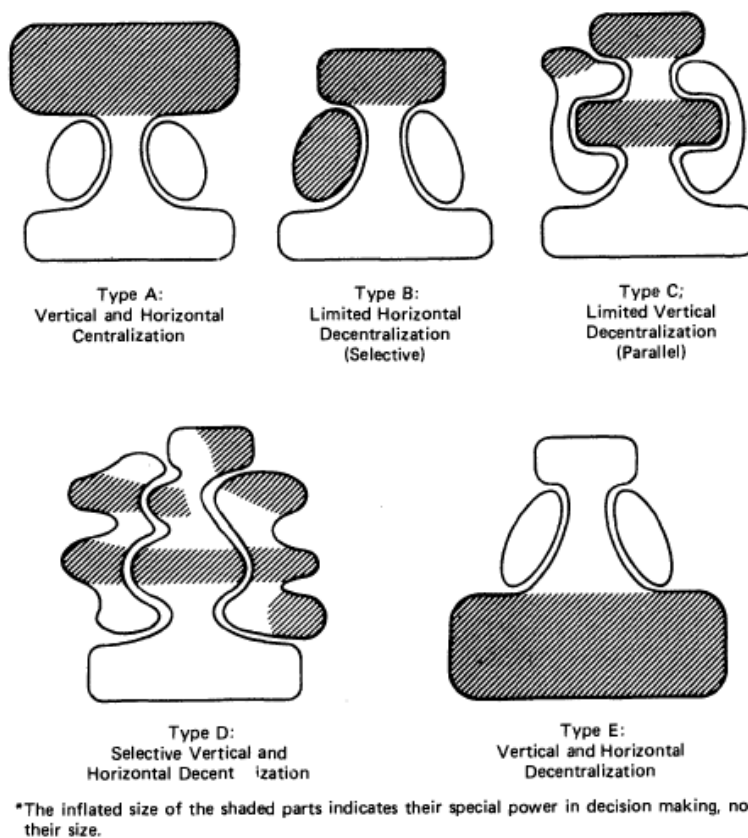


Figure 11: The Five Types of Decentralisation

Source: Mintzberg (1980)

The five types of decentralisation depicted in Figure 11 are described by Mintzberg as:

- **Type A.** In *vertical and horizontal centralisation*, formal and informal power remains primarily at the strategic apex with top management.
- **Type B.** In *limited horizontal decentralisation*, informal power flows selectively to the analysts of the techno-structure who play major roles in

- standardising everyone else's work, while formal power remains at the strategic apex.
- **Type C.** In *limited vertical decentralisation*, a large amount of formal power is delegated in parallel to the managers of market-based line units, usually called "divisions". (Some horizontal decentralisation takes place here as well, to the analysts who design the performance control systems used to monitor the results of these divisions.)
 - **Type D.** In *selective decentralisation* (horizontal and vertical), decision making power is diffused widely in the organisation, to "work constellations" at various levels and containing various mixtures of line managers and staff and operating specialists.
 - **Type E.** In *horizontal and vertical decentralisation*, power flows, largely in parallel, all the way down the line of authority and then out at the bottom to the operators of the operating core.

Whilst Mintzberg's characterisation of organisations into the different forms describes how the five elements are weighted relative to each other, the characterisation of the levels of decentralisation is a clear indication where decision making within the organisation takes place and what level of trust is instilled various levels of management. As mentioned previously and discussed below, the level of decentralisation is key to the efficiency of a law firm, as any time spent by highly paid lawyers, is also time not spent billing clients and therefore revenue is not being generated.

Organisation structure in composite conceptual form therefore determines reporting lines, coordination and interaction mechanisms. The structure of an organisation has three components, namely complexity, formalisation and centralisation (Robins, S.P. 1990). Complexity refers to the degree of specialisation of employees, how labour is divided and the number of levels of geographic dispersion. Formalisation refers to the degree of rules and

procedures, whilst centralisation refers to the levels of decision making in the organisation.

An organisation structure is therefore not merely a depiction of how it looks and who reports to whom. The structure reflects the managerial philosophy relating to decision making, levels of autonomy, definition of skill levels and it can even explain what strategy the organisation is employing within the environment.

2.6 Decision Making Effectiveness of Organisation Design

The decision making effectiveness in an organisation is key to conducting effective operations and stems directly from the nature of the organisation design and the impact that it may have on the decision quality. Within any organisation, decisions making is distributed at various levels and decisions can be vested in individuals or groups of members. The decision making paradigm calls for a conscious design of decision making units and their relationships (Huber and Mc Daniel, 1987). The design of decision units considers the organisational properties relating to centralisation, specialisation and flexibility and how these properties can be optimally integrated.

- Centralisation refers to the dispersion of authority within the organisations with a centralised organisation is closely held at the top and a decentralised organisation has a diffused authority structure.
- Specialisation is the degree to which different organisation units perform different functions or the scope of responsibility is small.
- Flexibility refers to the ease at which the organisation's structures and processes can be changed.

There are two issues relating to decision making that arise from the above elements, the first being the cost effectiveness of the decision and the second the quality of the decision. Decisions should therefore be assigned to the hierarchical level that minimises the cost and maximises the quality of the

decision and therefore calls for specialised personnel to be intimately involved in their specific disciplines.

It is argued that where decisions are of a specialist nature it is acceptable that a centralised approach is followed, provided of course that the specialist knowledge is inherent at the centralised structure. This will however reduce the ability to follow a flexible approach to manage an organisation and result in a bureaucracy. A decentralised organisation has a greater propensity for flexibility provided the authority is appropriately delegated.

2.7 Culture and Change

Culture is characterised as being either strong or weak and Schein (1985) identifies 5 levels of culture, the first being the deepest most difficult to change and the latter being the physical representation of the culture:

- Fundamental assumptions;
- Values;
- Behavioural norms;
- Patterns of behaviour; and
- Artefacts and symbols.

Schein (1992) defines culture as a pattern of basic assumptions that a group has learned as it solves its problems of external adaptation and internal integration, which has worked well enough to be considered valid and is therefore taught to new members as the correct way to perceive, think and feel in relation to those problem. Hofstede (1994) describes corporate culture as the “psychological assets” of the organisation, which can be used to predict what will happen to its financial assets in five years time. This in itself provides an indication of how important culture and change of culture is to the sustainability of a business and when expectations change, it becomes necessary to look long and hard at the

organisational culture to ensure that it aligns with maximising financial assets over the medium and long term.

It is appropriate that given the environmental influences, the need for change over time that culture too is adapted to reflect the needs of the business. Schein (1992) notes several requisites for organisational success that organisational culture must now take into account:

- The organisation must be proactive, not just reactive.
- The organisation must influence and manage the environment, not just adapt.
- The organisation must be pragmatic, not idealistic.
- The organisation must be future-oriented, not predominantly present/past oriented.
- The organisation must embrace diversity, not uniformity.
- The organisation must be relationship-oriented, not just task-oriented.
- The organisation must embrace external connectivity, as well as promote internal integration.

Culture is clearly linked to the roles of leadership and is the responsibility of leadership to effect change as and when the needs of the business change. Cultural change is usually a radical change and is not very easy to achieve. Trice and Beyer (1991) identify three basic ways to achieve cultural change:

- Revolutionary and comprehensive efforts to change the culture of the entire organisation.
- Efforts that are gradual and incremental but nevertheless are designed to cumulate so as to produce a comprehensive reshaping of the entire organisational culture.
- Efforts confined to radically change specific subcultures or cultural components of the overall differentiated culture.

The appropriate methodology will be dependant on the requirement for change and also the time available to effect cultural change. Radical change is often

required when the situation is out of control and calls for the transformational change. Where strategic planning is conducted and change is factored into the plan, gradual or targeted cultural change can be effected. Although these are the ways in which culture can be changed, Schein (1999) identifies the following strategies that can be employed to effect the change:

- Unfreezing the old culture and creating motivation to change;
- Capitalising on propitious moments, problems, opportunities, changed circumstances, and/or accumulated excesses or deficiencies of the past;
- Making the change target concrete and clear;
- Maintaining some continuity with the past;
- Creating psychological safety through a compelling positive vision, formal training, informal training of relevant groups and teams, providing coaches and positive role models, employee involvement and opportunities for input and feedback, support groups, and addressing fears and losses head on;
- Selecting, modifying, and creating appropriate cultural forms, behaviours, artefacts, and socialisation tactics;
- Cultivating charismatic leaders;
- Having a realistic and solid transition plan; and
- Exercising risk management by understanding and addressing the risks and the benefits as well as the potential inequitable distribution of these risks and benefits.

Whilst all these strategies may be effective in various circumstances, it will be necessary to understand the culture of the organisation and employ those specific strategies that will be most effective in the organisation requiring the change.

2.8 Summary

The role of a board is to provide strategic direction to the business and approve the plans of senior management ensuring they give effect to the strategic intent.

A Board's involvement in the direct management of a business must however be avoided and there focus should move to a role of Corporate Entrepreneurship, which facilitates the growth of client base whilst still maintaining a sense of accountability and control. The responsibility is however delegated to the senior management team.

It is important that strategic planning takes place with due understanding of the external environment and a full appreciation of the stakeholders. Strategy should be formulated at the appropriate levels but must flow down from the Corporate strategy to functional level strategies. Failure to craft appropriate strategies will result in greater percentage of emergent strategies being realised over intended strategies, which will manifest in an organisation being reactive to situations and eventually in repeated transformational change and large scale upheaval within the organisation.

Whilst the design of an organisation is largely affected by the type of business it performs, it is also a reflection of the culture of the organisation. It furthermore defines the relationship between various levels of management and staff. A professional services firm has a large number of specialists as the operating core, yet these specialists are overwhelmingly the owners of the business as well. The levels of decision making and in effect the effectiveness of decision making is directly affected by the structure and the ability of the organisation to decentralise decision making to the lowest possible level.

Where the culture of the organisation is reflected in its structure and requires a change to the structure and culture to ensure efficient operations and a sustainable business, change management issues will come into play. Change management requires careful planning and consideration of not only the desired outcome, but also those things that need to be changed and how change is going to be effected so as to be successful.

CHAPTER 3: LITERATURE REVIEW

3.1 Introduction

A professional services firm is traditionally considered to be an accountants firm or firm of attorneys, although not exclusively so. Professional services are a service requiring specialised knowledge and skill, usually of a mental or intellectual nature and usually requiring a licence, certification or registration (Baschob and Piot, 2005:6).

The most notable characteristics of a service industry are client contact, intangibility, inseparability of production and consumption, heterogeneity, perishability, and labour intensity (Daniel Prajogo, 2006). These characteristics point to the importance of focusing on levels of excellence to satisfy client service within a service dominated market.

Although there is a large body of knowledge ranging from published books, journal articles, papers and industry commentary, all contributing towards the subject of management of professional organisation's, there is very little that contributes to the managerial roles within the South African context.

This chapter shall investigate the various published works and editorials that provide insight into the professional services environment and an understanding of the industry specific norms relating to the structuring of organisations at top management levels and their roles in strategic, tactical and operational decision making. The following issues pertaining to law firms will be investigated in this chapter:

- Business forms available to large law firms in South Africa.
- Design of law firms.
- Management in law firms.
- Culture and change management issues.

3.2 Business Forms for Law Firms in South Africa

In international firms there has been a move away from partnerships as an organisation form to public limited liability (plc) firms. This trend has been followed to an extent with the establishment of the incorporated structure (inc) by South African firms as described below. This has provided a limited opportunity for law firms to operate along commercial lines although it has in reality possibly only been a catalyst for a change in the cultural mindset. A consideration for law firms remains their liability to their clients. In a limited liability context, clients may not appreciate their advice received being limited, specifically in high value transactions. This is not the case in a partnership for example where the partners are jointly and severally responsible for the liability of the partnership.

The form of the business will to a large extent drive how the management roles are clarified within the entity. Large Law Firms in South Africa have traditionally followed two forms of business. Initially all large firms were structured as Partnership however recently more firms have migrated to an Incorporated structure. The comparison between the two forms of business as mentioned by the Economic and Social Development Directorate of the Cape Metropolitan Council in their discussion document is provided for below.

The primary organisational difference between partnerships and corporations is that partnerships do not function according to a pyramidal management structure and while a company will have an ultimate chief, partnerships have multiple owners with substantial influence over managing the firm (Demby, 2002).

3.2.1 Partnerships

A partnership is formed when a group of people enter into a partnership agreement whereby their capital, labour, know-how and experience are contractually bound (Demby, 2002). Partnerships are broadly classified

according to the liability of the partners and the manner in which they share in the profits. The details of liabilities and profit sharing are contained in the partnership agreement. The advantages of a partnership as a form of business include:

- A Partnership can be formed without complying with formal requirements. All that is required is a valid Partnership agreement.
- It is flexible and can be formed for a single venture or an ongoing one.
- Expertise and experience of a number of experts can be pooled.
- Opportunities for obtaining capital are usually favourable and each partner can contribute to the capital of the business.
- The Partners are considered legal persons.
- A Partnership does not get taxed as an entity and each Partner is taxed individually as a taxpayer but can deduct tax losses and claim tax concessions available to the Partnership.
- A professional partnership is not limited to 20 persons as is the case with any other partnership.

The disadvantages of a Partnership include:

- Partnerships do not enjoy limited liability and consequently all Partners are jointly and severally liable for the debts of the Partnership.
- A Partnership has less continuity than corporate entities because it is dissolved by any change to its composition, i.e. death of a partner or entrance of a new partner.

Whilst it is not required that a partnership remains and owner managed organisation in terms of formal requirements, it is understandable that the partners, being liable for the business, are hesitant to relinquish management control to non-partners who are not liable for their debts. However, it can be argued that the correct distribution of authority to different levels in the organisation can still result in the efficient management of the business, whilst still maintaining ownership control.

3.2.2 Unlimited Private Company (Inc.)

For many years professionals were unable to incorporate their practices and were forced to form partnerships if they wished to pool expertise and resources. In 1968 a Private Company with unlimited concurrent joint and several liability of Directors was introduced and is currently a form of business established in the Companies Act (1973). The provision provides for Directors of Private Companies to be liable, jointly and severally for the debts of the company which were incurred during their periods of office (Demby, 2002). This form of company although not restricted to, is intended for members of professions. The advantages of the Inc are:

- The unlimited private company overcomes the problems of the perpetual succession and legal personality experienced by a Partnership.
- The Inc is more suited to be managed like a company.

The disadvantages are:

- Directors and former Directors are liable for their debts during their periods of office.

Despite the availability of an alternative form of business, incorporating from a partnership structure to a limited liability entity, firms are still being run in a fairly idiosyncratic manner (Shohet and Jenner, 2006). Whilst the liability issues are not resolved in the formation of an Inc, there is more freedom to institute corporate type structures to manage the business and it allows for the mobility of directors into and out of the business.

As evidenced above, there are currently only two forms of business that a large law firm can follow, the partnership and an Incorporated. Law firms are however inherently profitable and it is muted in the international environment that it may soon be possible to list on a stock exchange, resulting in huge capital inflows and future earnings for partners. Understandably, the South African legislative environment is presently not accommodating but in time this may be a possibility.

Of course it will require a complete turnaround in thinking and a change in the management of the business who will be accountable not only to the internal shareholders but to external shareholders too.

The liability issues have been resolved in the USA and UK, through the formulation of limited liability entities and although no such form of business exists in South Africa, there are moves afoot to develop a form of business that limits the liability of its directors to the business and the assets held by the business. Although this may be beneficial to the partners, it will undoubtedly make certain clients more nervous and could possibly have the effect of the large firms maintaining their dominance due to their reputation and the smaller firms having to maintain their status, without limiting their liability.

3.3 Design of Law Firms

The success of any organisation depends on its structure and design. Paul Finlay, in their book *Global Strategic Management* (Mellahi, Frynas & Finlay, 2005: 293), states that a firm's structure can be seen as the blue print depicting the formal reporting relationships within the firm. He goes on to say that the design is the way major activities are carried out within the structure, providing the skeleton for control and coordination; including how and where decisions are made. It is arguably critical therefore to ensure that the structure provides for effective management and control over operations. Within the context of a law firm where the decision makers are responsible for revenue generation primarily on a time billing situation, it is even more important to ensure that effective decision making and control structures are instituted, with the view to freeing up important and costly time of the partners.

Top management should be focused on strategic matters and should consequently be designed to meet those challenges. "The firm should adapt not only its strategic posture to the environment, but also its organisational structure" (Özsome A, Calantone R.J & Di Benedetto A., 1997: 403). This view is

consistent with the theoretical considerations relating to structural efficiencies and decentralisation of authority within the organisation. It is arguably the most important role of top management to formulate the strategy and to ensure that the structures within the business can give effect to the strategy.

3.3.1 Partnership Models

The traditional partnership model is a hierarchical pyramid without designated practice areas and with support staff serving the entire organisation such as the model depicted in Figure 12 (Pisa, 2003). This structure serves tactical needs rather than long-term strategy and Mintzberg's professional bureaucracy can clearly be overlaid on this structure. The Partnership and Executive Committee forms the strategic apex, the management reflects the middle line, the Departments and Offices constitute the operating core and the administrative staff are representative of the support staff. To a smaller extent the standing committees will emulate Mintzberg's techno-structure, although it will probably form part of the administrative functions.

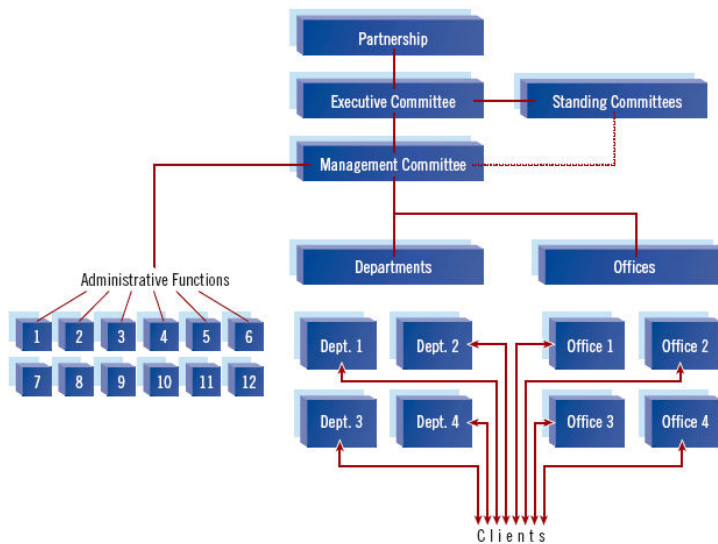


Figure 12: Traditional Partnership Model

Source: Goodwin Procter LLP (Pisa R.M. : 2003)

The traditional model perpetuates the centralisation of control through the segregation of the administrative functions from the business instead of partnering these functions into a cohesive unit.

Law Firms traditionally follow one of three generic business models (Baschob and Piot, 2005):

- The practice model is characterised by self contained practices with single team of individuals sharing delivery, business development and service roles. Limited support functions are provided as shared services.
- The hybrid practice model provides for specialised business development and service development resources. There are limited support functions provided as shared services.
- The functional model has separate organisations focused on delivery, business development and service development. Marketing resources are aligned with delivery and business development with clients.

Whilst the structuring of the practices are more relevant to the manner in clients are allocated and supported, it is also indicative of how supporting structures are integrated. Modern alternatives to the traditional structures include but are not limited to virtual organisations, lattice structures and process driven structures (Friesen, 2005). Over and above these models, the firms can be formed as partnership structures or incorporated structures. Internationally there are also limited instances of public companies as an ownership structure (Baschob and Piot, 2005). Law firms generate revenue that rivals many listed entities and is therefore not as impossible as it may seem at face value. This is however a further indication that law firms should be managed within a corporate framework and no longer merely as an owner managed entity.

Virtual organisations promote the sharing of costs, skills and access to global markets. Each partner contributes what he or she is best at bring excellence, technology and opportunity together. Typically, business opportunities are

integrated and each opportunity brings together a new configuration to meet the client's needs. It provides the company with leverage, speed, flexibility, shared risk, independence and interdependence, rapid growth across multiple markets and an acceptance of a change management culture. (Walters and Buchanan, 2001). Whilst virtual organisations may provide for immense possibilities and increased efficiencies, the transition from a traditional law firm to a virtual entity will require a major paradigm shift and will require even greater coordination and integration of business skills. A shift to this paradigm will however call for coordination, technical, leadership and managerial skills from individuals that have received advanced business leadership experience and schooling to ensure success.

3.3.2 Contributing Factors to Design

Organisation structure has been theorised as being antecedent to organisation performance as a consequence of market orientation. Green et al (2005) define market orientation as the set of cross functional processes and activities directed at creating and satisfying clients through continuous needs assessment and they found in their research that although organisation structure was inconclusive in affecting the market orientation, formalisation supported increased market orientation, which in turn impacts on financial and marketing performance.

Formalisation refers to the degree of rules and procedures present within the organisation. It is inferred therefore that whilst the structure is inconclusive in impacting directly on market orientation, formalisation a tenant of organisation structure, does support improved financial results and managerial performance. The formalisation of structures with clearly defined responsibilities is arguably a prerequisite to improving financial performance, suggesting therefore that by ensuring that the appropriate managerial structures with the appropriate delegation of authority will result in improved financial performance.

In a report conducted by Cap Gemini Ernst and Young (2002) insight is provided into the profitability of the legal market. This report identifies a few key levers required to increase the financial performance of law firms. These levers include:

- The number of fee earners per equity partner.
- The average fee per hour billed.
- The average number of hours billed per fee earner.
- Costs incurred per gross fees earned.

These four levers are critical to the profitability of any law firm and have a direct effect on the structural design of a law firm. By appropriately gearing junior attorneys per equity partner, it enables the equity partners to concentrate on growing business and seeing to the needs of the top clients whilst still ensuring that the volume or less lucrative work is produced at the correct standard by their juniors. Whilst the law society regulates the fee tariffs in South Africa, the number of hours spent on administrative or operational issues reduces the number of hours that can potentially be billed by the fee earner. Lawyers, especially senior partners are an expensive commodity. They too are normally the individuals involved in senior management positions in law firms, requiring for either a sacrifice of billable time to attend to management matters or extended working hours and reduced quality of life. It is therefore senseless to employ functional experts who are not empowered to make decisions on their behalf or alleviate the managerial burden. The involvement in operational matters by lawyers has a direct impact on their own profitability and their involvement in operational matters should therefore be limited to important strategic matters that affect the future of the business.

Where firms are publicly owned, they are structured like a commercial entity with a CEO or COO at the helm to oversee strategy and other business functions, allowing other senior staff to focus on service delivery. This form has its benefits as any commercial entity will experience such as ability to raise capital, effective management and corporate governance requirements. It may equally have

disadvantages such as the inability to attract professional staff without the lure of equity ownership or the potential for increased bureaucracy. However, most public companies attract top management through the provision of lucrative equity options.

Within the context of the organisation design, an important consideration within the structure of organisations is the roles assigned to the various role players. If the organisation has an effectively designed structure but the roles of positions in the structure are not complementary, then that structure will be ineffective. Within a traditional partnership, there is mostly an incestuous relationship between owners, top management, workers and administrators insomuch that the partner can fulfil all the roles simultaneously. Bradlow and Silverman claim that a traditional partnership organisation form is incompatible with the successful formulation and implementation of strategy (Bradlow and Silverman, 1989). As evidenced previously, strategy formulation is arguably the most important aspect for a business' future growth and competitive posture. It is also clear from the theory of strategic drift that the ineffective formulation of strategy results in large scale change required over a period of time. It is postulated by Bradlow and Silverman that a traditional partnership is ineffective in the formulation and implementation of strategy, which should mean that strategic drift is a phenomenon that is common place in law firms.

Bradlow and Silverman further recommend that the decentralisation of a significant degree of authority in the hands of key role players responsible for making strategic decisions is required to allow managers to respond quickly and make better decisions. The view is supported by Deborah Holmes in her assertion which calls for law firms to replace partnerships with a rational management structure designed to maximise efficient client service and lawyer satisfaction (Holmes, 1996).

These comments are arguably supported by the theoretical considerations and clearly call not only for the appointment of professional management teams but also the decentralisation of authority and accountability to the appropriate levels. All too often however, decisions are based on emotions and personalities and not business considerations. It is nevertheless necessary to ensure that a trust relationship between the partners and the management team is formed to truly relinquish the levels of control required to effectively manage the business. A committed acceptance of the decision by the top echelon is also required to ensure that the authorities vested in management teams is not undermined or short-circuited.

3.4 Management in Law Firms

Having a quality top management team that is able to make good decisions and lead the organisation to meet the demands of external and internal constituents is a very complex task. A quality top management team holds superior managerial skills and its ability to lead the organisation to meet its goals rests on an integration of these skills (Carmeli A. and Tishler A., 2006). The effective management of firms has become critical, and the managing partners have learned that while they might be great lawyers, they may not have the skills to be professional managers (Hitt M.A., Bierman L. & Collins J.D., 2007). This is undoubtedly a critical assertion if held true, given the need for leadership and guidance of the top management echelon in the formulation of strategy and provision of direction. It is furthermore inconceivable to contemplate that strategy formulation can be left in the hands of top management unskilled in the strategic management process.

By the very nature of choosing this career, most lawyers are interested in practicing within their profession. Lawyers particularly are conservative and their training encourages attention to detail, in order to determine what can go wrong in a given situation. Most professionals have an aversion to making mistakes or being wrong and are therefore extremely thorough in their approach, ensuring

that no stone is left unturned (Leonard, 2000). This approach is appropriate for the chosen profession to avoid malpractice actions against them, but does little for the expedience of decision making required within a business environment.

The single biggest barrier to firms maintaining a strong competitive position is the character and nature of the partners and the quality of leadership in the firm. In any law firm, a large majority of people will be conservative, resistant to changing the current practices "that already work" (Hodgers, 2000). This is arguably the biggest barrier to change within a law firm especially given the requirement for consensus decision making in traditional partnerships. Whilst consensus decision making in itself is not bad, it should only be employed within a law firm when considering strategic decisions and not when making non-critical decisions.

Many law firms are becoming frustrated at their inability to achieve a consensus and make timely decisions on matters of firm policy, strategy, marketing, and management. Missed opportunities and false starts on firm management and marketing projects are often regular occurrences (Olmstead, 1998). Olmstead provides reports from clients of law firms that have become increasingly more frustrated providing comments such as:

- "The firm does not have a goal or charted sense of direction"
- "The attorneys can't decide anything"
- "Things don't get done because no one is responsible. Conflict exists because anyone may be in charge"
- "The firm is strong on ideas but weak on implementation"
- "The firm lacks leadership and focus"
- "The firm is too busy practicing law to have time to manage the firm and engage in long range developmental activities"

These comments point to a common problem in law firms, namely ineffectiveness. Firms that fail to address leadership issues may find themselves unprepared for the future and unable to acquire new clients and retain existing

clients. As the profit squeeze, competition, and the maturing marketplace continue, law firms must be on top of every opportunity and aware of every threat to survival. As markets and environments change; the need for strong effective leadership increases to be in a position to anticipate the change and grow from the opportunities that present themselves. Most large US law firms have in fact hired MBAs, and other specialists to serve as high-level professional firm managers (Spruill, 2001). This is indicative of the realisation that time spent by professional firm managers is more effective than relying on lawyers to attempt the same.

Successful business leaders have an opposite profile to the professional lawyer, especially the entrepreneurial innovator. They are supreme risk takers and are consequently often wrong and do not have the luxury of gathering all the facts before making a decision (Leonard, 2000). It is understandable therefore why professional services firms are structured with no more than a figure head as the chairman and a management committee that deliberate over simple decisions.

The managing partner's in firms furthermore have no business qualification and there is no time in the course of their careers to undertake formal training opportunities as they are too busy being introduced into the ways of the profession. This is so, despite the fact that large professional firms turn over the same volumes as their multi-million rand commercial business counterparts. It is therefore sensible that the managing partner and committee for that matter is exposed to the latest management theories to stretch their views on how law firms should be organised and operated (Leonard, 2000). Despite the importance of identifying the most suitable person to ensure the success of the business, the appointment of the Managing Partner is too often left to chance (Shohet and Jenner, 2006). The managing partner, senior partner or chairman is usually elected on a periodic basis from annually up to five years. There are instances where the head of the firm is elected merely because no one else wants the job. Although not ideal, where there is a strong management team in

place and decision making is decentralised it may still be acceptable. However, in a situation where there is an owner managed business, the incorrect leader could have a dramatic effect on the future of the business.

There is also the realisation amongst some firms in the US and UK that the professional service firm needs leadership that is able to act decisively. Shohet and Jenner support the view in their article where they insist that the managing partner must have the authority to manage the business, which includes the power to impose sanctions upon other for non performance (Shohet and Jenner, 2006). There is also unfortunately the realisation that the managing partner's role is not generally accepted fully by their fellow partners. This view is exacerbated by the view that the function can be undertaken in addition to normal client work.

While professional non-lawyer executive directors, managers and administrators, can provide some relief, the lawyer owners of the firm must still develop appropriate leadership skills and perform upper-level leadership roles. In some firms these skills are simply latent and need to be identified and appropriately reinforced whereas in others such skills are nowhere to be found (Olmstead, 1998).

The changing environment calls for new organisational paradigms and focus on leveraging all constituents to maximise profits. 'Organisations' inability to evolve, to experience ongoing metamorphosis, in a rapidly changing and continuously evolving environment, is resulting in the physical and social destruction of the societies and economies of which they are part' (Engdahl, 2005: 56). In South Africa business is facing increased exposure to the global environment. Although many South African Law Firms are acting for overseas clients, it is clear as evidenced by in research by Segal-Horn and Dean (2006), the globalisation of the professional services firms is already taking place. This means that it is likely that dominant players from the US and UK could soon enter the South African

market to provide services to their clients, leveraging their geographic footprint. Barriers to entry are however still the weak local currency and the legislative framework requiring local admission to practice as an attorney.

The legislative environment in South Africa will continue to change and place additional burden on management to respond and remain competitive. These include requirements to ensure compliance with FICA, FAIS, BBBEE as well as pending changes to the Companies Act and an increased focus on Corporate Governance. These are but a few of the generally applicable legislative changes of recent times, but they require in depth knowledge and understanding to ensure compliance on the one hand and establishing an advantage on the other. It is impossible for a professional to focus on the implementation of the legislation within the business without detracting from the ability to generate revenue, which therefore calls for a different type of professional to accept responsibility.

Organisational design elements are impacted on by their interdependencies with an active vertical hierarchy and incentives, decomposition, degree of decision interaction and managerial ability (Rivkin & Siggelkow, 2003). They find in this study that an active CEO can slow down decision making, a typical problem found in law firms where the partners are actively involved in the operational decisions of the firm. A CEO is also equipped with the skill and has the time and focus to deal with these problems without impacting on the ability to generate revenue.

Firms generally operate in a democratic form where important decisions are made by a meeting of all partners. Firms also appoint management committees from the pool of partners that are charged with limited authority that ultimately result in the ability to make recommendations to their partners. Some firms also appoint a managing partner or chairman of the managing committee, also with limited authority and a minimal role in setting strategic direction (Leonard, 2000). Shohet and Jenner (2006) state that the role of managing partner is to:

- Provide Leadership;
- Ensure strategic positioning;
- Coach;
- Institute Change Management; and
- Enhance Culture and Image.

In a typical firm, almost 50% of the productive capacity is consumed with a higher priced person performing a lower-value task (Shohet and Jenner, 2006). Not only does the individual professional not use his/her time in developing their practice and generating income, but their comparative time spent on managerial activities is costly in relation to an outside manager performing the same function on their behalf.

Whilst top management is charged with decision making responsibilities, partnerships are plagued with inefficiencies and are criticised of being cumbersome, taking months to decide on trivial matters (that could be made at decentralised levels) and decisions end up being “politically” influenced and end up being costly. It furthermore stifles entrepreneurship, creativity, risk taking and intuition (Bradlow and Silverman, 1989).

Holmes therefore claims that firms should hire professional executives to make decisions that have a firm wide impact, thereby placing the responsibility and authority in the hands of someone that can be expected to provide leadership and vision, whilst day to day decision making would naturally devolve to the local level where it belongs (Holmes, 1996). She furthermore asserts that this will assist in eliminating poor law firm management techniques and will improve firm efficiency and quality of life for many attorneys, allowing them to practice law.

3.5 Culture and Change Management Issues

Whilst there may be many benefits realised and ultimately improved efficiencies resulting in increased profit distribution, it is evident that there will be obstacles to

changing the structure, managerial roles, authority and responsibilities. The legal profession is conservative and risk averse by nature and therefore arguably highly resistant to change. A change in the status quo is also in direct conflict to the power distribution within the firm, which in itself is an incentive of senior partners to oppose any change. In most companies, change management is driven from the top down and therein lays the problem because in a law firm the resistance to change is manifested in the senior echelon, partly to protect personal interests and partly because they are comfortable with the culture they are accustomed to.

Culture may be an overused term, but it remains a difficult term to define. It however is described as a form of ideology and a pervasive set of shared beliefs, values and norms. An organisation's culture affects the manner in which it reacts to growth and potential opportunities, who it employs and how it treats the concepts of change, productivity and process improvement (Gregson K., 1995).

Gregson considers a firm's structure as an outward expression of its culture. This is debatably an accurate statement within when considering Mintzberg's theories of organisational design, specifically of the professional bureaucracy. As evidenced above, law firms have their shareholders employed within the business and are actively involved in the management and running of the business. This is an important indicator of a law firm's culture and more specifically its fundamental assertions on the management philosophy.

In a paper by Winings (2006), reference is made to a symposium held in 2002 on the *Modern Practice of Law* where the irony is alluded to that attorneys are involved in assisting clients with changing circumstances and providing solutions to a diverse set of problems, yet they themselves are steeped in tradition and pride themselves on professional stability. Winings also refers to Cutler and Daigle (2002) where they state that attorneys have difficulty in appreciating the need for doing things differently and often revert to the precedent when

considering a matter. It is conceivable therefore, that attorneys will find it difficult to change their mindset of how a firm should be managed unless empirical evidence or “precedent” is presented as part of the change management process.

A further inhibiting factor is that professionals simply do not respect or trust professional non-lawyer executives in running their business. Leonard (1995) cites that non-lawyer professionals are suspected by lawyers as not being able to understand the pressures of practicing law and therefore will not receive the appropriate mandate necessary to head a firm. Where firms have devolved the management of the business to a professional business team, trust has most definitely been the most significant contributor to successful transition.

This research will therefore investigate the prevailing structure amongst South African Law Firms with due cognisance of the vesting of authority in non-professional specialists with a view to meeting the demands of the business environment whilst improving efficiencies and maximising profit with a view to providing the precedent for change to be considered.

When one considers a law firm as a being a very closely knit entity, steeped in tradition and often bound by the traditional values handed down from senior partners to junior attorneys, it is arguably a near impossible task to institute change without the willingness of or even initiation by the senior partners. Hoag et al (2002), identify poor leadership, weak management and culture as the primary obstacles to change. They furthermore indicate that these obstacles to change are manifested as:

- Lack of vision;
- Failure to gain support for change;
- Active blocking of change initiatives;
- Putting off change;
- Not seeing the need for change;

- Fragmented coordination;
- Management systems which deter innovation;
- Powerlessness;
- Preference for the status quo;
- Change is seen as a threat;
- Turf protection;
- Lack of self belief; and
- Political behaviour.

Change is arguably impossible to effect change in a partnership if the partners themselves do not champion the need for change, which is always going to be extremely difficult to achieve, given the culture of partnerships in law firms. It is furthermore argued that it will take an event brought about by strategic drift that will require transformational change. Managed change is therefore part and parcel of the strategic management process that aims to avoid the requirement for large transformation initiatives.

Without effective leadership, business transformation will not succeed and the strategic vision will not come to fruition. In today's tumultuous business climate, organisations often need to work against the competitive clock to transform systems, processes, methodologies, and competencies in order to enjoy brief competitive advantage, or even just to sustain profitability.

3.6 Summary

The only forms of business available to large law firms in South Africa are partnerships and incorporated entities and the only distinguishing factor between the two forms is the flexibility that an incorporated entity provides for when changing the ownership composition of the firm. Other forms of business could however be possible in the future that includes the possibility of listing on an exchange which will provide opportunities on the one hand but on the other will require a major paradigm shift from the traditional mindset.

The design of law firms has a direct impact on their ability to leverage resources and to provide not only business leadership, but also the development of a strategic focus. A complementary consideration to the design of structures is the level of decentralisation of authority and autonomy of management employed within the structures. Furthermore, the realisation that lawyers have not received management or commercial training as part of their specialisation requires that the design of a law firm acknowledges the requirement for business specialists to play a significant role in shaping the future in partnership with the shareholders, which meet the demands to succeed in a turbulent external environment.

A change in structure and leadership calls for major paradigm shift and a change in culture of the organisation. Within an owner managed organisation, such change can only be effected through the realisation of the owners that a change will be beneficial to their own interests, whether those are financial or quality of life or both. It is however clear that the improvement of the ineffective management structures, employment of appropriately skilled professionals and the opportunity to leverage the professional resources within a law firm, will provide improved financial results and quality of life.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

This chapter will provide contextualisation of the process followed in researching this paper. The research objectives and design of the research conducted will be delineated to provide an understanding of the process and methodology employed in obtaining the results contained in ensuing chapters.

4.2 Research Objectives

The research aims to identify the key managerial and structural considerations that affect the performance of large professional services organisations and will result in a proposal on the appropriate managerial and structural considerations within the context of the South African business environment. The paper will aim to

- Identify the reasons for the forms of business employed by large law firms;
- Identify similarities and differences between different professional services firms' management structures;
- Investigate the external environment impacting on the professional services environment;
- Identify the prevalence of employment of business professionals in South African law firms and their levels of authority; and
- Identify the potential barriers to change in instituting alternative management structures.

Problem statement to be tested:

Large Law firms are likely to be more efficient when professional business managers are employed to provide strategic and operational management skills, provided that the levels of authority are appropriately devolved.

4.3 Research Design

The study will take the form of a phenomenological study in order to attempt to understand the perceptions and perspectives of key role players at senior levels in various organisations. A qualitative analysis will therefore be conducted of the body of knowledge and data gathered from semi-structured interviews conducted at various large South African law firms. The methodology employed in obtaining the data is discussed below.

4.3.1 Population

The target population was selected from approaches made to willing participants from the large law firms that operate primarily from Gauteng but also have offices distributed in the major national centres. Six major law firms are represented in the target population and although some firms were not approached, there were also firms that did not respond to requests for interviews. At the participating law firms, a professional manager being either the CEO / COO / General Manager or Practice Manager was interviewed and in some instances, the Senior Partner, Exco member or Chairman was interviewed to obtain the viewpoint of a senior partner. Whilst an equal number of interviews were not necessarily obtained from each firm due to the availability of key role players, the results have not been adversely affected as a consequence thereof.

4.3.2 Data Collection

A phenomenological study uses in the main, in-depth unstructured interviews of a purposeful sample of between 5 and 25 individuals (Leedy & Ormond, 2005). Interviews can be structured, semi-structured or unstructured. Interviews in a qualitative study are rarely structured and are used to obtain data representative of facts, perceptions, motives, present and past behaviour standards for various behaviours and the conscious reasons for certain actions.

Interviews were conducted using a semi-structured interview approach to obtain clarity on specific issues whilst providing for sufficient opportunity to explore

associated evidence. A broad list of topics was compiled in advance which formed the basis for a broad based interview. The following topics were explored during the interview:

- Rationale for form of business chosen.
- Structure of decision making bodies and levels of decision making.
- Involvement of “*non-professional*” staff in management structures.
- Level of professional involvement in management structures.
- Gearing levels between partners and professional staff and the difference between professionals in management structures and those purely in practice.
- Responsiveness of decision making structures and processes employed.
- Requirement for change and extent of change required.
- Identification of barriers to change in structures.
- Receptiveness to alternative, modern organisational and management structures with the view to improving efficiencies.

4.3.3 Data Analysis

The interviews were primarily focused on obtaining information to determine the top management roles and functions and therefore focused on the involvement of partners / directors, decision making bodies such as Exco’s and various committees, professional business managers and their roles as managers within the business. Whilst the detail of the latter is not important, it is intended to provide contextualisation and understanding of the level of decentralisation of decision making within the business.

The interviews were recorded electronically and the results were transposed onto a matrix to compare the various firms’ responses. The transcriptions were cross referenced to determine similarities and variances in approaches to management.

4.3.4 Validity and Reliability

Validity and reliability influences the extent to which something can be learnt about the phenomenon, the probability that there is statistical significance in the data analysis and the extent to which meaningful conclusions can be drawn from the data. Validity is specifically the extent to which the instrument measures what it is intended to measure, whilst reliability is the consistency with which the instrument renders a certain result when the entity being measured has not been changed (Leedy & Ormond, 2005).

It is accepted that in a qualitative study the possibility of personal bias exists. In order to overcome this possibility, the same questions were asked of all respondents and leading questions were avoided. Because of the nature of a semi-structured interview, the respondents were relied upon to provide their individual views.

It is furthermore acknowledged that the responses may have been guarded due to the fact that the writer is employed by a law firm. However, full disclosure of this fact was made in advance and the anonymity of the respondents and their organisations was guaranteed.

4.3.5 Ethics

Ethical considerations in research fall into one of four categories:

- Protection from harm;
- Informed consent;
- Rights to privacy; and
- Honesty with professional colleagues. (Leedy & Ormond, 2005).

As mentioned in the previous paragraph, full disclosure was made by the writer in advance and complete anonymity of the respondents was guaranteed. All participation in the survey was also agreed to on an expressly voluntary basis.

4.3.6 Limitations and Delimitations

The greatest limitation of the research is potentially the lack of complete disclosure by law firms during the interview process and the inability to divulge sensitive yet pertinent information. Although this may be the case, the cooperation experienced and the consistency of the information disclosed by the participants indicate that the quality of the research obtained is appropriate for a qualitative study. The study is however consequently delimited by a qualitative analysis of information obtained from respondents' perceptions of a given situation and where possible, combined with factual information relating to an associated subject.

4.4 Summary

This research is a phenomenological study that follows a qualitative process in obtaining and analysing data obtained from the participating respondents. Six major law firms participated in the study and data was obtained through semi-structured interviews held with individual involved in top management structures. Whilst the confidentiality and the anonymity of the firms was guaranteed to ensure that data is obtained freely and disclosure made of the writer's present position, it is acknowledged that information provided, although factually correct, may have in some instances been guarded responses. The research has furthermore been structured to investigate the objectives relating to the structure and design of large law firms and the top management roles with the view to determining an appropriate design to meet the demands of the changing environment whilst understanding the requirement for cultural change.

CHAPTER 5: DISCUSSION AND RESEARCH RESULTS

5.1 Introduction

Interviews were conducted with various top management role players at six different law firms operating in South Africa. The intention of the discussion is to interrogate existing practices in these firms and obtain insight from key role players as to not only why practices are the way they are but also as to what change is required and how it can be achieved.

The research results are based on the information obtained during the semi-structured interviews and will be compared relative to the following structure which relates to the five objectives of the study:

- Rationale for form of business chosen.
- Management structures.
 - Structure of decision making bodies and levels of decision making.
 - Responsibility for strategy formulation.
 - Responsiveness of decision making structures and processes employed.
 - Gearing levels between partners and professional staff and the difference between professionals in management structures and those purely in practice.
- External environmental considerations.
- Involvement and level of involvement of “*non-professional*” staff in management structures.
- Identification of barriers to change in structures.
 - Requirement for change and extent of change required.
 - Receptiveness to alternative, modern organisational and management structures with the view to improving efficiencies.

Whilst it is expected that there will be many similarities, given the foundations of the industry, unique differences are expected based on the focus of individual firms and the stage of their transition from owner managed entities to that of commercially oriented businesses.

5.2 Form of Business

With the exception of two firms surveyed, all the firms have been incorporated and generally speaking the decision to incorporate was made within the last ten years. Within the context of the firms' individual histories, this decision can be considered to be relatively recent.

The decision to incorporate, at least initially was undoubtedly as a result of tax efficiencies, a consideration no longer valid given changes to tax laws. In fact, Directors as employees of a company are taxed monthly whereas a partner in a partnership does not pay monthly tax but is subjected to provisional tax payment, thereby benefiting from a time-saving relating to tax payments. In addition to the tax paid by Directors every month, the incorporated form is also required to pay UIF and Skills Development Levies (SDL). Whilst UIF may be negligible, the SDL can amount to a tidy sum, being 1% of the salary bill. There are however firm's that have structured the business into different entities, where Directors are employee's in one entity and draw a profit share from another entity to minimise this cost.

A second reason for incorporating is to minimise the administrative burden when Directors join or leave the business. A partnership requires the partners to constitute a new partnership agreement each time a partner joins or leaves the partnership. Whilst in smaller businesses this may not be a problem, it will become more and more prevalent as the size of businesses increase and the partnership ethos evolves with the evolution of mindsets analogous to different generations.

The form of business is not critical to the effective functioning, although serious consideration should be given to incorporating when the number of partners becomes unwieldy or the throughput of partners is foreseen to be increasing.

Traditionally partnerships remunerated equity partners following a lockstep model. This essentially is a ladder system whereby a partner will receive a fixed percentage of the profits and the share will increase after every year irrespective of the performance of the individual on the ladder until such stage that the individual becomes a full share partner and rewards tenure more than individual performance. This system encourages the partnership ethos of sharing and consensus although resentment of younger partners earning less than senior partners who perceive themselves as doing more work is not an uncommon phenomenon. Although these issues may arise infrequently they may become more problematic as the generational gap increases over time and as perceptions of work ethic changes. It can also be argued that the lockstep system is effective only until such stage that one enters the system and thereafter it tolerates mediocrity in some instances rather than meritocracy. It is furthermore ironic that some firm's do not measure director's or partner's performance but are heavily focused on the measurement of their staff's performance. It is however a time tested formula that seems to work for the professional services environment, although many firms have moved away from the concept to an element of performance related remuneration structure.

Over the last ten years or so, firm's have moved away from the lockstep and have introduced a multi-faceted system that is based on various criteria that may include a combination of an equity percentage, individual performance, firm performance and general contribution to the firm. Whilst the lockstep system may have been unique to partnerships, there are no longer any specific systems employed unique to partnerships or incorporated entities, although it is clear that the popularity of the lockstep system has dwindled in favour of a merit based system.

5.3 Decision Making Structures Employed

The ensuing paragraphs will analyse the decision making levels found within law firms in South Africa, with specific reference to the shareholders (partners or directors), committees or boards, key personnel and managers. The results are discussed against the backdrop of the contemplations in chapters two and three.

5.3.1 Shareholders Interest

The directors of incorporated entities often refer to each other as their partners. This is probably due to the historic foundations of the business and is ingrained in the culture of the firm's. Whilst this is seemingly trivial, it does indicate how deep rooted culture in a law firm is and how difficult it is to change culture.

Without exception, the Directors or Partners are considered to be the shareholders of the business. Yet, unlike a normal corporate there is no major shareholder, hence the democratic nature of the law firm and the need for consensus decision making. Ironically, in a corporate, the major shareholder has the biggest clout and essentially directs the business, with the smaller shareholders having very little say. The major shareholder will exercise this right at an AGM and ensure that their interests are looked after by the Board of Directors whom they will generally elect.

In law firms however, where equity shareholding is generally distributed at a rate between roughly 1% and 5%, all the shareholders have an equal say in the running of the business, often creating absolute inefficiencies and in some instances chaos in its purest form. Because the shareholders are also active within the business, they are able to enforce their individual interests, virtually on a daily basis if desired. Whilst this is seemingly natural in law firms, arguably, when compared to a normal business model, this is inappropriate for a large business. This is particularly so when one considers that revenue generated by a law firm, often rivals that of many listed companies.

It is however interesting to find that in the majority of law firms, the shareholders have elected individual partners to serve on executive boards to make decisions on their behalf and whilst they remain interested in the affairs of the business they do not get involved in the management thereof. Terms of office for such office bearers range from 1 year up to five years. Where terms of office are for a single year, the organisation is arguably ineffective as no consistency can be achieved and hence the lack of long term planning and strategic focus.

Frequency of Meetings

In business, shareholders will generally meet at an AGM to receive feedback and provide the Board with direction and quarterly shareholder meetings also not being entirely uncommon. Within this study there are various methodologies employed by law firms for shareholder meetings. Generally speaking, most firms schedule monthly meetings yet there are some that only have an AGM and three yearly partner conferences. Those that do schedule monthly meetings do so either as a courtesy to keep partners informed of matters, or purely for scheduling purposes in case there are issues to be discussed. This is true for those entities that have devolved decision making to committee structures and will be discussed in greater detail below. In contrast however, the more traditional partnerships meet regularly to make operational level decisions. Whilst this keeps the partners involved and interested in issues related to the business, it is neither cost effective nor efficient. It is however indicative of an owner managed business but is probably best suited to smaller organisations where the economies of scale do not require the appointment of professional management.

Types of Issues Discussed at Shareholder Level

At most shareholder meetings, matters of strategic importance such as mergers, acquisitions or partnership related issues are voted on by all the law firms in this

study. However, in the more traditionally structured firm's, partners still prefer to make operational decisions and decisions relating to operational matters and even insignificant daily issues such as the colour of the wall paper in the foyer or the quality of lunch. In the view of most firm's however, these types of decisions do not have a place at this level and are no longer tolerated at partnership meetings. Whilst there are still individuals who "enquire" about certain decisions, the majority have accepted the change and whilst remain interested, do not interfere in the decisions made.

5.3.2 Executive Boards and General Management Committees

For the purposes of this paper, the collective for the uppermost decision-making forum below that of the shareholder meeting, will be referred to as the Board. The Board equivalent in different law firms is the EXCO, Management Board, or the Management Committee.

The composition of the Board once again varies from firm to firm, dependant on their historical evolution and culture. They are nevertheless comprised of between five and eleven board members. Based on the size of the firms, a complement of five members is considered to be an acceptable size and eleven directors are considered to be top-heavy. Whilst this is acknowledged by the firm's as being too large, it does serve their current purpose and may change in the future.

Members are essentially either ex-officio appointments by virtue of their appointment in other positions within their functional areas or are elected either by the Board or the shareholders. Terms of office range from one year to three years for elected members. The ex-officio members generally comprise the Chairman or equivalent, the CEO or equivalent, Departmental Chairpersons and functional directors such as the CFO and HR Director. No firms have indicated that there is a Chief Information Officer employed on the board. In a limited number of instances, although functional directors are on the board, the status of

such position is purely as observer with no voting rights and in some instances they are considered to be fully fledged board members. Whilst this may be good for development of individuals to be exposed to the Board, it does not embrace the notion of acceptance of non-lawyers as an important part of the business and the decentralisation of decision making is going to be adversely affected. In some firm's specific positions have also been allocated to provide opportunities for gender and race representation.

Frequency of Meetings

Whilst most Board meetings take place once a month, some do meet as often as once a week or once every two weeks. It must be argued that meetings once a week for an executive board will degenerate the level of discussion to matters of an operational nature or to a level that is best served by individual managers. In the instance where meetings take place bi-monthly, the second meeting is focused on specific topics thereby providing opportunity to focus on critical issues that could have an impact on the business and therefore provide a strategic focus for the firm. Whilst this opportunity does provide for strategic reflection, it does consume valuable time of lawyers and does not seem to form part of an annual strategic appreciation.

Types of Issues Discussed at Board Level

Where firms' have devolved decision making from shareholder level, the Board is empowered to make all decisions other than those discussed above. This includes approving budgets, expenditure and setting remuneration levels. Despite the decentralised authority for important decisions at this level, given the intimate involvement of directors in the business, in some instances this forum will still find it necessary to make decisions regarding the lunch menu and the colour of the wall paper. When one considers the role of boards, the importance of crafting strategy and the effect of strategic drift, it seems that the role of boards

in law firms still misses the mark somewhat. This gap is indicative of the immaturity in the development of law firms as commercially run entities.

In law firms where the level of authority has been truly decentralised, managers responsible for functional areas of the business' operations are empowered to make decisions on behalf of the firm. Although this may be common place in a commercial entity, it remains a huge cultural struggle within law firms around the world. This level of trust is evident in some of the firms that participated in the survey and is typically prevalent in instances where the functional areas are acknowledged at director level and take up positions on the Board.

Other Partner Committees

The types of committees that exist in law firms relate specifically to the functional areas of the business such as Marketing, IT, Finance and Professional Staff committees. Although most firms interviewed have dispensed with most committees or have expressed the wish to dispense with most committees, there are some committees that are still important to lawyers. The only common denominator amongst the firm's interviewed was a committee that deals with aspects of professional development. This is understandable given that lawyers' best understand the requirements of being lawyers and will be in a position to guide the development of professional staff.

As for the rest, lawyers are represented on committees because they have an interest in the area but no formal training or because someone has to do it and they have been nominated to do so. The amount of effort put into the committee is directly proportional to the amount of fee earning pressure the individual partner has and the administration will always come second to time spent on "lawyering". Despite this, where committees are still employed in firms, day's of partner time is spent every month on matters other than client requirements.

Partners that are involved and contribute effectively to committees find their practices being adversely affected and are either not able to service their client base professionally.

Where committees have been dispensed with, firms have invested in quality functional managers and where authority has been truly devolved, they are considered to be directors in their own right able to make decisions that are binding on the entire firm.

5.3.3 Responsibility for Strategy Formulation

Strategy formulation is often a struggle in business in general and within law firms it seems to be a misnomer. Whilst all firms profess to formulate strategy it is something which is more often than not, spoke of or discussed rather than formalising through stringent processes to develop the direction and to determine future requirements. It is possibly once again an area of business management that lawyers are not exposed to and therefore uncomfortable with or unable to see the value of going through the process.

External scanning and environmental awareness is key to developing strategy, yet very few firms' concern themselves with external threats or build plans into their business to mitigate the threats. Whilst decisions are made in the present to prepare for the future, it is often as a result of experiencing a lag relative to competitors and the decision some years previously would have placed them in a better position now, had it been made then.

The absence of formalised strategy results in lower management echelon's unable to plan correctly for future demands and ends up in a disorganised state of affairs and strategic drift a certain reality. While most law firm's assert that they keep staff informed of the direction they are heading, it is really not sufficient to maintain focus and they are particularly vulnerable when key personnel leave, because the future plans leave with them.

It is my finding that most firm's that follow a traditional model tend to be reactive in their decision making and those that follow more corporate lines are better positioned to anticipate changes in the market. This is possibly simply because they do not have to convince a multitude of partners. In instances where true strategic planning takes place, partners meet infrequently for the express purpose of deciding on the future of the firm. This in itself is a tiresome process, given the number of participants, but can reap the rewards if done properly. It sets the foundation and mandate from which the Board can operate and manage the firm over the medium term.

5.3.4 Responsiveness of Decision Making Forums

It goes without saying that where decision making is decentralised, responsiveness is far quicker than when multiple forums are required to provide input. It is often the case that in a centralised decision making entity, the functional manager suggests a change to a committee who recommends the change to the Board, who in turn recommends a decision to the shareholders. This process more often than not too lengthy and involves too many people. It can take up to two months to make the decision even when all parties agree on the change. When there is disagreement and re-work required, unless extraordinary meetings are convened, it could take three months to make the decision.

It is therefore critical that if committees are required for the functional areas that the committee is empowered to make the decision and not have to rely on other decision making bodies to ratify decisions.

5.4 External Environment

Although the economic environment is seemingly good and is therefore has not recently had a negative impact on any of the firms' performance, there are other external factors that law firms need to consider. These include:

- Legislative imperatives on the composition of ownership and management of law firms. (BBBEE)
- The rules of the Law Society governing the composition of law firms and the employment of attorneys.
- Opportunities for business in Africa and internationally.
- Threats of competition in South Africa and from international firms.

Most of the law firms acknowledge that there are opportunities in Africa but very few firms have had successes with expansion internationally. This also a view held when exploring possible threats from international firms entering the local market. Most respondents' views are that there is no threat of international expansion into South Africa by international law firms although one respondent indicated that this was indeed a possibility.

There is no indication that any firm commits to a formal process to formally assess the external environment with the exception of a single firm that indicated that they consult with an external specialist from time to time to obtain advice on external trends. This is contrary to process advocated by Porter and Strickland when crafting strategy.

5.5 Business Professionals Employed

All firms surveyed have non-lawyers employed to manage their business operations (CEO / GM / COO / Practice Manager), IT, HR, Marketing and logistical or office support. In most instances the managers are well qualified and are considered to be specialists in their functional areas. The range of authority vested in these positions is however quite vast. Where the firm operates close to a corporate model, the authority to make substantial decisions is vested in totality in these positions and the decisions made are supported by the firm. These appointments are considered to be at a Director level and in some instances these positions have been elevated to the Board, specifically in the roles of CFO, HR Director, CIO and Marketing Director.

On the other end of the continuum, in some firms, some of the managers are merely administrators of the function and are not empowered to make any decision that affects the firm as a whole, without consultation with a committee of some description. This results in greater partner interaction and involvement in operational level issues, detracting from their ability to practice the law.

Where firms are run along more commercial lines, gearing between partners and other attorneys is higher than with firms where partners are intimately involved in management of the firm. This can be ascribed to their ability to focus on practice matters rather than operational matters and thereby leveraging their resources more effectively.

The earnings ratio per equity partner can be used to establish which model is the most effective in broad terms. Whilst acknowledging that there are other variables that can affect the outcome and that there are understandably very few participants that have been willing to divulge the information, a loose comparison can be drawn from the information obtained. Firms that have a broad semblance of a corporate model seem to have a higher earnings capacity per equity partner. It is also true that these firms have a better gearing ratio between directors/partners and attorneys which allows senior partners to leverage the various types of work in order to maximise efficiencies. It is noticeable that this data is freely available for US and UK partners but possibly due to the comparatively small market and intense competition, this information shall remain a closely guarded secret in South Africa for some time to come.

5.6 Barriers to Change

Without exception, it is clear that the biggest obstacle to change is the culture of the firm and the conservative nature of the attorney's profession. The risk averse and conservative nature of the profession is purely due to the nature of the job but is transposed into the manner in which firms operate. Where firms have

moved to a more commercially structured organisation, the respondents indicated that change was made possible because the partners had decided that they wanted to change the operational structure of the firm. There were therefore limited barriers to change in those firms at the time that the change was effected. Firms that have not adopted the change to structures are however faced with far greater barriers to overcome and will require compelling reasons to institute a change to structures.

Trust of others is a further inhibitor of change and trust can only be obtained through the establishment of a sound track record within the firm. In other words, the credibility of the managers employed in the organisation will play a large role in establishing the level of trust required to relinquish control.

Change in itself is a further barrier in that the view is often taken, “if it is not broken then why fix it”. Whilst this may be true sometimes, it is a dangerous view to hold when the environment is changing rapidly, resulting in one feeling that you are moving ahead but in relative to the market you are in effect moving backwards.

Finally, many attorneys simply want to be involved in the management of their firm and if they are not they will always be critical of decisions made by others, unless the culture of acceptance and trust of others is established. This criticism is prevalent even of fellow partners and is perhaps once again a result of the training a lawyer receives to be critical of the matter of hand in order to best serve their client’s interests.

5.6.1 Receptiveness to Alternate Business Models

Where firms have changed to a more corporate hybrid model, such change came about due to necessity as a result of the size of the firm and ability to manage it effectively. The distinguishing factor however is clearly the conscious decision by the partners to relinquish their involvement as owner-manager’s in the day to

day affairs of the business and vest such authority in the hands of appointed individuals that include a mix of partners and business professionals. The need therefore for large scale change management initiatives to force the change has not been prevalent. Where the transition has not been made as yet, will call for the compelling reasons and change management initiatives to convince partners to relinquish control over operational issues.

It can therefore be deduced, given the nature of a partnership, which unless the partners decide to change the culture and accept the decision to decentralise decision making, that the business model may never change. It is by no means suggested that wholesale change is required to change the business model and it is conceded that provided that meaningful change is made, it can still be effective in smaller increments. The over-riding factor remains the buy-in from the partners to realise the benefits that arise with the decentralisation of authority and the acceptance of decisions.

5.7 Summary

Law firms in South Africa are designed and managed based on principles and practices inherited from previous partners. The practices have evolved over time and have adopted modern business methods but are largely hamstrung by the overwhelmingly conservative control of the owner manager. There is a lack of strategic focus and an often confused level authority and responsibility by the various role players and forums. Consequently very little attention is given to the analysis of the external environment other than inter-firm rivalry for talent and clients.

There are various models employed by the different firms and while they all employ business professionals, their levels of authority and responsibility differ substantially. Where firms have changed to a corporate hybrid model, such change came about due to the willingness of the partners to change as a result of their realisation of the benefits of adopting the alternate model. In most firms

however, there remains a reliance on partner involvement in a variety of committees that influence the operations of the business. The gearing between partners and attorneys differs noticeably between traditional firms and the firms that have adopted a corporate model and an inference can be drawn that the latter are more profitable as a result of structuring and gearing. It is therefore justifiable that the various models are investigated and a suitable blue-print for law firms is proposed.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

There does not seem to be a panacea for the structuring and management of law firms nor is there necessarily a need to provide one. It is however necessary for law firms to objectively look inwardly and decide if they are being as efficient as they are possibly can be and whether or not they are effectively employing their resources. Whilst certain efficiency compromises may be deemed to be appropriate in a specific firm, the large differences in management structuring cannot be accounted for. I do believe that there is a distinct advantage for large law firms to adopt a hybrid corporate model over that of a partner managed entity. The degree of application will be dependant on the culture of the firm and the ability of the owners to accept change. The conclusions and recommendations for each aspect relating to the objectives are integrated below.

6.2 Form of Business

Within the South African context, the form of business has no impact on the way the firm is managed or on the devolution of authority to the lowest possible level. There is not necessarily a correlation between the form of business and the culture of accepting a corporate management model. Firm's that have emulated a corporate model have changed the culture of the firm to accept the introduction of business professionals. This statement holds true for both partnerships and incorporated entities. It is therefore not critical that the form of business changes but rather the culture and mindset of the owners.

6.3 Decision Making Structures Employed

6.3.1 Shareholders

Whilst the partners are in effect shareholders, the partnership ethos remains the strongest cultural barrier to transforming to a corporate management model. The size of the partnerships found in the large law firms in South Africa combined

with the business landscape, no longer lends itself to firms' being managed as an owner managed business and requires not only the appointment of professional business managers but more importantly the acceptance of a cultural shift in the firm.

All the shareholders effectively have a minority share of the business and it is quite evident that there are very different perspectives within each firm on how to run the business. By drawing a parallel to a corporate entity and considering the fact that all partners or directors are in fact minority shareholders, they should be satisfied with appointing members to a board to represent their interests.

It is recommended that the shareholders convene formally once per annum at an AGM, but that a mechanism is maintained to meet less formally on a quarterly basis for feedback from the Chairman, CEO and Directors on the performance of the firm. This is intended to ensure that partners are kept informed on the developments within the firm, maintenance of a partnership ethos, yet sufficient distance is maintained to keep micro issues off the agenda.

The lockstep system has been removed from the majority of firms as a remuneration strategy. Although the prevalence of a lockstep remuneration structure in some firms does not facilitate rewarding performance and relies on the partnership ethos, it is likely that in future this may become increasingly more difficult to manage. This in turn will make the change from a partner managed culture to a corporate managed culture all the more difficult to achieve. It is however unlikely that the change from a lockstep to another model will easily be obtained and unless it is beneficial to all partners and trying to force this change will likely result in a break up of the entity.

The role of the shareholders should be focused to provide long term strategic direction, election of the Chairman of the Board, elected members of the Board and matters that affect the equity composition of the firm.

6.3.2 The Board

The appointment of board members should be made for a predetermined period unless there is a case of poor performance that warrants replacement, which in itself may be idealistic within a partnership culture. In an immature business model, it is recommended that terms of office should be for a year to allow for changes to the board without causing conflict and where the model has already been applied, a term of office of three years is recommended to provide consistency and continuity. Whilst re-election should be possible, consideration should be given to the member's responsibility to the development of his or her practice. Whilst some members will be elected by the shareholders, the Board should be able to appoint some directors to assist with the execution of their mandate. The Chairman, CEO and if deemed appropriate for the specific firm, certain functional directors will all be ex-officio members of the Board.

The role of the board should be that of agents to the shareholders and trustees of the business. It is recommended therefore that the board should provide direction to management and give effect to the mandate provided to them by the shareholders. The mandate should be sufficient to make significant decisions without having to return to the shareholders for approval, unless it is related to matters as recommended above that relate to shareholder meetings.

6.3.3 The Chairman and CEO

This is an area in law firms where once again vast differences are prevalent in the roles of the functions. The role of the Chairman varies from a figure head and custodian of board and shareholder meetings with simultaneous responsibilities to his practice to a full time Chairman whose responsibilities to their practice have been taken away and no obligation to generating fees exists. It is recommended that irrespective of the intensity of the role of the Chairman that the appointment is made for a period of at least three years in order to provide continuity with respect to strategic focus of the board and furthermore

that the Chairman assists in the management of change required to take the firm into the future.

Similarly the responsibility vested in the CEO position varies from the leader of business operations to the individual responsible to the board for the overall performance of the firm that includes not only the management of business operations but also the achievement of targets by fee earners. The latter is once again largely dependent on the culture of the firm and receptiveness of the directors to change. It is nevertheless recommended that the CEO position be recognised as the position to drive the business results that encompass the operations costs and influences targets etc for departmental revenue generation in consultation with the Board.

6.3.4 Professional Business Managers

All of the large law firms employ functional managers but the levels of authority vested in these positions characterise them more accurately either as directors, managers or in some instances administrators. Where the latter is prevalent, excessive partner time is spent on managing functional areas and where the managers are not utilised to provide a strategic level input, the function will regress relative to the industry.

It is recommended that whether the law firm is a partnership or an incorporated structure that, the internal structures mimic that of a corporate entity but retain mechanisms to draw on the combined expertise of both lawyers and functional specialists. The appointment of functional experts at a senior level in the business should be focused at attaining top talent that are capable of understanding the requirements of a law firm as a business and that they be utilised appropriately to provide strategic direction and high level management skills.

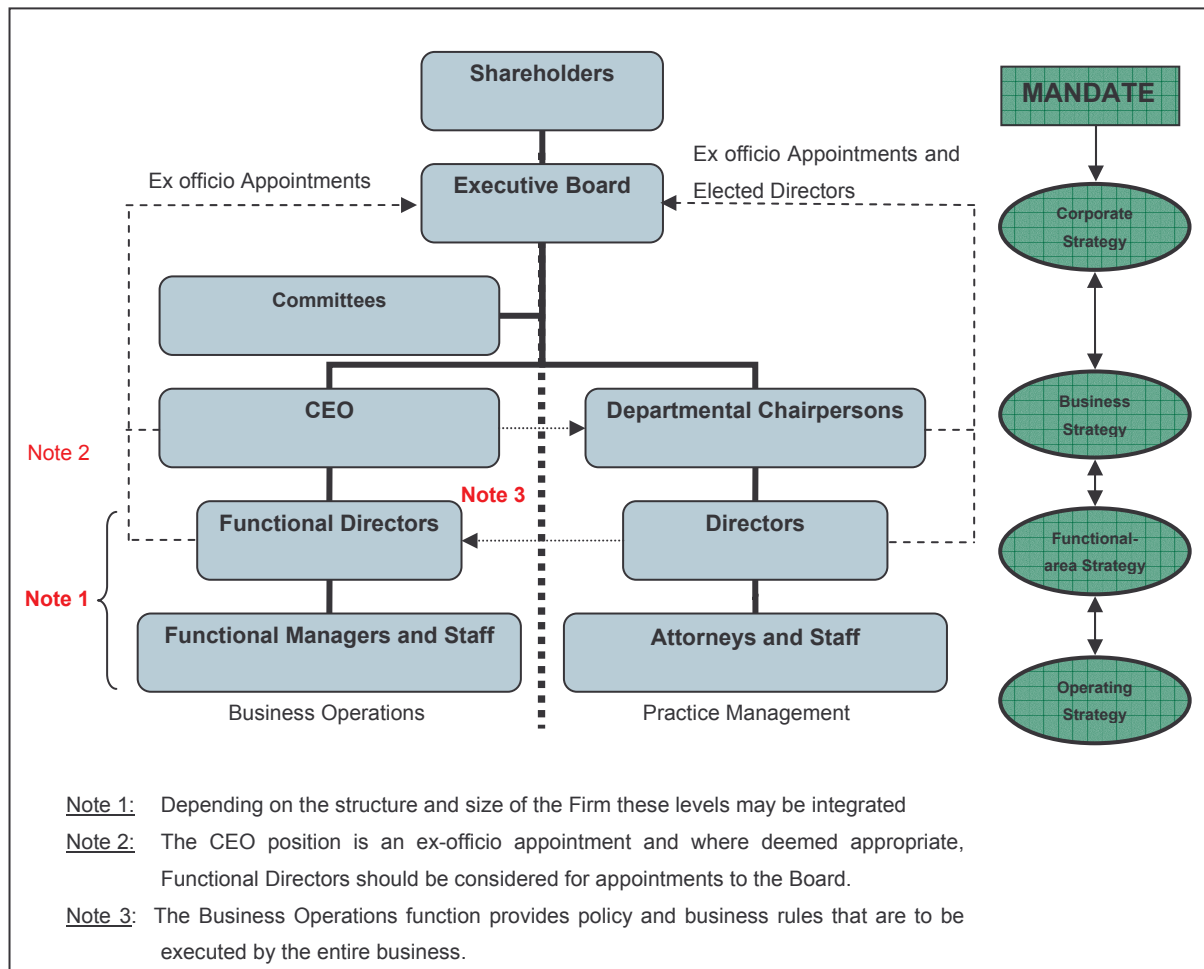


Figure 13: Proposed Law Firm Model

The model in Figure 13 recommends the interaction between the business operations and the practice management in law firms. It furthermore provides an indication of the strategic focus appropriate for each level of management, required to effectively consider and implement strategy in a business.

The Committees in the figure are included and should be accountable to the Executive Board for their decisions but should not have to make recommendations to be ratified by the Board and must therefore be appropriately mandated to do so. The Committees should preferably be run by a member of

the Executive and where possible it should be a functional Director. The committee should not be formed if the expertise does not exist within the firm, i.e. an IT committee composed of an IT manager and partners that have an interest in technology, but no real understanding or comprehension. Where committee structures are employed in an advisory capacity, the functional expert should still have the ability to make decisions based on the advice received.

6.4 Change Management Issues

There are two primary issues that relate to change management within a law firm. The first is the culture and willingness of the senior owners to accept new ideas that they may see as a threat to their position and secondly an issue of trusting non-owners to run their business on their behalf.

It is recommended therefore that compelling reasons for change be provided to senior partners and that their control over the strategic issues are ensured through effective strategic direction, appropriate mandates to an executive board and the appointment of key functional experts that understand the business environment. Furthermore, the improvement of gearing levels, a focus on core business over operational issues will result in improved net incomes of the owners.

The second issue of trust is more difficult to convince partners of where there is no track record to speak of. Trust can however be earned through a history of positive actions by the management team and will in all likelihood be an indicator of when change can be effected.

6.5 Summary

Large law firms can no longer afford the luxury of being owner managed. A paradigm shift is required by the owners to embrace a corporate design to the management structure and operations of the firm, whilst still maintaining the

professional ethos of a traditional law firm. The essence of the proposed design of large law firm is as follows:

- Directors or partners should remain interested in the affairs of the business but must mandate a board of directors that are elected periodically to serve their interests to run the affairs of the business on their behalf. Outside of this, they must take responsibility for revenue generation, gearing and growth of their practices.
- The Board must focus on strategic issues and provide direction to senior managers as to how they expect the business to be run but avoid getting involved in operational matters.
- The Chairman must assist in directing the board and fellow partners whilst assisting with the management of change in the organisation. He or she furthermore has the role of growing the firm and acting as the figure head to the external environment.
- The CEO must take up the burden of directing the firm through the provision of effective business leadership, whilst running the operations of the firm.
- Functional professionals should be employed at levels commensurate to the requirements within each specific organisation and employed to achieve the strategic objectives.
- Committees should be used to provide functional professionals with guidance and support relating to the profession and participate in implementing change within the firm. Committees should furthermore be mandated decision making bodies and not just another filter to lengthen the decision making process.

It is furthermore a recommendation that corporate strategies receive greater attention and are formalised to focus attention on the strategy, provide continuity when key personnel are replaced and that subordinate strategies can be effectively crafted.

The issue of change, culture and trust will remain the biggest issue in transforming a law firm towards a corporate entity capable of meeting the rigours demanded by the modern day business environment and will only be possible to achieve if there is a will from the owners and the appointment of competent business professionals to lead the business.

CHAPTER 7:REFERENCES

- Baschab J. & Piot, J. 2005. *The Professional Services Firm Bible*. New Jersey: John Wiley & Sons Inc
- Bradlow D.A. & Silverman M. 1989. 'Managing the Law Firm – Is Democracy Obsolete?' *Legal Econ*, 15 No 5 (1989)
- BusinessDictionary.com <www.BusinessDictionary.com> Accessed August 2007
- CAP Gemini Ernst and Young 2002: An insight into Legal Market Profitability Report Extract. Strategic Research Group. Unpublished
- Cape Metropolitan Council Economic And Social Development Directorate September 2003: *Good Practice Lessons And Case Studies For The Delivery Of Economic Development Services: Overview of Institutional Vehicles Available Within the South African Legal Framework* <<http://www.cmc.gov.za>> Accessed 30 March 2007
- Carmeli A. and Tishler A. 2006, 'The relative importance of the top management team's managerial skills', *International Journal of Manpower*, 27 (1): 9-36
- Demby E.R. 2002. Keeping partnerships on course. *Society for Human Resources Management*. Gale Group
- Engdahl, R.A. 2005. 'Organisation Evolution: The Natural Change Model for Organizational Structure in Changing Times', *Organizational Development Journal*, 23 (2): 50-61.
- Forbes, D.P. and Milliken, F.J. (1999), "Cognition and corporate governance: understanding boards of directors as strategic decision-making groups", *Academy of Management Review*, 24 (3): 489-505.
- Friesen, G.B. 2005. 'Organization design for the 21st century' *Consulting to Management*, 16 (3): 32-51
- Grant, R (1998) *Contemporary Strategy Analysis* (3rd ed). Blackwell
- Green Jr, K.W.,Inman, R.A., Brown, G. & Willis, T.H. 2005. 'Market orientation: relation to structure and performance', *The Journal of Business and Industrial Marketing*, 20 (6):276-284

- Greenwood, R. & Empson, L. 2003. *The Professional Partnership: Relic or exemplary form of governance?* Organization Studies. Available from <http://www.findarticles.com>
- Gregson, K. 1995. 'Realizing Organizational Potential' *Work Study* (1995), 44(1): 22-27
- Higgs, D. 2003. Review of the role and effectiveness of non-executive directors. <www.dti.gov.uk/cld/non_exec_review> Accessed 30 March 2007.
- Hitt M.A., Bierman L. & Collins J.D., 2007, 'The strategic evolution of large US law firms', *Business Horizons* (2007) 50, 17—28
- Hoag B.G., Ritschard H.V. & Cooper C.L. (2002). 'Obstacles to effective organization change: the underlying reasons', *Leadership & Organisation Development Journal*, 23 (1): 6 -15
- Hodgart A, 2000. 'Globalization and the Future of International Law Firms – The Perspective of a Management Consultant', *European Journal of Law Reform*, 2 (4): 461 - 490
- Hofstede G. (1994) *Cultures and Organizations*, HarperCollins
- Holmes D. 1996. Learning from Corporate America: Addressing Dysfunction in the Large Law Firm
- Huber G.P. and McDaniel R.R. 1986, 'The Decision-Making Paradigm of Organizational Design'. *Management Science*, 32 (5): 572-589.
- Huse, M. (1998), 'Researching the dynamics of board-stakeholder relations', *Long Range Planning*, 31 (2): 218-26.
- Jensen, M.C. and Meckling, W.H. (1976), "Theory of the firm: managerial behavior, agency costs and ownership structure", *Journal of Financial Economics*, 3 (4): 82-137.
- Leonard C.A. 1995. 'Managing Partners May be Led to Leap Laterally' *National Law Journal*, Oct 1995, D10
- Leonard C.A. 2000. Coming of Age of the Managing Partner as CEO (The). *Managing Partner*. Ark Publishing Ltd
- Mellahi, K., Frynas, J.G. & Finlay, P. 2005. *Global Strategic Management*. New York: Oxford University Press.
- Mintzberg, H. (1979), *The structuring of Organizations*, Prentice-Hall, Englewood Cliffs.

- Mintzberg, H. (1980), 'Structuring in 5's: A synthesis of the Research on Organisation Design' *Management Science* 26 (3): 322-341
- Mintzberg, H. (1987), 'The Strategy Concept I: Five Ps for Strategy' *California Management Review* 30 (1): 11- 24.
- Pisa R.M. 2003. 'Not Quite Corporate: The New Law Firm Model' *Chief Legal Executive*, Spring 60-63.
- Rivkin, J. & Siggelkow, N. 2003. 'Balancing search and stability: Interdependencies among elements of organizational design' *Management Science*, 48(3): 290-311
- Olmstead J.W. (1998), 'How Effective Law Firm Leadership Practices Can Help You Acquire and Keep Your Clients', *Lawyers Competitive Edge*; *The Journal of Law Office Economics and Management*
- Özsome A, Calantone R.J & Di Benedetto A. (1997) 'What makes firms more innovative? A look at organizational and environmental factors'. *Journal Of Business & Industrial Marketing*, 12 (6): 400-416
- Robbins, S.P. (1990) *Organisation theory. Structure, design, and applications*, 3rd ed., Prentice Hall, Englewood Cliffs, NJ.
- Schein, E.H. 1985. *Organizational Culture and Leadership: A Dynamic View*. San Francisco: Jossey-Bass Publishers.
- Schein, E.H. 1992. *Organizational Culture and Leadership*. San Francisco: Jossey-Bass Publishers.
- Schein, E.H. 1999. *The Corporate Culture Survival Guide: Sense and Nonsense about Cultural Change*. San Francisco: Jossey-Bass Publishers
- Shohet P. and Jenner A. 2006. *Managing Partners and their role in general practice*. *Accountancy Ireland*, 38, 3.
- Smit P.J. and Cronje G.J 1999. *Management Principles, A Contemporary Edition for Africa*. Kenwyn: Juta &Co.
- Spruill, M. L. 2001. *The delivery of legal services in the future: How is the role of professional management in the legal environment evolving?* Lincolnshire, IL7 Association of Legal Administrators.

- Taylor B. 2003: Board Leadership: Balancing Entrepreneurship and Strategy with Accountability and Control. *Corporate Governance*, 3(2): 3-5.
- Thompson Jr A.A., Strickland III A.J. and Gamble J.E. 2005: *Crafting and Executing Strategy, The Quest for Competitive Advantage: Concepts and Cases*. 14th Edition. New York: McGraw-Hill/Irwin.
- Trice, Harrison and Beyer. 1993. *The Cultures of Work Organizations*. Englewood Cliffs, New Jersey: Prentice Hall.
- Walters D and Buchanan J, 2001. The new economy, new opportunities and new structures. *Management Decision* 2001 39 (10): 818