

LAW FIRM MANAGEMENT IN ISRAEL

By Kimberly Lindy and Minna Ferziger Felig

In recent years the issue of law firm management has become increasingly important in Israel's legal arena. With the boom of the high tech industry in the 1990's, the size of Israel's largest law firms, which hovered around 25-30 lawyers ten years ago, now exceeds 75 lawyers. According to the figures of Dun & Bradstreet 2003, there are 88 law firms in Israel that employ more than 10 lawyers and half of those employ more than 20 lawyers. Nevertheless, many firms continue to manage the firm as they did ten years ago when their office was one-third the size.

Management practices in this country have long lagged behind international standards. During the 1990's, however, Israeli managers were forced to look for creative new techniques that would allow them to manage their resources more effectively in order to compete for global capital and international clientele. Israeli law firm managers have begun to understand that to compete successfully they must manage their current professional and administrative resources in more effective and productive ways.

Management of a law firm becomes increasingly more complicated as the firm grows in size and in depth. A full service firm, regardless of its size, requires a structured administration to help it meet its needs and to compete in both service performance and quality. In recent years the total number of persons working in a firm has often doubled or tripled, increasing the monthly overhead accordingly. In order for partners and staff attorneys to focus on finding clients and providing legal services, the administrative functions of the firm, such as human resources, finances, facilities, marketing, office services and systems, must be managed properly.

A firm's governance and management structure exists on three distinct levels that should be synchronized for the firm to operate smoothly and efficiently: governance, practice management and administration.

GOVERNANCE

Governance is the formal structure that the firm creates in order to make policy decisions, set long term direction and manage major financial decisions. This structure is usually determined by the size of the firm. Smaller firms tend to have either a democratic form of governance, where each partner votes on every management issue, or an autocratic form of governance where one partner makes all of the decisions unilaterally.

As partnerships grow the wholly democratic approach often becomes unwieldy, inefficient and is seen as a waste of time for the majority of the partners. The autocratic approach can become unacceptable for individual partners who disagree with the managing partner. At this point, most firms move to management by committee, whereby a number of partners are chosen by the partnership to represent them on most or all of the major management decisions.

PRACTICE MANAGEMENT

Practice management is the management of lawyers and legal staff. The principle resource of any law firm is its human talent. It is essential to recruit and manage that talent so as to provide quality legal services that are economically acceptable to the clients and profitable for the firm.

There are two prevalent types of practice management. The first is a “Confederation Practice”, where each lawyer develops individual client relationships and is the primary lawyer responsible for all of his clients’ legal needs. The second is a “Team Practice”, where a group of lawyers with different areas of expertise collaborate to serve clients as a single entity rather than as a collection of individuals.

The managing partner is responsible for insuring that no matter which practice approach is chosen, the lawyers work together in a manner that complements rather than duplicates and which does not compete with the other lawyers’ practices.

ADMINISTRATION

Administration is the day-to-day operation of the firm, dealing with the collateral issues such as human resources, finances, facilities, marketing, office services and systems, which make the firm work smoothly, efficiently and profitably. As law firms have grown in size and realized that most lawyers do not have vast experience in handling the multitude of non-legal decisions that are involved in running a law business, larger Israeli firms and many of the smaller full service international firms have adopted the approach of firms in America and Europe, of hiring an administrative director, called variably Executive Director, Administrative Director, Managing Director or the like.

The administrative director in most international firms is not a practicing lawyer, but rather a person who has practical business and administrative organizational experience. This person is the Chief Operations Officer and is devoted completely to the non-legal aspects of running the firm.

The administrative director assists and serves as a resource person for the managing partner(s), firm committees and practice groups in fulfilling their respective duties. The purpose of maintaining someone in this position is to free partners and practicing attorneys of as much administrative detail as possible so as to increase the hours which attorneys can devote to client affairs. Having a strong administrative director also sends a strong message to clients that the firm’s lawyers are dedicated entirely to servicing the client’s legal needs.

Successful law firms recognize that the practice of law is both a profession and a business. Much like the advice that they give their start-up company clients, law firm managers should seek out professionals who dedicate themselves to the business aspects of a law firm in order to manage the firm most effectively. Law firms that choose the proper management structure reduce conflict within the firm, project a positive image to clients and ultimately make the firm more profitable.