

An overhead view of a business meeting around a wooden table. A woman in a grey top is looking at a tablet. A woman in a white blazer is gesturing while talking. A man in a dark suit is looking at a document. Another man in a grey suit is pointing at a document. The table has papers, a tablet, and a pen.

# THE NEW STANDARD

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## How business chiefs in law and consulting firms are satisfying shifting client expectations

By Michael DeCosta and Rodes Cole

The ability to provide superior legal advice and services was once the sole standard by which companies selected a law firm. Likewise, consulting firms faced similar criteria in the pitch and selection process, but those days are long gone. Experience and expertise are table stakes now as clients expect more from their professional services partners.

Prospective clients now regularly present RFPs that ask for the details of the firm's data security systems, alternate fee arrangements, policies on diversity and inclusion, workplace policies and culture, sustainability, and other matters. Clients want their outside advisors to reflect their own values. Unfortunately, not all professional services firms are positioned to respond with the preferred answers for these questions. While these highly regarded law firms and consultancies consistently guide clients to the latest and best solutions in corporate governance and infrastructure, too often they have allowed their own systems to remain underdeveloped, perpetuating the familiar "cobbler's child" syndrome.

That may have been acceptable in the past, but a firm's management of its people, processes and technology today can have as much impact on business development potential as its professional capabilities.

Increased demands on time, money and organizational structure have combined to allow more than a few consulting and law firms to fall behind their clients in the areas of governance, business management, and infrastructure systems. Generally organized

as partnerships with no outside capital and little regulatory oversight, these firms have traditionally faced minimal outside pressure for change. Partnerships are famously frugal when it comes to spending money on items other than direct client services. The firms tended to tap partners who were temporarily between projects ("on-the-beach" in their parlance) to manage any governance or infrastructure initiatives that arose. That approach often worked very well, but not always.

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With clients now declining to partner with professional services firms whose workplace policies, data security standards and business practices don't reflect their own, professional services providers are stepping up to respond to this marketplace reality. At Caldwell, we are partnering with legal and consulting clients to identify top-tier professional managers with the ability to lead those firms in their adoption of world-class technology, governance and business management processes.

## THE RISE OF PROFESSIONAL MANAGEMENT

Among the leadership roles firms have added—or are considering adding—to manage central business functions are chiefs of finance, operations, marketing, pricing, information, human resources, recruiting and professional development. While career development at professional services firms previously focused only on client-facing roles, some firms now have career development paths for professional staff as well. These programs are key both when recruiting top executive leaders and in building bench strength.

The chairperson and the managing partner remain at the helm, but often, a COO now handles the daily operations of the firm, and might even manage such sensitive issues as partner compensation. As the person most familiar with the firm's business processes, the COO may well be called upon to participate in meetings with prospective clients to respond to inquiries on business operations.

This rise of professional management has led to a decline of the traditional committee structure. Attorneys and consultants are spending much less time on finance, marketing, IT and other committees that are no longer the exclusive driver of firm-wide decisions.

Some firms still select their C-level officers from their partner ranks. While these partners can be highly skilled, they may not bring the right experience to these leadership roles. From our perspective at Caldwell, a couple of challenges exist with this strategy. The first is that their advisory expertise often comes from other industries—manufacturing, retail, life sciences, consumer packaged goods, for example—industries that may organize and manage themselves very differently from a professional services firm. The second challenge is perspective. Looking at the world through the partner lens sometimes can obscure important items—and their public optics—that would be clearly noted by a professional manager. And yes, optics play an increasingly important role in today's marketplace.

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## FORCES OF CHANGE

The forces of this business model change have been building for years. Perhaps a seminal moment for law firms occurred about a decade ago, when the Association of Corporate Counsel fostered the ACC Value Challenge, seeking ways for in-house corporate counsel to better control costs with value-based pricing from outside counsel. This led law firms to create alternative fee arrangements from the standard billable hour. Since then, the Great Recession gave rise to the “new normal” in client expectations for other professional services firms as well.

Another watershed event was the so-called Panama Papers leak of 2015, an unprecedented leak from the database of one of the world's largest offshore law firms. The leak made clear that if law firms were going to hold sensitive corporate documents, they needed to match the data security of their corporate clients.

Increased transparency and the ever-more vocal public square are also playing a part. Along with clients, the marketplace is simply more insistent on issues of diversity, workplace lifestyle standards, social justice, environmental practices and more. Importantly, these issues also impact the ability to hire. Law firms and consulting firms have a legacy of very long work hours, especially for those below the partner level. Today, neither clients nor potential employees like the idea of a big project dropping on an inexperienced hire's desk on Friday afternoon, due Monday morning. The days of professional hazing are over.

Building community in the office and providing mentoring is becoming a focus at many firms. Some firms now promote green construction, job share, and “hoteling,” while others are adding wellness managers. All of this represents a reorganization of how firms respond to current marketplace demands and manage work/life balance for employees.

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## A BUSINESS LEADER AT THE TABLE

At Caldwell, we view these changes as having a positive impact on business sustainability. Diversity, green-credentials and work/life balance will enhance future recruitment. And the arrival of professional managers tends to bring the messengers of change. With their outside perspectives, these are the leaders who see disruption on the horizon. In our experience, these are the leaders urging new solutions or delivery models to secure competitive position.

There is no doubt that consulting and law firms are filled with smart people who can and will respond when the client or the marketplace speaks up. After all, they used to be the ones solving all such problems within the partnership. But that has changed. As our legal and consulting clients have told us more than once, “Today, we are far better off going to meet prospective clients with a business leader at our side.” We expect this trend to accelerate as outside capital finds its way into professional partnerships and drives operational performance expectations even higher. Client expectations have changed, and shrewd professional services firms are heeding them.

## ABOUT THE AUTHORS



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## WE BELIEVE TALENT TRANSFORMS

At Caldwell we believe Talent Transforms. As a leading provider of executive talent, we enable our clients to thrive and succeed by helping them identify, recruit and retain their best people. Our reputation—nearly 50 years in the making—has been built on transformative searches across functions and geographies at the very highest levels of management and operations. With offices and partners across North America, Europe and Asia Pacific, we take pride in delivering an unmatched level of service and expertise to our clients.

Understanding that transformative talent is not limited to executive levels, our Caldwell Advance solution focuses on emerging leaders and advancing professionals who can also have a profound impact on a company's ability to turn potential into success. We also leverage our skills and networks to provide agile talent solutions in the form of flexible and on-demand advisory solutions for companies looking for support in strategy and operations. Also, we are a leading licensed certified partner of The Predictive Index (PI), an award-winning talent optimization platform with a suite of talent strategy and assessment tools that – when integrated with our search process – helps clients hire the right people, then manage and inspire them to achieve maximum business results as fast as possible.

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