Shaping change: the rise of the COO

By Laura McNair

The rise of the chief operating officer (COO) in law firms is arguably one of the most important developments in the sector in recent years. As firms have faced increasing competitive pressures, and business services functions have grown to support internal and external change, the COO has taken a central position in determining the efficiency and consequently productivity of the modern legal business.

According to research by Totum conducted in August 2022, 65% of the top 50 UK law firms now have a COO, 27% of whom are women (we see firms beyond the top 50 increasingly recruiting COOs too).[1] Some are first-time appointments but others are replacement roles, in firms where the COO role is permanently embedded into their organizational structure. The initial investment may be significant – we will come to compensation later – but the return in terms of business improvements more than outweigh the outlay. In our experience, firms that have experienced the benefits of a good COO don't look back.

It is worth noting at this point that the "chief" title is not unique to operations. Some firms in recent years have recruited chief executive officers (CEOs) to work alongside their COOs – although managing partners still typically take this role in larger firms. Below those positions, we have also seen the director title (HR director, finance director, etc.) increasingly give way to chief (chief marketing officer (CMO), chief financial officer (CFO)).

Why does a title matter? In our view, it denotes a deep mental shift in the legal sector. Firms use "chief" to show how highly they value their most senior business services professionals. This stems from the great work already undertaken by these leaders in both good and challenging times. But the choice of title also creates an important foundation for growth – one on which the COO role can continue to evolve and flourish.

As a standalone role, the journey of the COO is perhaps the most interesting of all the chief titles. In this article, we seek to provide insights into the role's development so far as we have seen it evolve in practice, what makes for a really great COO in today's complex world, considerations for recruitment, and likely developments from here.

Defining leadership – why COOs?

There are a few broad reasons for the dramatic increase in the numbers of COOs in recent years, including:

- Rapid market change;
- Increasing competition/pressure on fees requiring rapid efficiency improvements; and
- The need to align the considerable capabilities of fast growing business services functions.

But a simple and yet pressing reason is that the workload involved in running a modern legal business now exceeds the capacity of the managing partner alone. Where once he/she would have taken responsibility for overseeing internal operations, setting strategy and even, sometimes, fee-earning, myriad demands make this an untenable balancing act in firms of any size.

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This view is somewhat borne out by the fact that the election of a new managing partner often coincides with a COO appointment. When John Cleland was elected managing partner at Pinsent Masons in 2015, one of his first actions was to recruit Alastair Mitchell as COO to work alongside him.

"I had reporting lines stretching across groups and sectors – it was too much for just one person", he explains, recalling his chief motivations for seeking the firm's first COO back then. Recruiting a COO was part of the discussion even during Cleland's election, and partners were supportive from the outset, no doubt nudged by the fact it was something other firms were looking at too.

COO appointments in our view are driven by necessity and opportunity – the need to get additional support in place combined with a realization of the many tangible business benefits such a role can afford.

Beyond juggling responsibilities, Cleland felt that a COO would provide a vital new perspective. *"I wanted a different voice, someone who didn't come from a lawyer background like me – who could challenge my assumptions and provide expert support for the business operations team,"* he says.

Once a few firms recruited COOs, it was inevitable that others would follow suit. But the rise of the COO goes beyond herd mentality. COO appointments in our view are driven by necessity and opportunity – the need to get additional support in place combined with a realization of the many tangible business benefits such a role can afford.

The COO/managing partner combination at Pinsent Masons, for example, has enabled Cleland to navigate tricky partnership issues while Mitchell injects the business expertise. *"Without him, I would not have had the time for business operations, which would have forced me to be far more reactive and we would have had more business silos,"* says Cleland.

He credits Mitchell for his ability to bring business operations departments together but also delivering on change management projects, helping to influence behaviors, supporting the firm's response to COVID-19, and delivering "steady, confident" teams over six years. *"He has huge credibility and he has my entire confidence to manage his own issues,"* Cleland adds.

Pinsent Masons' experience doesn't necessarily translate to other firms, though. In all our years of placing these roles, we have drawn one conclusion – there is no single model for recruiting a COO.

The most effective are those that can integrate into the unique cultural make-up of a firm, provide the right skills to fill strategic and operational gaps, and add a new but complementary dimension to existing talent in the firm – at that point in time. This has fast created considerable variety in the kinds of COOs we are placing.

Makings of a modern COO

When we started hiring these roles, the rule of thumb was that COOs came from finance. Typically a finance director would get promoted to COO, providing the financial heft to head up operational efficiency while the managing partner focused on strategy.

An interesting dynamic arising more recently, however, is the separation of the chief financial officer (CFO) and COO role. This has allowed more firms to source COOs from non-financial backgrounds, to meet other pressing needs in an organization. This might occur, for example, in a firm that has a strong finance leader but needs leadership support in a different area, perhaps to support change around people, market repositioning, or critical technology transformation. This means that over time we have seen the role broaden out as other functional areas have morphed into it.

We have made placements of candidates into COO roles from backgrounds including management consultancy, HR, and business development, as well as from IT, a trend we expect to see increase as technology dominates today's decision-making. Another area of increasing interest is project or program management because these roles often involve managing big programs and making sure functions work together efficiently. Figure one shows the background split of current COOs in the top 50 UK firms. Just under a third still come from an accounting background but it is striking how many encompass a wider breadth of experience.

The field has opened up and will continue do so with the emergence of another role – that of the business manager.

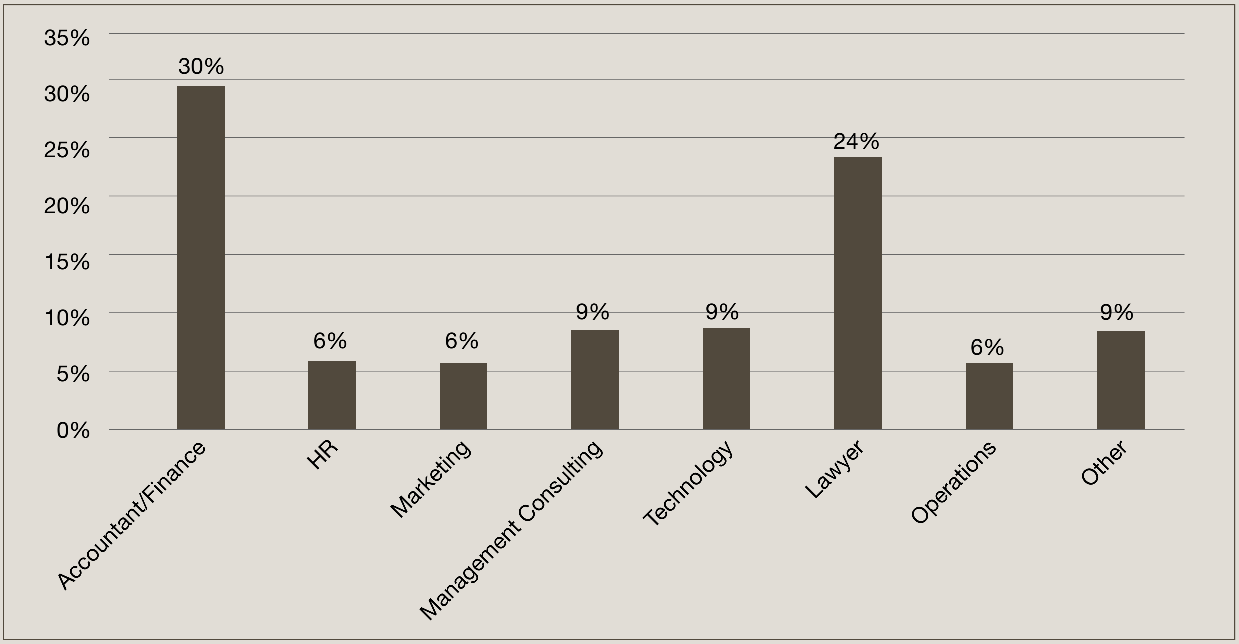

Figure 1: Employment background of COOs in the top 50 UK law firms. Source: Totum Partners, 2022.

Stepping-stones – the business manager role

Business manager roles are effectively COO roles but for specific functions/practices, rather than the whole firm. Such is the growth of these roles that they are beginning to be seen as something of a training ground for stepping up to roles with a firm-wide remit.

Linklaters was at the forefront of establishing these roles back in the 1990s and it was there that Sally Procopis, now COO at Bates Wells, set out her stall for advancement. *"My first step into law was in a business manager role and then a divisional business manager role at Linklaters and those ten years [2008-2018] were key,"* explains Procopis. Although she, too, had a finance background and at one point worked as a finance analyst at Cadbury Schweppes, finance wasn't her passion so much as a means to an end. She had always wanted to run a business; becoming a business manager proved pivotal to achieving her career ambitions in the legal sector.

"Linklaters was the first firm to really invest in the business manager concept. In the role, I was joined at the hip with the global/divisional practice head and we managed the practice/division together. We helped the practice perform in every single area and I was able to walk away from that role with huge confidence that I understood the key ingredients required for a high performing law firm," she says. Not surprisingly, since leaving the firm four years ago, she knows many of the firm's other business managers have, like her, stepped into COO roles. *"It's an obvious way into a COO role because you're effectively the COO for all business services in your practice,"* she says.

It also took her well beyond her finance background. While she says her knowledge of finance has become more useful as she has taken on more senior roles, she thinks that the breadth of expertise, and the high-level influencing/communication skills required of a COO, wouldn't suit a lot of finance people. *"The financial oversight is still important,"* she says. *"If you don't have a background in finance, you need to master it to be able to do the job. But most of all you have to be a good leader of people. The COO could potentially be a good destination for a great HR director."*

Brian Aris, COO at Harbottle & Lewis, shares a similar story, having been business manager for the London office and head of operations for the international corporate group at DLA Piper before he joined Harbottle & Lewis, becoming COO in 2019. While he too comes from an accounting background, he became interested in operations when he took on a broader role as director of finance and operations, forensic services at BDO. In 2013, it led him to DLA Piper and to a divisional operational role that shaped his future.

"Business manager roles are now more common and I certainly know a number of my peers at DLA who are interested in becoming a COO as the next step," he says. *"You have that broad understanding in those roles, you're involved in everything and it goes beyond just finance. Once you have experience of working with marketing on campaigns, HR on people strategy, lateral hiring, and working with heads of groups to put together group strategy… well, the obvious next step is a COO role."*

He's also noticed that people in these roles bring with them a much more varied background. *"I was an accountant by background, but at DLA we had someone who was from a marketing background and another who had been a management consultant. It depends on what people want in a COO, it's not one size fits all,"* he says. *"If you carve bits out like finance, I think it's hard to be a full COO – the role can become quite disjointed. But it's also difficult to make decisions from a purely finance background – you need knowledge of HR, marketing, and facilities."*

Structure and remit of the COO role

Not surprisingly given the above, the structure and remit of COO roles vary considerably. It is not uncommon to find COOs taking responsibility for all business services functions and reporting to the managing partner, a set-up that establishes firm-wide leadership credibility right from the start. But there can be variations and functional carve-outs in individual firms. Figure two shows the current breadth of responsibilities of COOs among the top 50 UK law firms, showing an outlook that extends well beyond finance.

We would be surprised to take on a COO role today that doesn't sit on the board. Without that board-level status, COOs are less likely to be seen to have the authority to act. And they may not have the insights to work across practice areas and functions – you have to be at the heart of decision-making.

COO roles may range in their strategic input, however. Aris, for example, works alongside the managing partner and leadership team developing and delivering strategy, but he doesn't think that's typical. *"Law firms can still have the perception that the lawyers do the strategic/commercial stuff and they want a COO who will do the day-to-day running of the business,"* he says. *"It will evolve though, and COOs will become more influential in a broader way across*

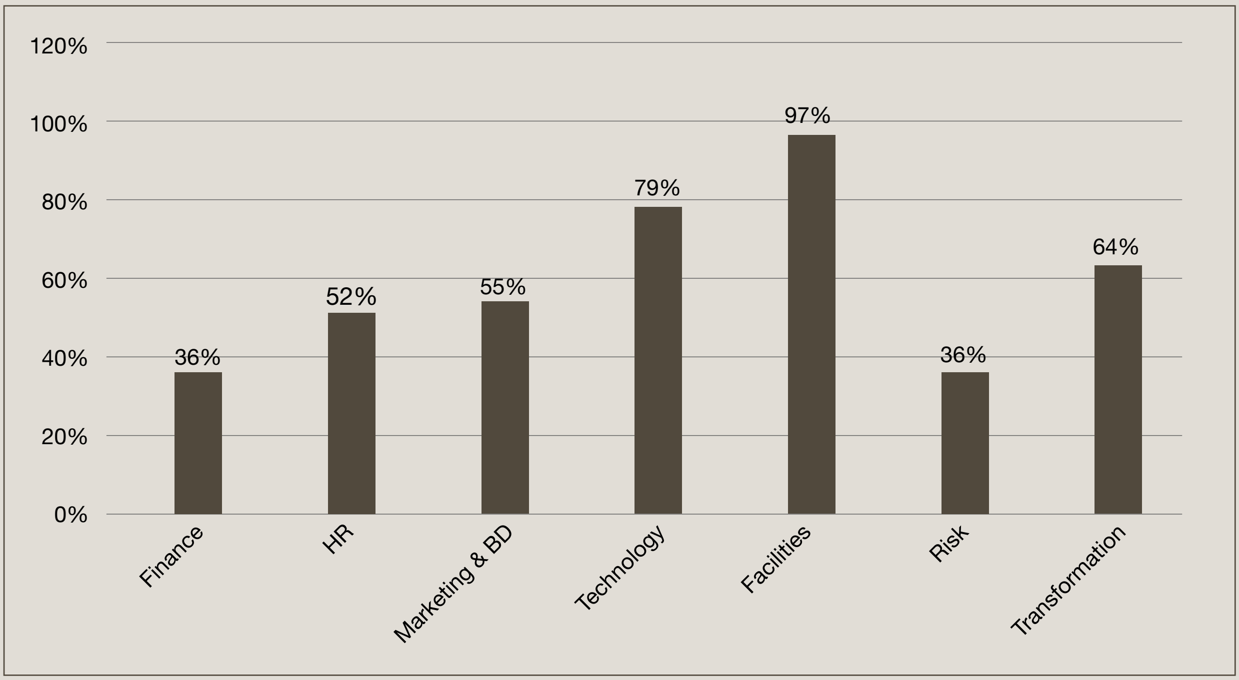

Figure 2: Job focus of the top 50 UK law firm COOs. Source: Totum Partners, 2022.

firms. And they will move beyond operations. The title is rather limiting to be honest."

These ranging approaches mean that it is hard to pin down common approaches to compensation. In our research report, Rewarding leadership: Chief and Director salary and bonuses,[2] conducted in late 2021, we were able to pinpoint average salaries and bonuses for most roles, except the COO position. While we could say that average COO salaries at that time ranged from £217k in firms generating less than £100m, up to £394k in firms with revenue of over £501m, averages were often skewed by outliers. So much of this role – and its compensation – depends on the individual role's remit.

Interestingly, in the same research, we found that a quarter of our respondent firms now have business services directors/chiefs who are equity partners – with 29% of those in the COO role. In addition, a similar proportion of firms (26%) have fixed share partners, with 23% being the COO. Bearing in mind not all respondent firms have COO roles, this is a significant trend that is particularly prevalent among smaller firms generating less than £100m. This is likely down to the fact that more of these businesses are set up as alternative business structures (ABSs), giving them the freedom to award equity partnership to business leaders who are not lawyers.

Otherwise, most firms compensate their COOs with a mix of salary and discretionary bonus, paid annually at an average of 32% of salary as of 2021, with a handful offering shadow equity points as part of the package.

What makes a great COO?

Despite differences in the specifics of the role, good COOs share essential qualities – the ability to create a sense of togetherness, inspire, and influence, but also be honest and consultative. Important too is political astuteness to read situations and know how and where to gain support for change, taking an innovative approach to analyzing and solving complex issues, and building relationships with a transparent, inclusive, and open communication approach/style.

Aris says he takes a light touch to working with directors of business services functions across the firm. *"They are all senior people and they know their stuff… My role is to bring them together and give them oversight of what we're doing for the firm as a whole. It's about building a community. I like to think I've brought a bit of personality to how we communicate – my approach is to be collaborative and personable. Good communication is key,"* he says.

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It is also vital to have good chemistry between the managing partner and COO. This is a key relationship and how these two interrelate with each other and the rest of the board is vital to success. In fact, this chemistry is often more important than in any other leadership role. This doesn't mean the managing partner and COO have to be the same – contrasting personalities can be very effective. But there does need to be mutual respect.

"The managing partner and I are a double act and it works beautifully," says Procopis. "We talk to each other every day, and we're hugely honest with each other. He doesn't step on my toes and I respect his wisdom. It's all about people leadership as well – in the pandemic, he and I were absolute focal points for the firm and we were very visible. With the world going from one crisis to the next, that people side of it is more important than ever."

COOs have to be in a position to implement tangible change. One of Aris' first tasks, for instance, was to reform the governance structure of the firm, replacing the firm's strategy committee with a board consisting of the managing partner, senior partner, COO, and four elected partners – the firm's first elected system. The board works alongside the firm's management executive committee, which retains responsibility for the day-to-day management of the firm. *"That was a key change,"* he says, *"And we now have clear accountability for strategy and governance and it works really well"*.

Procopis describes herself as responsible for everything – taking equal responsibility with the managing partner for *"every aspect of the firm's performance"*.

That has brought with it some serious challenges, starting with a complete rebuild of the senior management team. *"I knew what we needed in our functional directors because I'd experienced very good functional leadership at Linklaters and in other organizations. I needed the right people or I would have failed in my job. It was essential."* With the right team in place, she was able to start by introducing utilization and other key performance indicators (KPIs) – giving the firm the right building blocks on which to grow.

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Recruiting your COO

COO roles don't always work out, although this is less common as firms have gained experience of the role and the talent pool has grown. Board agreement on what the new COO will be responsible for is vital from the outset if he/she is going to be able to integrate into the business effectively. The structure and reporting lines need to be really clear before recruitment begins – this will sometimes require challenging conversations and hard decisions, but it makes for a better recruit. Some firms fudge the reporting lines, with lots of dotted lines because firms don't want to upset individuals, but in our experience this rarely works and needs to be sorted out in advance.

Once recruited, the COO also needs to be trusted to make decisions, even if those decisions are challenging. Whether partners or not at this point, they need the autonomy to lead – nothing is possible if partners close ranks against individuals.

The COO role is an excellent opportunity for individuals to work at the heart of the organization. They are a good destination role for individuals from a wider range of different backgrounds including HR, marketing, and technology. Those interested in stepping up need to give serious thought as to how to acquire the additional broad skills relevant to the COO role, whether via a business manager role or gaining an accreditation like an MBA. But more routes to the COO role are opening up as firms have increasingly recognized the advantages delivered by this key leadership role.

Into the future

"There will come a time when more law firms will realize that firms run by lawyers isn't necessarily right," says Aris. *"Then we will see more CEO-type roles taken up by people from outside of law. This will open opportunities for COOs with the broader operational/strategic experience and profile to step into that role,"* he says.

The COO role is one that requires a breadth of leadership experience, high levels of credibility, excellent people skills, business acumen, gravitas, and an exemplary work ethic. COOs have to be able to build consensus and trust at all levels – while juggling myriad responsibilities. It is a pivotal business role in today's legal sector and one that is destined to shape law firms long into the future.

Writing a COO job description

We frequently help firms scope out and define job descriptions for COOs. While each description needs careful tailoring, we can provide some broad guidelines for consideration.

First and foremost, the job description should always start with the title, location, status (for example, full-time with home working available), who it reports into, and details of direct reports. It is also vital to clearly state the context of the role (where it sits organizationally (board/committee status, for instance)), what operational functions it leads, whether it's a new or replacement post, and the chief priorities and purpose of the role.

Once the basics are set out, firms should then set out a clear list of key responsibilities. The following provides an example of areas and the type of wording firms might include.

- *Strategy and planning*. Work with the executive board and wider partnership to formulate the strategy, vision, and values of the firm and to drive the performance and development of the firm's business.
- *Leadership*. Develop a best-in-class business services leadership team that enables the firm to operative effectively.
- *Innovation and change*. Inspire and create an innovative culture, cultivating ideas to enable the firm to achieve results and enhance the brand.
- *Operational excellence.* Take a real grip of the firm's infrastructure and build/develop and maintain an efficient and robust operating model, aligned to the firm's values and growth requirements.
- *Financial performance.* Drive profitability and growth through strong financial and operational management (price, capacity, cost, and working capital) demonstrated against KPIs. Prioritize the firm's investment to ensure these are fully aligned with business priorities.
- *People and culture.* Ensure a value proposition to attract, develop, engage, and retain talent that is embedded in processes and working practices across the firm.
- *Client/business.* Promote a client-centric approach across all aspects of the firm's business, with a view to achieving better market positioning, generating new streams of income, and improving the overall client experience.

Laura McNair heads up Totum's specialist people and operations team, which recruits across all disciplines such as operations and business management, HR, recruitment, learning and development and reward in law and professional services firms based in the UK and internationally. Laura recruits senior and leadership roles and plays a key role in making placements across broader positions in general management (for example, chief operating officers, heads of operations, directors of administration, business managers and practice managers). As part of her role, she is in constant communication with key figures across the industry, sharing industry knowledge and market insights; she contributes extensively to Totum's research activity, writing articles and supporting in-depth reports on leadership and operational roles. She has over 20 years' experience in recruitment, largely in the professional services sector, and has enjoyed helping firms source new skills and capabilities to enable them to succeed in an increasingly competitive market.

1 'The rise of the Chief Operating Officer', internal research conducted by Totum Partners, August 2022 – www.totumpartners.com.
2 'Rewarding leadership: Chief and Director salary and bonuses', published by Totum Partners, September 2021, www.totumpartners.com/rewarding-law-firm-leadership-salary-bonus-report/

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