



The Small Firm COO vs. an Office Manager

One of the most common mistakes that leads to the overwhelming failure rate of full-time Professional Legal Administrators is a misunderstanding of the role by the owner of the firm. Far too often, this role is conceptualized as merely an “office manager” with a fancier title. As such, many owners fill this role by merely promoting the most senior client of the support staff – or even a family client – to be their administrator, and then continue to operate their firm as they have in the past... to the grave detriment of their profit margins and growth potential.

Instead, this role should be conceptualized more as a Chief Operations Officer (COO) role – a C-Level executive that comes alongside you to run “the business end” of the law firm – better than you can do, even if you did have more time to focus on such things – while you focus more on legal processes refinement and marketing tasks. (Hence the name of this program and terminology we prefer throughout it.) Your new COO should hold both your Budget and your Business Plan in their hand and serve as a co-strategist with you, responsible for driving both your topline revenues and your bottom-line profits, managing your staff and building out your systems as the principal means toward those ends.

A good COO will possess a mix of the four key competencies noted below:

- 1. Systems Development:** Typically, when you think COO, you should think COO, and the core competency of a COO is systems development – all with the aim of improving the overall efficiency and scalability of a firm. A good COO should have a solid understanding of systems, software, hardware and peripherals, and can manage or oversee the management of your firm’s equipment and systems. Even more importantly, they should be able to think through the workflow of your procedures to map them out – and refine them – through carefully crafted, drafted, implemented and enacted, policies and procedures. An ideal COO will have some knowledge of legal industry matters, including things like professional liability and conflict of interest, to inform their efforts to refine your firm’s policies and procedures.
- 2. HR/Management:** Human resource management is an important component of a law firm’s overall business success. It is important for a COO to be aware of changing employment laws and the many details relating to recruiting, hiring, compensation, benefits, performance appraisals, discipline and discharge, and labor relations in general. Also, because personnel and fringe benefits are a significant portion of a firm’s operating expense, it is crucial for a COO to be able to manage these important resources effectively. More importantly, however, is the cultivation and care of your firm’s culture. At the end of the day, (culture + mission) ÷ each employee’s sense of alignment to the same = profit. A good COO knows how to cultivate that firm culture, navigate conflicts, and manage people with efficiency and grace.



3. **Financial Management:** A thorough understanding of accounting and financial principles is critical to the role of a COO. Effectively managing a law firm's finances means a COO should have a solid understanding of general accounting procedures, financial management and analysis, and tax regulations, as well as the ability to implement solid internal controls and collection and billing procedures. Your COO should be able to hold your Budget with you and serve as a co-strategist to help you identify strategies – then implement them – to drive both your topline revenue growth and bottom-line profit margins.
4. **Marketing Management:** A COO is *not* a salesperson or a marketing manager, but a good COO should be sufficiently familiar with sales & marketing best practices to manage those teams effectively. Furthermore, a strong COO should be able to collaborate with you on the Firm's overall Business Plan and Marketing Plan, and help strategize opportunities to improve the sales and marketing departments of the Firm to help grow the Firm's top-line revenue.

When it comes to educational credentials, many legal administrators are CPAs or MBAs. While an advanced degree should not necessarily be a requirement, it is certainly desirable. A Certified Legal Manager (CLM) or other professional business designation is another validation of a person's knowledge and skills.

In terms of experience, paralegals, retired military personnel and accounting firm professionals are among the most common career paths to a COO position that would be well-suited for a fast-growing law firm with less than \$10MM in revenue. Direct experience managing law firms in size ranges both below and above where your firm currently is (showing they've experienced where you've been – and where you're trying to go) is ideal, but not always available. Often, experience managing any professional service firm (e.g. accounting, engineering, etc.) is sufficient for the needs of a typical law firm with less than \$10MM in revenues.

The typical salary range for this position starts with a base salary between \$80-\$120k, then layers on an incentivized bonus structure designed to get a high-performing COO up to a final salary of at least \$120k-\$150k, and upwards of \$250k+ to the extent each new dollar being paid to this person reflects at least four new dollars in profits that otherwise would not exist without him/her driving both the growth and overall efficiency of the firm.

The ROI of a COO should be measured in *multiples* of their salary, and in terms of the percentage of growth and increased profit margin your firm experiences that would otherwise be impossible without this person at the helm. Facebook simply would not exist in its current form without Sheryl Sandberg. Similarly, you should conceive your law firm as being on the point of two dramatically divergent paths of what is possible – the one with your new COO and the one without.