

February, 2010

## WHAT FIRM LEADERS SHOULD FOCUS ON NOW

The economy is recovering although not as rapidly or steadily as we would all like. It is already apparent that this recession will have a far greater impact on the legal profession than any previous recession. Now it is time for firm leaders to shift from survival management to recovery and strategic management. Firms face challenges they have never faced before and for which there are few, if any, precedents. These are some of the areas where these challenges will occur and where firm leaders should now focus their attention.

**Leadership and Management.** Managers have a short-range perspective. Leaders, on the other hand, need to have a long-range perspective and a vision. They also need to build consensus throughout the firm for achieving that vision. Leadership is different from management. Right now both are critical.

**Firm and Practice Management structure.** The Managing Partner/President/CEO should focus on strategic issues and external factors - especially clients. But, in BigLaw firms and in many MidLaw firms, this top level manager should focus solely on running the firm and should not have any personal client responsibilities. There should be a senior management team including an Executive Committee, a Chief Operating Officer (or co-Managing Partner) and Practice Group Leaders. All positions should have job descriptions and the partners in these positions need to be given sufficient non-billable time to fulfill their management responsibilities.

**Management compensation.** The members of the senior management team should have a compensation plan that rewards them for assuming their management responsibilities and for their performance as leaders and managers.

**Strategic Planning.** This is more important than ever. But, in addition to the basic plan, there need to be alternative plans as well based on “what if” scenarios.

**Implementation.** Many firms develop plans – firm, practice group, client team, individual lawyer – but never implement them. Plans mean nothing unless they are implemented – and the results monitored.

**Fees and providing value.** While there is a growing trend towards alternative fee arrangements, the billable hour is not dead. Flexibility and creativity are needed to ensure that clients are comfortable with the billing arrangement and feel they are receiving “value” – which, in many cases, just means lower fees or discounts on hourly rates

**Listening to clients.** For all the reasons discussed in our September, 2009, *Legal Communique*, client audits are more essential than ever.

**Capital.** A law firm is a business and every business requires sufficient capital to support operations as well as growth. Yet most law firms are under-capitalized because they do not require the partners to contribute sufficient capital, either at the time they are admitted to the partnership or as the firm grows. In fact, there are still firms that do not require partners to contribute any capital – i.e., invest in the firm and become true owners.

**Partner compensation.** A firm's compensation system needs to recognize, not just billable hours or collections, but each partner's *total* contribution to the firm,. This requires a *subjective* review of *objective* data. Some firms have even recently removed billable hours from the determination.

**Profitability.** Maintaining or increasing profitability should no longer depend on raising rates each year. Firms must manage their work and operations more efficiently. Leverage is still the principal source of profitability. But leverage now includes, not only delegating work to lower-fee timekeepers, but also making maximum use of technology. Outsourcing, even in SmallLaw and MidLaw firms, can also be a key source of profit.

**Succession Planning.** This has become essential for both client responsibility and management. There should be a written policy that is applied on a case-by-case basis. Gradual adjustments in compensation must be part of the program.

**Senior partners.** Many partners in their 60s, 70s and even 80s want to continue to be active and can make productive contributions to the firm in various ways. Management should recognize this and take advantage of this pool of talent.

**Recruiting.** There are several options – entry level associates, lateral entries and small group acquisitions. Which is the best strategy for the firm – or should they all be pursued at times?

**Associate training and development.** A small but increasing number of firms have already recognized that lockstep promotion and compensation should be halted. An apprenticeship or similar program should be instituted, followed later on by merit promotion and compensation. But firms must provide sufficient time and resources to individually monitor and evaluate each associate's development.

**Indoctrinating lateral entries.** Despite the great increase in lateral entries at all size firms, most still do not sufficiently integrate these new partners or associates into the operations, practice – and culture – of the firm. As a result, cross-marketing opportunities are missed and some of the most sought after laterals subsequently leave for another firm.

**Culling the herd.** Layoffs serve, not just to reduce expenses or increase Net Income per Partner, but also to raise the performance level – and morale – of the firm. Disruptive and unproductive people, attorneys as well as staff, must be eliminated. This should start with a review of equity partners.

**Marketing and Business Development.** Now is not the appropriate time to spend precious marketing and business development dollars on flashy and ego-centric campaigns. But it is time to return to the basics and be certain that the firm and the lawyers are focusing on current clients, target clients, target industries and new practice areas that will grow and be most profitable.

**Expectations of partners.** Firm leaders cannot focus on all these areas by themselves. They must have expectations of their partners – as discussed in our January Communique.

ROBERT DENNEY Associates, Inc.  
P.O. Box 551, Wayne, PA 19087-0551 • 610-644-7020 • fax: 610-296-8726  
email: [bob@robertdenney.com](mailto:bob@robertdenney.com) • web site: [www.robertdenney.com](http://www.robertdenney.com)