

Three Timely Questions for Law Firm Leaders

By Eric A. Seeger

This short piece sets forth three timely questions – each of which a law firm leader should be able to answer in the affirmative. If your answer to any of the three is “No,” we suggest adding that item to your leadership agenda for 2018.

1. IS YOUR FIRM'S GROWTH PLAN OR STRATEGY CLEAR TO YOUR LAWYERS?

Altman Weil works with three kinds of law firms:

- Firms that have a clear strategic plan or direction
- Firms without a clear strategic plan or direction
- Firms that think they have a clear plan or direction, but most lawyers in the firm don't know what it is

We encounter the third type of firm all too frequently. In the course of law firm strategy projects, we often ask partners and associates to articulate their firm's vision or strategy as best they can. Regrettably, the two most common responses we hear are “*Not sure*” and “*No idea*.”

The disconnect between leadership's commitment to firm goals and the relative lack of knowledge and buy-in from their partners is problematic for two reasons.

First, people in any outfit want to know where the thing is going and that there is a reasonable chance of getting there. Some want to know how they can help, while others just want to know that the organization is moving in some purposeful direction and that its leaders are taking their roles seriously.

Second, the leadership team cannot implement strategy by itself; it takes shared commitment and the disciplined actions of people across the firm. Firms that prepare a nice

planning document but fail to convert the plan into actions and achievements have wasted their time. Participation, communication and implementation are key!

I joined my first law firm in 1998. At my initial job interview, the managing partner opened his laptop and walked me through the firm's strategy in great detail, explaining where they were trying to go, what had been accomplished so far, what they were still working on, what was coming next, and why it was so important. His thorough familiarity with the firm's goals and strategies, and the energy and enthusiasm with which he shared them, were hugely attractive. I learned later that he shared the strategy with laterals, staff, clients, and at every partner retreat – he shared the strategy with everyone, all the time. That firm grew like mad, in terms of size and financial performance. People wanted to be part of it.

The opposite can also be true. When partners and associates don't know where their firm is going, they fail to tap into a strong source of motivation, fail to feel like part of a winning team, and offers from 'firms on the move' can seem more attractive. Painful departures can result as people jump ship to join some other firm with a compelling story and positive momentum.

2. ARE YOU DEALING WITH UNDERPERFORMERS?

I don't mean do you have underperformers (most firms do), I mean are you effectively addressing the problem? Are there real consequences in your firm for chronic underperformance? Are you working on talent and performance issues to make your firm stronger, more attractive and more sustainable for the long haul?

A majority of law firms are still experiencing slow demand for their services and some degree of overcapacity and underperformance among their lawyers. In other words, most firms have too many lawyers who are not busy enough.

We have worked with many firms that have made attempts to deal with chronic underperformance by reducing the underperformers' compensation. However, in our experience, simple adjustments to pay usually don't solve the root problems of substandard utilization and plateaued contributions. Behavioral patterns are often ingrained (or limited by personality and motivation) with the result that performance fails to improve – and may even decrease as individuals adjust their performance negatively to match their lower compensation.

We recommend putting short-term plans in place with clear targets and regular check-ins, and if the agreed-upon targets cannot be met, then it's time to counsel some people out of the firm. Ultimately, dealing with underperformers has to mean dealing with them, not just cutting their pay and letting them stick around to underperform again.

It should not be ignored that high performers get irked when they feel like they are busting their humps to support or carry chronic underperformers. In extreme cases, they may become angry to the point of exit. Don't risk losing your best performers by coddling your worst.

3. ARE YOUR FIRM AND ITS PRACTICES DIFFERENTIATED FROM COMPETITORS?

In a buyer's market characterized by intense competition, price pressures and commoditization, it's more critical than ever for firms to be able to convey to clients and prospects why they are better than competitors.

A law firm or practice group can be differentiated in any number of ways: size, breadth of services, specialized expertise, depth of experience, global or local reputation, lower price... just to name a few. For example, some firms differentiate based on flat fee pricing, senior level talent and attention, participation in a national or international network of vetted law firms, or the use of technology or systems to improve efficiency, speed and communication while

decreasing cost. The important thing is to differentiate somehow, to stand apart from competitors in a way that is credible (and true) and that resonates with clients.

We recently completed a client survey for a law firm that achieved one of the highest overall client satisfaction scores we've ever seen: an average rating of 9.42 on a 10-point scale, with 180 clients participating. When we asked those clients how they would describe the law firm to someone else, "responsive" was the word most frequently used, ahead of "knowledgeable," "professional," "experienced" and other likely terms. Responsiveness or another aspect of superior client service can be an effective differentiator – if your lawyers can back it up.

Clients of another highly-rated law firm spoke of how that firm invests non-billable time to tour their facilities, meet their decision makers, discuss strategy and budgets, and truly get to know how their organizations function. Those clients were not worried about fees and did not hesitate to say so. *"They know us so well that we would never consider using another law firm. We'll pay whatever they charge."* Talk about effective differentiation! Does your firm have clients locked in like that?

The point is, for most of the services your firm offers, some other firm could probably serve the client just as well. So, it's important for all your lawyers to be able to sell what makes your firm, or their practice, or their colleagues, distinctive and better than competitors. Having candid discussions to identify truly differentiating strengths is a useful exercise at practice group meetings and the results are useful to share across the partnership.

If your law firm can't answer these three questions with Yes, Yes and Yes, you have some work to do

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For more on differentiation, see "A Simple Exercise to Differentiate Your Practice" at altmanweil.com.

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