



James D. Cotterman

“...the
proverbial light
at the end of
the tunnel will
sometimes
feel more like
the light of
an oncoming
freight train.”

Turnarounds: What It Takes To Make It

By James D. Cotterman

No business has a natural right to exist. Businesses must provide a service or product that the market is willing to purchase at prices that allow the business to attract and retain the capital and labor necessary for ongoing operations. Additionally, they must provide the stakeholders an adequate return on their investment and risk. Some businesses are not able to do this, and they fail. Others do and survive. Law firms are no different.

There are several elements that have been consistently present in successful law firm turnarounds in which the author has been involved. **First, successful turnarounds require a core group of partners to view the firm as “theirs”** — they will stay and defend it, they will sacrifice heavily to protect it. There must be a fierce passion to make things happen, to lead, to manage, to be thoughtful and to do the right things. Conversely, when this element is lacking, there is almost no hope that the organization can right itself.

Second, the presence of a strong heritage and core values are critical. These values supply a foundation that the organization can return to for comfort and direction. The great enduring organizations and institutions are not always greatly successful. They periodically undergo adversity, sometimes so severe that their very existence is in question. Yet they continue and outperform over the long term (by a wide margin) their fiercest competitors, and their industries. They emerge from adversity much changed. What does not change, however, are the heritage and core values that form their foundation.

Third, the partners must generally agree on what they want the firm to be known for — whether for service to a particular industry, for practice specialty or client group, for the way they do business or for some other characteristic. Much of the turnaround success arises from these fundamental ideas of how the firm wants to be positioned and known in the market. The successful firms will identify their core

strengths, the people who are critical to deliver on those strengths and then set about to align the firm around those strengths and people. After emerging from the turnaround, those firms then continue to grow based on that fundamental idea. There exists a strategic underpinning to the restructuring and subsequent growth.

Fourth, although returning profitability to a competitive position is of prime importance, maximizing profits is not first and foremost what drives their thinking or actions. In successful turnarounds, the partners understood the need to invest in their organization, to defer current income and to build for the future. In each situation, these individuals had opportunities to significantly increase and make more stable their personal incomes and wealth. To do so, however, would have required abandoning “their” firm — a prospect simply not acceptable. Productivity was relentlessly pursued, but smart investment and improvement to the balance sheet were pursued simultaneously.

Fifth, the successful firms found within themselves a capacity to focus on their clients’ needs and expectations, to deliver consistent and extraordinary service even in very troubling times. They also cared less about what their competitors were doing and more about personal improvement. There was (and continues in the successful firms) a powerful sense that skills, knowledge and client service must improve each day.

Sixth, the successful firms were able to stop the hemorrhaging of their best talent. When a firm is in trouble, the likely scenario is that first one or two key partners leave, sometimes with others in tow, and almost always with important clients and practices in tow. Then more follow as the concern elevates that there will be nothing left to do but turn off the lights. What this does is strip the organization of its most precious assets, leaving ever increasing mediocrity in its wake. The talent pool must be stabilized quickly or all is lost (see first

continued on page 12

Turnarounds ... continued from page 10

element). That said, it is better to shed even key people who would only hinder the turnaround with independent and defiant personalities, than to let them continue with the firm where they will present a destructive obstacle to improvement.

These elements were neither universally nor uniformly present in each successful turnaround. Nor did each firm subscribe to the same, or even similar heritage, core values, reputation or market position. But the successful firms did uniformly embrace most elements described here and worked to achieve the rest.

As the partners of a law firm facing possible dissolution consider the course of action to pursue, the author strongly advises that each explore his or her personal and

collective commitment to these elements. Turnarounds are the product of long, hard work. They require compassion, passion and the relentless pursuit of the objective. At times, extraordinarily difficult decisions will need to be made, and execution must be swift and complete. Challenges will seem never-ending and the proverbial light at the end of the tunnel will sometimes feel more like the light of an oncoming freight train. The journey is difficult, but it is possible to make it, and to make it successfully. ♦

James D. Cotterman is a principal of Altman Weil, Inc., working out of the firm's offices in Newtown Square, Pennsylvania. He can be reached at (610) 886-2000 or jdcotterman@altmanweil.com.



Report to Legal Management

published by:

Altman Weil Publications, Inc.

Two Campus Boulevard, Suite 200

Newtown Square, PA 19073

Telephone (610) 886-2000

FAX (610) 359-0467

COPYRIGHT NOTICE

Authorization to photocopy items for the internal or personal use of the subscriber or its internal or personal use of specific individuals in the subscriber's organization is granted by Altman Weil Publications, Inc. provided that the source and Altman Weil Publications, Inc. copyright is noted on the reproduction and the fee of \$1.00 per page is paid to Altman Weil Publications, Inc., Two Campus Boulevard, Suite 200, Newtown Square, PA 19073. Copying for purposes other than internal or personal reference requires the express permission of Altman Weil Publications, Inc. For permission, contact Altman Weil at the above address. Copyright © 2003 by Altman Weil Publications, Inc.

SUBSCRIPTION ORDER FORM

Please enter our order for Altman Weil's

Report to Legal Management

12 issues at \$249 OR 24 issues for \$449

Payment

Check enclosed (save shipping/handling fees by prepaying, plus we will also send you, at no charge, a handy binder for your newsletter issues, a \$9 value.)

Bill me (including \$8 per year for shipping and handling).

Ship to:

Name _____

Title _____

Firm _____

Address _____

City/State/Zip _____

Mail to: Altman Weil Publications, Inc. • Two Campus Boulevard, Suite 200 • Newtown Square, PA 19073

(Phone 610/886-2000 or fax to: 610/359-0467)