

Burning

issues



What professional challenges keep managing partners awake at night? Recent research reveals several hot-button topics for law firms of all sizes.

BY PATRICK J. MCKENNA

In an effort to better understand the issues and challenges facing law firms as the new year approached, I recently surveyed about 100 managing partners of law firms. My question: As someone responsible for helping chart your firm's future, what are your "Burning Issues" — those critical business issues concerning strategy, growth, practice management, professional development, or other subjects that currently occupy your leadership agenda?

I received detailed responses from 43 managing partners representing firms ranging in size from 100 to more than 2,000 lawyers. Their feedback offers insights of great value to legal administrators and law firm managers, who must fully understand their firms' needs and those of their managing partners and attorneys in order to maintain a successful law office.

Categorized by firm size, here is a summary of what I learned from my research, including a special emphasis on smaller firms, for which most members of the Association of Legal Administrators (ALA) work.

LARGE FIRMS: MORE THAN 500 LAWYERS

Managing partners in large firms cited three common challenges: **globalization, competition** and **leadership and management training**.

The topic mentioned most was globalization. As law firms have grown, the role of managing partner has become more strategic and the pressures more intense. For the largest firms, globalization demands far better integration between offices and departments. Many firm leaders articulated the challenge as how to "manage across cultural differences" or "handle conflicts across different cultures." For others who had been in recent cross-border mergers, the predominant issue was how to "manage integration" while also maintaining those aspects of the firm's culture that are deemed important to protect.



SHORTCUT

Recent research involving managing partners at law firms large and small identified several hot topics among legal professionals. Issues such as competition, succession planning, marketing, globalization, practice management and professional development represent significant challenges for legal administrators and others in today's law firms.

The second most common topic was that "in most jurisdictions, the competition gets tougher every year." As one leader phrased it, "Consolidation within the profession continues. The big firms get bigger, and the small disappear, or at least move down-market and kid themselves."

Others lamented that client promotion is tougher. It is "exacerbated for me by the fact that the clients really can't distinguish between quality and mediocrity," one managing partner said. "Thus we invest in quality, which means investing in providing leading compensation packages, a commitment to diversity and pro bono, time spent on professional development, and then few clients even know the difference. It's a funny business!"

Later we'll see this same burning issue — sometimes labeled as marketing, positioning or differentiation — meriting priority consideration for managing partners at firms of all sizes.

The third prominent issue was leadership and management training for lawyers. As with any business, running a law firm is about people skills first and foremost — which means getting the best out of a highly talented group of individuals — and, as always, it's a big challenge for managing partners. As one respondent commented, "Lawyers don't want to be led or managed and, as firms grow, there are still those who think management is a waste of time."

A variation on this theme was the hiring, training and nurturing of young associates out of law school. One respondent asked, "Clients are not allowing firms to train associates on matters any more — so how do we do it?"

MID-SIZE FIRMS: FROM 300 TO 500 LAWYERS

The strongest subject matter to engage this group of managing partners can be summarized in one word: **marketing**. It was expressed in different ways and from various perspectives: "One issue with which we are grappling has to do with trying to trace the return on our investment in marketing. We now allocate marketing funds by industry segment and/or practice groups, but it is not always easy to

determine when and where the marketing investment is paying dividends."

Some phrased their challenges in terms of market positioning. "Two-thirds of the Am Law 200 firms already have a presence in New York, and they all agree that you have to be there, both because it is the financial capital and because you will not likely be seen as a serious player unless you have an active presence in the city. For us, the challenge now becomes how to make it work."

How does a firm our size get larger when you are faced with pretty good profits, but not a desirable geographic base?

Then there were those firm leaders who talked about their market challenges in terms of differentiation. "Are we doing enough to differentiate ourselves in a world where we will not be one of the 20 branded firms?" And from another, "How do we distinguish ourselves in such a way as to attract more star-quality lawyers?"

This one I particularly liked: "We struggle with differentiating ourselves from several other firms who from the outside look an awful lot like we do. I think we have made some headway, but most people want to know the difference ... in 10 words or less!"

Several respondents said they worried about developing **effective practice groups**, variously expressed as improving leadership (similar to the large firms), ensuring accountability and leveraging partner buy-in.

As one managing partner framed it, "It is apparent to me that the practice group structure is both

essential for the firm and working reasonably well. Not surprisingly, the progress is uneven. My burning issue is how to improve the leadership.”

From another, “We have an abundance of terrific lawyers, but a real shortage of ‘leaders.’ I suspect that puts us in the same category as everyone else. The priority is to give some real focus now to the early identification, positioning and training of young partners with leadership traits.”

One firm leader focused in on the illusive accountability factor. “The issue for me has to do with the accountability of our practice group managers. In my

respondent, “a burning issue we continue to focus on is professional development. When a firm is taking in 40 to 50 more new associates a year, we need programs to get them up to date in not only the area in which they are working (a lot of which they are going to learn by doing), but also in client development, participation in the community and the profession, pro bono, loss prevention and so forth.”

From another, “We have noticed in several assessments of the things that are important to associates, in terms of retention and job satisfaction, how high training and professional development rank on the list.

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opinion, we have yet to develop a meaningful way of measuring the value of our team leaders and then handle it appropriately during the compensation process.”

Another comment addressed partner buy-in. “A key challenge here is to convince the partners that the practice group approach is important — [that it] needs their support and participation.”

An equally strong topic that elicited numerous comments was the challenge of **succession planning**, both for those stepping down from a leadership position and for those retiring from the practice of law.

According to one respondent, “I have been reading recently about a potential ‘brain drain’ that will affect organizations as the current generation of baby boomers reaches retirement age. If these articles are accurate, we will all be tested to make sure we have viable succession plans in place and that the knowledge held by partners at the senior levels is captured and transferred.”

One managing partner reinforced this sentiment, saying, “I’m giving some thought to how we can better utilize our more senior partners, people in their 60s whose practices are no longer robust, but who are very good lawyers and have much to give by way of training younger lawyers.”

On a related note was the broader issue of **professional development**. According to one

So, we’ve dramatically ratcheted up our training and professional development program.”

SMALLER FIRMS: UP TO 300 LAWYERS

For ALA members, most of whom work for smaller firms, the concerns of managing directors in this category have special relevance and resonate very strongly.

As with managing partners in the largest firms, members of this group clearly called **competition** their top burning issue – competition for clients and for talent – all of which probably speaks to the tectonic changes that are taking place throughout the profession. One respondent asked, “In an increasingly ‘immediate-bottom-line-oriented’ industry, how does one build a real law firm with an institutional client base when every lawyer is a ‘franchise’ going to the highest bidder, and [when] ‘investment,’ at least for those in their 50s, is a bad word?”

As expressed slightly differently by one managing partner, “What keeps me awake at night is wondering whether this convergence is for real. Can the focused boutique practice with ‘A’ work survive the next five to 10 years?”

Another said, “Several practice areas are increasingly being perceived as commodities by clients. We are exploring a number of issues. Can we make money competing for this type of work? Does taking it

on enhance our ability to get the full range of a client's work, or does it lead to the perception that we're only good for commodities work? If we stick to the high-end stuff, how do we keep everyone deployed, or do we plan on strategic shrinkage?"

Among those addressing the competition issues were managing partners who expressed the challenge as one of market location. "How does a firm our size get larger when you are faced with pretty good profits, but not a desirable geographic base?"

Others questioned the security of their client bases. "Many firms have been hurt by consolidation among their clients cannibalizing each other. Meanwhile globalization and the outsourcing trend [have] definitely hurt the manufacturing sector. So, our burning issue becomes, how can we continue to take a growing slice of a declining pie?"

Some identified their competitive struggle as one of obtaining the best talent. "We are constantly competing with much larger firms for talent. We are actually more profitable than most large firms and historically have provided a far better platform for business development, but,

ironically, as we have become more successful and better known, this has become a harder sell. I don't think it has as much to do with us as with the demise of so many firms lately, combined with the innate conservatism of lawyers. In any event, positioning ourselves to continue to get world-class lawyers is always an issue."

The key questions from one managing partner: "Can an 1,800-hour firm be profitable enough to attract top talent? Put another way, are there enough top lawyers out there to populate a firm in which the marginal hour is worth more than the marginal dollar?"

Not surprisingly, managing partners in

small firms also identified **leadership and practice group management** as a critical issue.

As one leader put it, "The issue that we are attempting to address is our practice group structure. I'm not comfortable that we have organized ourselves appropriately, and these groups operate at quite different levels of efficiency. We are presently undertaking a review to determine what we should be doing."

From another, "I spend a lot of my time these days managing business conflicts within the firm. This is an increasing issue for managing partners when one is trying to retain and nurture one's stars."

There were several diverse views concerning firm leadership. From one respondent, "Generally, busy lawyers are happy lawyers. Happy lawyers see no reason to change, and lawyers, by nature and training, are risk-adverse advocates who have a remarkable facility to find something wrong with any idea they don't like. My challenge is how to rally the troops."

One managing partner focused on the issue of whether leadership should have a term limit. "I marvel

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at managing partners who remain in that position for decades and wonder whether that's really good for the institution. On the one hand, the political base required to perform the job doesn't get built overnight and, once built, can provide an almost self-perpetuating platform from which to lead. On the other hand, the institution changes over time, the demographics demand a different type of leader and fresh ideas become critical to positioning yourself for future changes."

Succession planning also got attention in this group. As one expressed it, "the overall demographics are aging. The lion's share of the producers in this firm are in their 50s and early 60s, with little strength below that level. So, the firm suffers a succession issue."

The issue of **maintaining culture** also surfaced here. "Our firm, like most firms our size, has expanded primarily through the hiring of lateral attorneys. Although we attempt to vent hires carefully, there is a struggle to incorporate them into our firm's culture."

Finally, amongst the various burning issues was some speculation on the **legal profession's evolution**. According to one respondent, "the *Financial Times* this week published an editorial positing the notion that law firms will have to allow non-lawyer ownership if they are ever to install the professional management that is critical to a large, multinational organization. Obviously, that proposition is foreign to American firms. Yet the consolidation within our industry, as previously experienced by the accounting industry and English law firms, along with the 'globalization of services,' may indicate that this is a very realistic proposition."

THE BOTTOM LINE

While these diverse observations may be viewed as a basket full of thorny, deeply challenging issues facing firms today, many law firm leaders spoke of having the persistence to face their burning issues and create strategies to give themselves an advantage.

Legal administrators undoubtedly can take these insights and work with their managing partners to drive future success in their firms. *

about the author

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ALA Resources

These titles are available through ALA's Web site, www.alanet.org/education/mrc/index.asp.

- *A Business Skills Curriculum for Law Firm Associates*, by Stephen Chitwood, Anita Gottlieb and Evelyn Gaye Mara
- *By the Seat of Your Pants: The No-Nonsense Business Management Guide*, by Tom Gegax and Phil Bolsta
- *Indispensable: How to Become the Company That Your Customers Can't Live Without*, by Joe Calloway

The following articles are available in the ALA Management Encyclopedia (ALAME), www.alanet.org/alame.

- "Practice Groups: Organization and Management"
- "Roadmap for the New Principal Legal Administrator"
- "Law Firm Mentoring: A Fresh Look at an Ancient Concept"
- "Managing Staff: What Your Lawyers Should Know"

The following articles are accessible via ALA's Legal Management Resource Center, <http://thesource.alanet.org>.

- "What Will the Business of Law be Like for Midsize Firms in the Next Five Years?" by Joel A. Rose – Type in keywords "management issues" in the search engine
- "Where Do You Want to Go? Analyze Your Own Competitive Direction to Understand Why Some Law Firms Make It and Others Don't," by Jeff Coburn – Type in keywords "issues facing management" in the search engine
- "How Effective Law Firm Leadership Practices Can Help You Acquire and Keep Your Clients," by John W. Olmstead – Type in keywords "management practices" in the search engine

On the Web

- Management Issues: At the Heart of the Changing Workplace – www.management-issues.com
- Ida Abbott Consulting, "Effective Management Practices" – www.idaabbott.com/manage.html
- *Entrepreneur.com*, "Management Trends" – www.entrepreneur.com/Your_Business/YB_Node/0,4507,547,00.html

On the Shelf

The following titles are available for purchase or download through many online retailers, including www.amazon.com.

- *101 Biggest Mistakes Managers Make and How to Avoid Them*, by Mary Albright
- *The First-Time Manager*, by Loren B. Belker
- *Strategic Issues Management: Organizations and Public Policy Challenges*, by Robert L. Heath