

CHANGING YOUR FIRM'S DIRECTION

Presentation Summary by
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At the recent Association of Legal Administrators Conference & Exposition in Seattle, Washington, I had the pleasure of attending a session entitled "Changing Your Firm's Direction." The speaker was Carl Peters, president of LAWMANAGE, a management and marketing consulting firm in suburban Seattle specializing in strategic change for law firms nationwide.

Mr. Peters' presentation was particularly timely for many in the audience whose law firms are facing new opportunities and challenges. Factors such as client growth, a firm's desire to expand, partnership changes, business pressures in a slow economy and other influences are prompting many law firms to re-evaluate their organizational strategy and positioning in their markets.

At the start of his presentation, Mr. Peters raised pertinent thought points, which he subsequently discussed for the audience. With deference to Mr. Peters, I would like to recap some of his excellent presentation, which began with a series of pertinent questions and informed observations, including:

Do you think of yourself as a leader? Change requires leadership and risk. To be a leader, you need to know where your firm stands today and where you want it to be in the future. It takes leadership ability to envision that future and, also, to know what it takes to achieve it. In addition, it takes courage to establish and maintain a selected course of action. Patience is required, because implementing significant strategic change within a firm may take three to five years.

Determine three 'Big Picture' items necessary for the future of the firm. Different law firms deal with different internal issues and have different priorities, some of which are elements in the "Big Picture." What are those elements? What is holding you back from addressing those items? What are the possibilities if these projects are completed?

Identify "Warning Signs" that strategic change is necessary. Mr. Peters identified several circumstances which may indicate that a firm should address strategic change options, including when:

- Client work and/or income is unstable or decreasing
- A lack of associate work provokes promotion concerns
- The firm is too preoccupied with internal issues
- Star performers question the firm's future

Recognize issues that most often trigger strategic change.

- Growth – positive or negative
- Profit
- New ownership
- Competition

As Mr. Peters noted, recognizing such issues can prompt leadership plans for action. The change process can be divided into two phases:

Phase I

- Assemble the pertinent data
- Determine key issues affecting the firm
- Identify potential future direction of the firm for clients, practices, rates, profits and lawyers

The question “How many lawyers are needed in the future?” should be determined by assessing clients’ needs, Mr. Peters said. It is helpful to talk with clients in an effort to determine their current and future needs. This will help determine not only the number of lawyers the firm may need in the future, but also, potentially, practice group areas and office locations.

Mr. Peters suggested firms evaluate their organizational structure annually, in the context of practice area activities, and determine if people should be reallocated. “Squeezing overhead” is not how to make money in a law firm, he asserted.

All firms tout excellent work product and client services. Differentiate your firm by demonstrating a quality product or service, reputation, strong marketing, productive creativity and high coordination between marketing/sales personnel and the professional team. This may require concentrating resources to serve a narrow market more effectively than competitors who try to reach a broader market. Core strengths matter: Focus on your areas of best practice, geographic market, industry segment, and client group.

Also, a law firm needs leadership accountability. Is it autonomous or is there, for example, strength, flexibility and enforcement in law firm management polices?

Phase II

- Identify internal changes required to support this future
- Identify specific actions to be taken and resources required
- Identify responsibilities for executing the strategic plan

Internal change factors necessary to support a new plan for the future include:

- Institutional Leadership - Managing Partner; Management and Compensation Committees; Practice Area Structure; Recruiting and Marketing initiatives
- Accountability Mechanisms - Partner Compensation Reward System; Partner Entry Criteria

Plan “stoppers” may include, but are not limited to:

- The thought that there is no need for change; i.e., there is no current crisis
- Leadership trying to “force” change
- Management actions that reinforce the status quo
- Underestimating difficulties of the firm being “out of the comfort zone”
- “Town Hall” approach – overkill with more meetings
- Ignoring “the elephant in the room”

A law firm change agent must possess knowledge of external issues, especially as related to clients, marketing pressures, recruiting and retention. He/she must demonstrate leadership in their work - vision, accountability and growth. (In my opinion, these attributes go a long way toward gaining internal support for change.)

In addition, the change agent should listen to disciples of “best leadership practices” including clients, consultants and lawyers for opinion and suggestions. The change agent should suggest *gradual* ways for firm leadership to address issues and, also, attend meetings prepared to identify three issues, as well as potential solutions for those issues. Take one step at a time; patience is a must.

In order to be successful with the plan, a leader must be externally focused on the effects it may have on the firm’s competition. Since most lawyers are competitive, they will respond to this approach.

In summary, a firm must have strong leadership that recognizes the need for change and knows what it takes to achieve the firm’s goals for a successful future in the marketplace.

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