

Boston Business Journal

Fierce competition forces law firms to take operational stock

Elizabeth Kelly

November 16-22, 2001



Competition among law firms today is fierce. Transactional work has slowed significantly; revenue generation strategies are paramount as unsettled economic conditions continue. Law firms are fighting to distinguish themselves to gain increased market share.

Partners now pay more attention to opportunities for cross-selling additional services to existing clients, and to identifying and pursuing new clients that fit a firm's business model. As law firms face these tough business challenges, quality leadership must be in place to achieve mission-critical objectives.

Historically, law firms have aggressively wooed the best and brightest talent for their legal services. Individuals directing non-legal departments, however, have often been considered "back office" personnel and less attention went to their strategic hiring or development into strong business leaders for the firm.

That has changed. Continued growth and profitability require a paradigm shift, one that now has many firms considering ways to attract and retain the best available talent for critical business functions. Now more than ever, law firms should examine the structure and composition of their leadership teams.

Many firms are developing fewer senior level positions than in the past through consolidation or restructuring; consequently, those leadership roles have much greater effect on firm operations.

No matter the size of the firm, current trends show several critical business functions within all firms today: Marketing and Business Development. These are possibly the most strategic business functions within a law firm today. Firms that have historically had separate practice groups or independently operating departments must now collaborate to exploit brand equity and cross-sell services to capitalize on existing and potential client engagements. Focus on establishing

an overall strategy that addresses the varying strengths and needs among practice groups, yet drives increased new business for the firm as a whole.

Information Technology. The need to share knowledge and information quickly and easily, the convergence of voice and data, and the recent demand for state-of-the-art disaster recovery systems all put information technology at the center of law firm operations today. As technology becomes more powerful and complex, the capabilities within an IT organization can create a distinct competitive advantage, allowing firms to conduct business in new ways. There's an increased level of sophistication in the leadership of law firm IT organizations; these leaders need the ability to establish a comprehensive IT strategy and implementation plan, insuring that the technology vital to today's practice of law is used to its fullest potential.

Human Resources. Billable hours are down in many firms. Full use of attorneys and staff, as well as overall productivity, is vital to maintain profitability.

Lateral associate hiring has slowed in many cases; many firms are merging, acquiring other practices or being acquired. Some firms are cutting staff and using contract attorneys and paralegals. Attorney and staff development remains critical in any firm. Preserving a firm's culture in the long term, while addressing these issues in the short term, is an example of the importance of having a strong, business-focussed HR leader for the success of these initiatives.

Finance. Keen attention must go to the bottom line, especially in times of economic uncertainty. The need for sharp and timely financial analysis, evaluation of potential merger or acquisition opportunities, and analysis of the profitability of various practice groups are critical. Enhanced budget, forecast and reporting mechanisms to aid in the projection of revenue, management of

expenses and cash flow is also vital. Clients' ability (or inability) to pay requires much due diligence in the billing and collections process.

Planning and action

What should law firms do to insure that those leading these critical functions have the right mix of skills and personal attributes to be successful?

First, it's important for law firms to establish a clear strategic direction. What are the priorities? What are the goals for the next 12 to 18 months? What are the long-term plan for merger or acquisition, creation of new practice areas, and strategies for new business development? What measures need to be taken to improve cost control, productivity and efficiency? All these priorities must be defined; once that is done, determine the ideal leadership structure required to achieve these goals.

Then take a "talent inventory." Examine the unique skills and attributes of each person. Analyze the leadership team as a whole. Are there significant gaps in talent? Are there redundancies in skills? What are their strengths and weaknesses, individually and collectively? How does the team align with the strategic direction of the firm now and in the future?

Finally, establish a strategic leadership development or hiring plan resulting in a leadership team aligned with the firm's strategy and mission. This may include enhanced or modified role definition, development of core leadership competencies, organizational restructuring, executive recruitment, coaching or performance measurement mechanisms.

The increased challenges that law firms face require a continuous evaluation of the leadership team. The composition of these critical leaders must be aligned with the firm's overall strategy to respond to internal and external market forces. This is the key to long-term success for any law firm today.

Elizabeth Kelly is executive vice president of Prestonwood Associates Inc., a leading executive search and leadership consulting company with an active law firm practice area.

ex lde