



WCCI, Inc. ● Cobb Consulting

Tel. 713-227-2300; Fax 713-227-7081

Internet: Cobbwc@msn.com ♦ Web-Site: www.Cobb-Consulting.com

The End Times

for a Law Firm

Abstract: There are many indicators that point to the end times for a law firm. We have tried to help you tune your radar to “see” them as they are: (1) false echos, (2) non-threats and (3) incoming. The end signs and the key failure factors are evident and clearly visible if a leader would look up from his or her files and see the changes coming. Never before have the changes pushed on professional services firms been so strong, more pervasive and as insistent as right now. The legal profession's traditional operating methods are undergoing fundamental transformation. Law firms' clients are facing challenges of enormous magnitude. Change is now in play and a firm cannot slow the pace, nor ignore it. A firm must change so that it can build and fully leverage its intellectual capital for the benefit of their clients and their firm.

THE END TIMES RADAR BLIPS

If your law firm is experiencing one of the following, you are in the end times of your law firm. There little investment capital for new technologies and training of associates. Earnings per partner are declining. Revenue per partner is declining. Associate turnover is increasing. Finally, the most productive partners are looking for a “new venue” to demonstrate their experience and expertise.

THE KEY FAILURE FACTORS (KFF'S)

There are nine major areas in which law firms are failing to respond to the changing conditions in the legal profession. They include:

1. The internal culture is changing to an eat-what-you kill environment and away from a partnership.
2. Vision is becoming disengaged from a common base and the leadership of the founders.
3. Core values are unique to lawyers and client teams and not the firm.
4. The organization of the firm is set up around products provided by lawyers and not the needs of the market.

5. Staffing is unorganized and ad hoc. Accountability specific identification of people varies from day to day. Training and assimilation of associates is spotty at best.
6. Practice groups and sections do not reflect the needs of the market but the needs of lawyers to make more money.
7. Client management is focused on the size of individual portfolios and not on the creation of a team to support and meet the needs of the client.
8. Lawyer in charge of projects are focused on hours put into the file to add value and not the perspective of what the client perceives as value added. Others on the team are assigned to piecemeal tasks. There is no overall project plan and communication of the tasks as they fit into the overall satisfaction of client needs. Effort (hours) are more important than efficiency.
9. The compensation system only rewards hours worked and billing credits owned.

THE TOUGH QUESTIONS

Go through the following questions and answer for your law firm.

- Are the partners putting aside a material amount of money from net income to enable future investments in training and technology or are they sucking all the income into their own bank accounts?

0 ----- 1 ----- 2 ----- 3 ----- 4 ----- 5

Sucking it all out

Investing heavily

- What are the norms of behavior in your firm reflect a culture in which clients are served?

0 ----- 1 ----- 2 ----- 3 ----- 4 ----- 5

Eat what you kill

One team

- Is there a collaborative sense of vision about where the firm is going, the clients the firm will serve and the values the firm adds to its clients?

0 ----- 1 ----- 2 ----- 3 ----- 4 ----- 5

Have no clue, rudderless

Very strong sense of direction

- Does the firm have a highly developed set of core values on how professionals and staff will treat one another and how they will treat clients?

0 ----- 1 ----- 2 ----- 3 ----- 4 ----- 5

What's a core value?

Understood & reinforced

- Do the partners in your firm act in collaboration; people bound to a common vision and accountable to one another for the accomplishment of that vision? Or are they a collegial group accountable to no one but themselves and their client - i.e. a federation practicing under a common and shared overhead?

0 ----- 1 ----- 2 ----- 3 ----- 4 ----- 5

A Federation

Collaborative

- Does the firm's leadership act with one voice on critical decisions and do they walk their talk?

0 ----- 1 ----- 2 ----- 3 ----- 4 ----- 5

It's A Zoo

They Lead

- To what extent are the leaders focused on maintaining the status quo or are they acting as leaders in changing the firm to be more responsive to the market?

0 ----- 1 ----- 2 ----- 3 ----- 4 ----- 5

Guardians of the Status Quo

Change Agents

- Do the lawyers in the firm love their work, are they treated with respect and is there continued learning along their personal career paths?

0 ----- 1 ----- 2 ----- 3 ----- 4 ----- 5

Treated Like Cogs
in the Wheel

Continued Learning
and Improvement

- Are clients the *property* of individual lawyers or is there a great deal of exportation of work and cross selling?

0 ----- 1 ----- 2 ----- 3 ----- 4 ----- 5

My Client; My Billings

Our Clients

- Is the management of matters ad-hoc and disorganized depending upon which lawyer is in charge?

0 ----- 1 ----- 2 ----- 3 ----- 4 ----- 5

Ad-Hoc

Consistently
Well Managed

- To what extent are professionals measured on their short-term contributions of fees and billings versus a focus on building long-term loyalty with the clients?

0 ----- 1 ----- 2 ----- 3 ----- 4 ----- 5

If your total score is less 27.5 or less, your law firm is so focused on the day-to-day that it cannot see the changes coming and will not be able to adapt in time to avoid dissolution. Your law firm does not have the emotional or dollar capital to sustain a profitable practice in the environment where clients will drive law firm structure, delivery systems and the evaluation of a professional's contribution.

What are the KSF's (Key Success Factors) versus the KFF's (Key Failure Factors) in the nine critical areas?

CULTURE

KSF's: Outward looking and oriented. Externally very competitive with other providers. In addition, there is an "excess" orientation in evaluating possible new work for intake. The firm does not accept work that does not reflect the types of clients the firm wishes to represent, where the firm would like to go with its practice and how the firm is building on the core competencies.

KFF's: Inwardly competitive with each lawyer seeking to gain an advantage over another through client control and hoarding of work. Such firms have lawyers who view the world as a zero-sum game; "if you win, I lose." These firms have a scarcity view of the world. Any work is better than no work and intake is controlled by individuals and not by the vision and direction of the firm.

VISION

KSF's: There is a strong vision and sense of direction within the firm. This vision is shared and can be repeated by anyone in the firm.

KFF's: There is no shared vision, only the vision created by each lawyer. A vision may be held by a despot, but without the despot the firm vision is fractionalized. We have many "little firms" operating under one name.

VALUES

KSF's: Every person in the firm is part of the service delivery team. Client's belong to the firm and the teams within the firm are responsive to the changing needs of the clients.

KFF's: Clients belong to an individual who thinks that everyone else in the firm is there to serve only their needs. These "lone-wolves" are control freaks and cannot work with a team.

GOVERNANCE AND STRUCTURE

KSF's: Practice group and firm leaders are elected based upon their objectivity and ability to lead

others. They walk their talk and they act as a team making decisions and executing them. Practice groups and section chairs are selected based upon their performance as change agents. The structures of the firm are set up to be market facing and responsive the problems and opportunities of the presented to clients.

KFF's: Leaders are selected based upon their tenure and/or their control of clients. Structures are set up around legal products.

STAFFING

KSF's: The firm has a process in order to project the needs of groups three to five years into the future based upon the groups assessment of what core competency services it must sustain or build in the future. The consequent recruiting program is far reaching and proactive with training and assimilation built into the program to build or sustain core competency services. Professionals are brought into projects as contributing members in the planning, staffing and conduct of the projects; they are part of the team. The team is constantly to trying to improve the effectiveness and efficiency of their efforts through debriefings and streamlining the processes for delivering services.

KFF's: The firm recruits are based upon ad-hoc and short-term needs of group leaders. As lawyers get busy, they want lawyers. When their work slacks off, they cancel their orders. Lawyers are looked upon as task oriented and only relegated to piece-work. There is little need to have a strong training and development program because professionals should learn as they go - the "swim or drown" approach to training. There is no team training or learning because "everyone will get their task as the project manager sees the need" and there is no need for continued learning and improvement because that is not a billable activity.

GROUP LEADERSHIP AND MANAGEMENT

KSF's: Groups, whether they are organized around a client (e.g. The Bank), industry (e.g. Financial Institutions) or problem (e.g. employment) work to train up people to start and run new teams.

KFF's: Groups are the representation of a lawyer and his or her ego. There is little spin out of new groups because the leader wants to keep others working on his or her clients.

CLIENT MANAGEMENT

KSF's: Client relationship management is a critical and rewarded responsibility in the firm. Such lawyers are expected to increase the loyalty of the client, increase the quality of the work and improve the return on rates for work completed for the client. Much of the relationship lawyer's time is not expected to be billable. The core client team is multi-disciplined and constantly learning about the needs of the client and creates innovative new solutions for the client.

KFF's: Clients are the property of a lawyer. He or she allows few people to come in contact with the client and maintains very strong control over the work performed for the client. There is little trust of others in the firm who might come in contact with the client.

PROJECT MANAGEMENT

KSF's: The scope of the project is agreed upon with the client relationship lawyer and the client. Projects are planned with key team members, organized to effectively utilize the experience of a multi-disciplined team on specific tasks and staffed with the appropriate level of experience to perform the work efficiently and within the time-line responsive to the client. Internal budgets are set up so that everyone knows what needs to be accomplished and by when and what performance criteria will be used to evaluate the performance of the team. There are common forms and process used to improve efficiency and those processes are constantly evaluated for continual improvement to reduce cycle time and the investment in paper. A knowledge base is constantly being improved and utilized by members of various project teams.

KFF's: Projects are run by individuals who do not have a plan except the one that may or may not exist in their head. There are no internal budgets or common processes. Each lawyer uses his or her own individual forms and processes. Members of the team receive their assignment ad-hoc and do not participate in the planning and organization of the project. There are no controls or status reporting procedures except the time and billing system.

REINFORCEMENT; REVIEW, EVALUATION AND PROMOTION

KSF's: Measurement of a lawyer's contributions is based upon their success in improving the realization of rates through project management and client relationships. Long-term investments in and results from the training and development of professionals and support staff are rewarded. Team performance is measured above individual performance.

KFF's: Contribution of lawyers is measured only by their personal billings and collections and by the credits they can generate from clients they control.

ARE YOU WITH THE FIRM THAT WILL SURVIVE THE NEXT TEN YEARS?

If you scored below a 27.5 in the questions above, you must start something and become a change agent for your firm. You must begin a change process in your law firm by forming a small, core coalition that has a vision for the law firm's future. That group must set up some accomplishments for creating a vision for the firm and attacking the weaknesses you noted in the questionnaire. You will need a coach. You can hire one from the outside or, if you have the commitment and time internally, the core coalition can be the "push" and coach with the limited use of an outside consultant for new ideas and innovations.

But, you must get started. You do not have much time. It takes five to seven years to really turn a law firm around. This requires strong leadership and focus.

WHAT AN OUTSIDER CAN DO TO HELP THE LAW FIRM

Culture: an outsider can do. An outsider can help the firm think outside the box and drive the changes from the client back into the law firm. Please check out the article “Creating the Client-Driven firm on the web-site: www.cobb-consulting.com for more information.

Vision: an outsider can help the firm set a mission and the ways to make lawyers in the firm “buy-in” to the collaboration that is required to achieve the vision.

Governance: an outsider can help structure the law firm to be more responsive to the market and to the clients of the firm.

Staffing: an outsider can focus the firm on what the true mix should be based upon its strategies.

Group leadership: an outsider can help the law firm train the leaders of the practice group management.

Client management: an outsider can focus the investments of the firm on where investments should be made and how to evaluate the contributions to the long-term strategies of the firm.

Project management: an outsider can help map the processes to improve the return on rates. If a firm can improve its realization on standard billing rates by only ten percent, all of that goes to distributable income. For example if a \$10,000,000 firm can improve its realization by 10%, \$1,000,000 can be returned to the partners in profits.

Reinforcement: an outsider can help develop a measurement system that will measure the real contribution to the firm. The outsider can help create the business plans and the compensation criteria that contribute to the bottom line.