

Practical Success

Cordell M. Parvin

Leadership For The Recession And Beyond

The current recession may change law firms permanently, especially the largest law firms and their more nimble competitors. Think about it: law firms are closing at record rates, and the entire profession is being turned upside down. According to reports, in the first six months of 2009, 125 major law firms have announced layoffs totaling 10,723 lawyers and staff. Top tier law firms are even abandoning their recruiting for 2010 and paying 2009 recruits as much as \$75,000 not to show up as originally planned.

Lawyers and law firms have good reason to be concerned about the future. Clients are not happy, and many lawyers are not happy either. For more than a decade, many law firms have focused on the scoreboard (profits per partner) and not the basket (delivering value, exceeding client expectations and creating an environment for lawyers to succeed). Focusing on the basket means focusing on what produces profits per partner. Specifically it means recruiting and hiring lawyers who are self motivated and driven to become the best lawyers they can



be. Then it means providing those lawyers with the training and opportunities to develop their skills. Finally it means providing extraordinary service to clients.

Clients Are Dissatisfied

In July, I read an interesting piece in the ABA daily newsletter. The title was, *In-House Counsel Vote “No Confidence” in Firms, Shrug Off Talk of New Legal Model*. The writer referenced an Altman Weil study that found: “About 75 percent of CLOs gave law firms low marks when asked how serious law firms are about changing their legal service model to deliver greater value to clients.”

In this economy clients want more value and want to pay less to get it. Want evidence? Take a look at an online Wall Street Journal article titled, *Midsized Law Firms Pick Up Clients as Companies Turn From Pricy Giants* <http://online.wsj.com/article/SB124683860361797493.html>. In the article, a BTI Consulting Group survey is referenced that found 38 percent of the law firms companies hired last year came from below the top 200 firms. That was up from 25 percent in 2007. It is the increase that grabbed my attention. I sense clients increasingly believe that law firms are focused more on

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profits per partner rather than on providing value to clients. Companies also are discovering that a great deal of their legal work can be done by firms charging lower rates.

Leaders Must Lead, Not Manage

If law firms are to survive and thrive in the current recession and beyond, the leaders actually need to lead rather than manage partners and associates. What's the difference? Leadership focuses on the future. Management focuses on the present, including profits per partner, billable hours, hourly rates, collections and budgets.

One of the most respected books on leadership is *The Leadership Challenge* by James Kouzes and Barry Posner. It is now in its fourth edition. Based on substantial research, Kouzes and Posner identified five practices of exemplary leadership:

- Model the way;
- Inspire a shared vision;
- Challenge the process;
- Enable others to act;
- Encourage the heart.

I think they all apply to law firm leaders. I do not have space to cover all five. Kouzes and Posner say that change requires leadership. Because law practice is undergoing dramatic changes, I want to focus on challenging the process. Law firms must be innovative, and according to Kouzes and Posner: "leadership is inextricably connected with the process of innovation."

Daniel Pink's book, *A Whole New Mind*, applies to managing and leading law firms. Managing is a left-brain function while leadership is a right-brain function. According to Pink, "symphony is largely about relationships ... at seeing one thing in terms of another."

For law firm leaders, symphony is the ability to see how this recession, and what follows, will impact clients and law firms, the ability to anticipate what clients will want and need and the ability to

anticipate what, other than money, will motivate the best lawyers in the firm. Once law firm leaders connect the dots to create a law firm for the future, they must be able to articulate a compelling vision for clients and the firm's lawyers.

What should leaders do? First, they should seek to see their firm's work from their clients' perspective. After all, without clients there is no firm. Leaders can build a great law firm if the focus is on clients. Leaders should answer these questions:

- Who will be the firm's "core" clients for the next 10 years and what services will the firm provide to its core clients on a local, regional, national, and international basis?
- How can the firm become more valuable to those "core" clients?
- When, where, and how should the firm grow to better serve those clients?
- Where should the firm invest its human and dollar capital to better serve those clients?
- How should the firm identify and deal with the lawyers who are and are not making a contribution to the firm's priorities?

Leaders Must Focus On Attracting And Retaining Outstanding Lawyers

Next, law firm leaders need to see their firm from their most successful partners' perspective. In January, an article appeared in the Wall Street Journal titled, *Recession Batters Law Firms, Triggering Layoffs, Closings*. <http://online.wsj.com/article/SB123292954232713979.html>. The main focus of the article was Heller Ehrman LLP, which folded just two years after its most profitable year. Heller, like many failing firms, lost some of its top lawyers.

The Wall Street Journal article reminded me of this statement: "The people you pay are more important over time than the people who pay you." Jay William, William Lorsch, and Tom Tierney made this point to professional firm leaders in their book, *Aligning the Stars: Organizing Professionals to Win*. The

reasoning behind the statement is simple: Without high-quality, motivated lawyers performing at the top of their game, the firm will not have clients.

One of the tasks for law firm leaders is to create a financially stable environment in which the outstanding lawyers can learn, grow, have a rewarding career, and be held accountable. Leaders must challenge the status quo. Law firms can no longer just be a collegial club. To become innovative, leaders must

do more listening to their lawyers and the firm's clients. Only then will they be able to clearly develop and articulate their lawyers' shared ambitions for the firm and the short- and long-term strategies to achieve them.

Do you have some thoughts on the things that go into effective law firm leadership? Please share your ideas and suggestions with the author at coaching@cordellparvin.com.

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