

Leadership Development in Law Firms After the Great Recession

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Law firm partnerships are curious entities when it comes to reconciling the attorney-owner perspective with exceptional leadership, management and business practices. At the heart of reaching a successful balance of these two sides, which are often in conflict, are knowledgeable and skilled leaders.

As the legal market has settled from the depths of the recession in 2008 and 2009, we have seen many challenges to the traditional ways in which law firms have been lead and managed, and many old beliefs and poor habits that still hold on.

What We Know

Legal demand has only rebounded slightly. According to the most recent data from Thomas Reuters Peer Monitor, demand creeps along at less than a 3% annual growth rate, with many practice areas seeing decreases in demand for legal work. Many clients have pushed back on rates and bills, as electronic billing systems allow clients to compare data across firms. What used to be a sellers' market, is now a buyers' market, as clients have much more information at their disposal as they make decisions.

Today, they can compare the cost to value of firms and demand concessions or go elsewhere. This has resulted in decreased realization rates relative to desired standard billing rates, as firms make pricing concessions just to retain or get work. While realization rates may have stabilized, they are under constant pressure and will likely never return to levels previously seen. The billable hour has not, and may not go away soon, but new approaches to pricing (including positions dedicated to this task) are now mainstream, and many firms are spending more time on analysis of internal data and metrics relative to legal tasks and the cost of doing legal work.

Competition is fierce, and many firms maintain a growth strategy – in revenue, new clients and work, headcount and offices. Mergers are active, as firms are willing to create new unions, and/or add practice and industry groups. And, individual attorneys are willing to look at opportunities for greener pastures if a suitor comes calling. Loyalty, and visions of the good old days when attorneys and staff were “lifers,” has been called into question by many, as the quest for something better is sought, and GenXers and Millennials test the waters to find the right fit. On the other side of the coin, is loyalty as

a bad business practice, as many firms continue to avoid issues of unproductive, unskilled staff and/or attorneys. While these issues have likely existed in firms for decades, the transparency of the issues and the challenge to maintain margins, has created conflict and competing interests.

Personnel costs are the number one expense for firms, followed by occupancy. While attorney to secretary ratios are closely watched and compared by many, and non-producing attorneys may be (repeat, may be) better managed in some firms, these are not the Holy Grail to better profits. Many staff and attorneys would support the notion they are doing more with less, but this may not equate to improved skills among the work force, or improved processes, or better efficiencies. Most firms recognize technology has impacted the way people work, requiring fewer staff and less space. Yet since the recession, many firms have failed to adapt as they operate in inefficient space, and use old technology and the same processes. And, firms continue to struggle with self-perceptions of what the law firm of the future should look like when it comes to design, doing more with less space, and fewer, hybrid or different positions.

Where Do We Go?

The future course for law firms has been delineated over the course of the last five to seven years, if they are to remain competitive and maintain or grow margins. These actions include:

- Address unproductive partners and staff, not by changing titles, but by jettisoning when remediation through training and skills development fail. This can be done in a compassionate way, and need not be as harsh as perhaps portrayed here. But, failing to recognize and address where cost outweighs value, or taking the “we’ll ride it out until they leave of their own accord,” will not reduce the pressures and demands for exceptional client service, improve efficiency or better manage resources. The drain these individuals can have on a firm go far beyond the cost of the salaries, benefits and overhead to carry them; it also includes the time to deal with them, and the adverse impact they have on the morale of key producers. It is likely both a disservice to the individual, and to the firm.
- Strategic planning has long been a part of the law firm arsenal. Through careful assessment of a firm’s current position using tools like a SWOT (strengths, weaknesses, opportunities and threats) analysis, and open and honest dialogue, the potential for the firm can be identified, and exceptional plans can be developed. Yet, often great ideas and good direction fall by the wayside as firms get caught in the day-to-day legal work and the business direction of the firm becomes secondary. As a result, firms fall victim to the inability to make timely (and difficult) decisions and act. Strategic planning alone is not the be-all and end-all. It requires carefully planned tactics, with timely execution, measures of accountability for those responsible for implementation, and careful evaluation of the results and course corrections as needed. It requires the ability to develop a vision for the future, and the fortitude to do what it takes to get there.
- Client service has become more important than ever, as retention of clients and acquisition of new clients is a part of the competitive legal market tied to growth. If a firm is to grow, and perhaps even maintain its current position, it means taking clients from other firms. Client service teams that provide a firm-wide perspective and approach to servicing the legal and

business needs of the client, are increasingly important as a competitive advantage. Quality, timeliness and results of the legal work may remain the primary focus, but developing deeper client relationships beyond the billing or responsible attorney are a must. This extends to everyone who interacts with or services the client, from partners, associates and paralegals, to legal assistants, billing and technology staff, and even the receptionist. It is more than just doing the legal work; it includes developing a deeper understanding of the client's business, gathering strategic intelligence, and relationship development. It becomes a 360° approach to client service, by everyone who services or interacts with the client.

- Closely tied to client service is a greater focus on business development, both of existing and prospective clients. This includes understanding where opportunities exist to extend current client relationships, through the use of strategic analysis of internal firm metrics for new business in practice or industry areas not serviced. Business development extends to building brand reputation, and nurturing contacts and relationships over the long term, with the goal of being ready when a prospective client has a need. This can be done through active and ongoing interaction and relationship building in a variety of venues. Examples include: client visits; presenting CLE programs to clients and prospects; focused content management in publications, social media and websites; interaction at industry events; and, networking in professional, social and community circles. While marketing activities such as advertising, websites and rankings are passive approaches to help build a firm's credibility, it is the active relationship building through business development efforts that lands the work.
- Practice and industry group management, beyond just a collective group of attorneys doing similar work and all needing to know the laws of their respective area, will be expected. This includes needing to lead, address and integrate all of the areas noted above. It will require active work over the entire career of an attorney, from hiring and developing the attorney for success, understanding shifting needs and potential impacts market and global shifts may have on individual and practice groups as time passes, to client succession as partners retire. Successful practice management will require understanding the metrics in a practice or industry group: productivity, demand, realizations, and opportunities for new work from existing and prospective clients. It requires the ability to understand other perspectives, lead and manage egos and personalities, address conflict, persuade, influence, motivate and nurture.
- Process improvement and project management must include a thorough assessment of staff and attorney legal processes, not just administrative work. It is a systematic approach to help identify the right person, doing the right task, at the right time. And, a clear understanding of the time it should take to perform the task, for a measurable outcome. Through tools such as Legal Lean Sigma and the DMAIC process (define, measure, analyze, improve and control), a systematic approach to improve processes that are inefficient, can be utilized to redesign processes, create new expectations for how work is done, and lead to greater efficiency. This creates the ability to manage the legal and administrative processes, and do the work in a cost effective way with better service the client. This also can lead to better pricing of legal work as the time needed for specific tasks is understood and managed, and better

explanations to clients of the costs, and value, involved.

- Several design and real estate groups continue to research attitudes and trends in law office design. Gensler's Law Office of the Future <http://www.redesign-law.com/> provides insight into how law firms will work, and will need to work, in the future to address changes in technology, generational attitudes, and the cost pressures we see today. This includes, smaller, more generic size office for all, partners included, and more open and collaborative work space and gathering areas. Cushman and Wakefield recently reported in their legal sector benchmark survey, nearly a third of associates who participated were interested in hoteling. All of this will be driven by improved technology-driven workflows and processes, and less demand for paper files (recognizing the paperless office is still a ways off). The bottom line: less space is needed, and remembering where occupancy costs fit in law firm expenses, it makes good business sense to plan for this. It is not that the changes can't be done, but rather the willingness to embrace change for the betterment of the firm.

The Common Denominator

What runs through all of these challenges and action approaches for success? Leadership. Yet how well are many, some, any attorneys prepared to be future leaders? Where do they get their leadership development? In law school? Likely not. On the job? Maybe. And from whom? Others who may not be the best mentors when it comes to leadership?

Research has shown, that relative to other groups, attorneys are less resilient (don't like rejection), are more introverted, are more analytical and more argumentative. This should come as no surprise, as some of these traits are tied to what law schools teach and prepare attorneys to do. But do these traits make for good leaders? And are other key traits missing? While there are many good leaders within the ranks of attorneys, the pressures and difficulties of leading and managing a partnership where collegiality and consensus often rule, are many.

The collective nature and definition of a partnership suggests decisions in the best interest of all, yet we often see individual personalities and egos influencing the decision-making process, even when the rational, objective data suggests alternative courses of action. While the days of the largest rainmaker ascending to the ranks of managing partner or wielding tremendous informal power may be less prevalent, it likely still exists in many firms, and often runs counter to the business decisions that will help firms address key business challenges noted above. The ability to make difficult decisions that may be unpopular, uncomfortable, or seemingly impossible (depending if decisions are by partnership vote, or at the discretion of the leaders), are key to a leader's success.

Surveys have shown that organizational members rate the level of executive incompetence at 50% or more. And, 60-75% of employees report their immediate supervisors as the most stressful or worst aspect of their job. Should we expect this to be any less in law firms? Leadership Development Factbook indicates that \$15.5 Billion was spent on leadership development in 2013, a 14% increase over 2012. While the amount law firms spend is not identified, it seems reasonably safe to say, based on experience and observation, nowhere near enough.

The Leadership Solution

Attorneys, and in particular those in leadership roles and emerging leaders, need to develop the

knowledge and skills to be great leaders, and exceptional business people. Given few receive this level of training, it is imperative law firm leaders, current and future, seek opportunities to develop in-depth talents as leaders, managers and business owners.

The ability to analyze and argue does not equate to good leadership or management (i.e. business skills). Successful use of communication skills, persuasiveness, influence, motivation, relationship building, strategic and tactical planning, execution, accountability, and/or decision making are critical in today's competitive legal market. Equally important is the ability to build internal support to develop and execute strategic plans, implement change related to process, or push attorneys to see client service and business development outside the context of legal work. And these are areas where there is no set formula for action or success, but the ability to read the others' perspectives and the context of the situation, and determine which skills are needed when and in which combination, are the key to success. While leadership through power (e.g. the stick approach), may produce results, it cannot be done in a sustained manner that considers or addresses all of the components and actions needed for long term firm success. Savvy leaders understand leadership, and well-equipped to dip into their tool box of needed skills based on needs and context.

Specific leadership development programs are needed to address relationships (firms comprise people, who by human nature are social and thrive on strong relationships), communications and conflict (an inherent trait of people and law firms). The nature of legal work requires solid client relationships, again dependent on the same characteristics, just as leading and managing a law firm requires solid internal relationships between all who are members of the firm – attorneys and staff.

Providing leaders in firms, attorney and administrative, with the knowledge and skills to succeed seems common sense. But where and how is this done to incorporate leadership development to action-oriented approaches tied to the internal and external processes of law firms? Becoming a successful lawyer takes years of education, training and hands-on experience. How could becoming a great leader be accomplished by reading a few books, sharing ideas on blogs, or sitting in on a webinar or two?

While these can help, leadership development requires in-depth learning, and an active hands on approach.

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