

NEWSWIRE ARTICLE

COMPETING FOR A PIECE OF THE PIE IN 2010

By: Sandy Lechtick

Wei-Chi. Two little words, two powerful thoughts. Loosely translated from a Chinese symbol, the words mean: opportunity and danger. The manner in which law firms exploit the former and react to the latter, will play a huge role in their 2010 fortunes and the coming years. In fact, in some cases it won't be just American Lawyer *PPP*, *but a firm's very survival at stake*.

While I see a lot more smiles today than last year, no one is completely clear how this year will play out. In the two plus decades we've been placing partners and merging law firms, never have I seen so much Shakespearian hand wringing, flume fluxed decision-makers and uncertainty on one hand, and so much excitement and anticipation on the other. While most partners are guardedly optimistic and believe the worst is behind us, it is safe to say that the little snowflakes in the Swiss Alps jar turned upside down have not yet settled.

Based on candid discussions we've had lately with local managing partners, firm wide chairmen, practice group leaders and rainmakers, it is fair to say that many feel the shakeout will continue; things will not be back to normal until mid 2011, and complacency is not in anyone's vocabulary. What is clear, the stronger firms will get stronger, the weaker firms will struggle and competition for pieces of the pie will be as fierce as ever. So what else is new?

For firms faced with profitability issues, flat is the new up. Some see a lessening of profit erosion as a major victory. Making budget for many firm leaders is cause for huge celebration. The business environment has been shaken to its roots and law firms must be increasingly agile, nimble and fast moving. The recession didn't single-handedly push Heller Ehrman and Thelen Reid over the edge, but it certainly accelerated the process.

In past downturns, when transactional work was down, litigation was robust and more than made up. If general business litigation was down, there was always a number of huge patent litigation cases that kept lots of partners and associates busy or lots of real

estate, private equity or hyperactive merger and acquisition portfolios. In the recent downturn, every practice area got hit. Big firms competing with small firms, rate inflexible firms suddenly getting flexible, special deals with top clients, partners suddenly forced to do beauty contests, truly a new day for many. The question is, how will post-recession dynamics play out in a continuing turbulent year? Will law firm leaders drift back to a pre-2008 mindset?

I've always been interested in how major accounting firms and Corporate America have altered business strategies and practices. It is interesting to note that there used to be the Big Eight Accounting Firms, then it was the Big Six, then the Big Five, now it's the Big Three. I read with interest that over the last several months Robert Iger, chairman of Disney had fired a number of long term Disney executives many who had over the years played important roles in the company's success. He and Rich Ross, Disney Studio's new president concluded that the company needed dramatic change and replaced many of the old guard replacing some of the status quo with new blood fresh ideas and a new perspective. One could suggest that the terminations were bold and ruthless others might suggest that new leadership and energy was essential to sustain and reinvigorate Disney as a leading edge provider in the convergence of technology, content, the Internet and distribution.

In the law firm arena, some firms are remaking themselves. Elliott Portnoy, chairman of Sonnenschein has instituted many changes in the last few years and focused on expanding practice areas considered more profitable higher rate and higher growth. Many partners in lower rate practice areas have left. The question remains, how have these changes impacted the bottom-line? Equally important, how have these changes impacted the always-fragile balance between people, culture and profits? All are questions worth pondering.

Today I see two distinct camps in the law firm arena. It is a bit simplistic to say one is reactive and the other pro-active, but the two camps are executing two dramatically different strategies one offensive, the other defensive. Almost all firms and their leaders have sharpened their pencils in response to market conditions the last couple of years falloff in business, shrinking market share, non-productive partners, too many over-paid underutilized associates, excess space and overhead out of whack. Clearly, visionary leaders who were ahead of the curve made necessary changes before everything cratered. These firms are now much better positioned to up their game, exploit market conditions, capture top partners and corral new clients.

Reactive orientated firms who have been too slow to make necessary changes are now scrambling and focusing on getting their own house in order. Those in this camp may not have the appetite or wherewithal to fund needed marketing initiatives, acquire important strategic laterals or grow. And one thing is for sure, no one can move forward if they're treading water. As the late great football coach Vince Lombardi once said, "Fatigue makes cowards of us all."

It's not just a case of attracting important laterals, but keeping their best customers happy their people. Some partners even those who truly like their firm often get impatient with a firm's lack of results, especially those faced with expensive college tuition bills for their kids, weddings more costly than The Shaw of Iran, "*Architectural Digest*" *home remodels or health care obligations of aging parents. Quite frankly, some of our top partner placements in the last few years were partners who were simply tired of their firm getting its financial house in order and being penalized for being too successful or not successful enough.*

Perception is reality. Proactive firms are perceived to be vibrant, growing, well managed and doing better than most other firms, which obviously plays well in this economy. You read about their successes, in the courtroom or boardroom; the latest partners who have joined their firm; their leaders being quoted in business and legal publications; partners articles published; those selected to moderate panels. They have a "buzz." I believe strongly in momentum and building upon it. Those with momentum find it easier to land "home-run" hitters, which in turn makes it easier to attract others at least those hitting doubles and triples. When we are deciding who to recruit for, it is a no-brainer that we will focus more of our attention on the firms who are solid, well managed, profitable and have little turnover. Not only are they doing well, but perceived *to be doing well. The two are not always the same.*

Here are some tips to become more proactive:

Get your house in order and make sure the foundation is rock solid. Incentivize partners to hustle and expand practices but also incentivize teamwork and when appropriate award dual credit on originations. Reward hard working hustlers but also reward those who keep existing clients happy. Select managing partners who are leaders, strong consensus builders and don't have to spend all their time acting as referees to partners squabbling over business and fighting over origination credit. Do not give preference to long time partners whose compensation is way out of whack to their contribution to the firm. However, contribution is not merely their personal collections but success in keeping major clients happy, helping to team-tackle new clients into the firm, referring matters to others, mentoring and playing a role in sustaining profitability, growth and morale. Diversify your firm's practice so when one practice area is hit hard, others can make up slack. Diversify client portfolios so one client does not make up more than three or four percent.

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