



OPPORTUNITY EXISTS AMID THE CHAOS

Ellen Freedman, CLM
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One cannot ignore what is happening in the legal industry right now. There is a level of movement never before experienced. Every day we learn of another heavy hitter leaving one firm to join another. Entire practice groups are moving. Mergers and firm acquisitions continue at a record pace. Spin-offs and dissolutions seem to be accelerating as well. It's chaos out there!

We're in a strong transitional state. A shake-up period. I observe an increasing number of the new combination firms are more purposely defining who and what they are. Stronger cultures will emerge as a result. Hopefully a culture with strong individual members, who are emotionally intelligent and collaborate well in a group. The result is an atmosphere more likely to spark inventiveness, buy-in and loyalty.

What inventiveness is desired? Developing new ways to deliver enhanced value to clients, from the client's perspective. Billing alternatives. Defining and building the firm's differentiating factors. Determining how the firm will express it. Being consistent in the "brand" "identity" "message" that is delivered about the firm, no matter where or by whom. Don't forget to include staff in this training. I can't even count the number of times I have been at events at which I encounter a staff person at a law firm. It is shocking and disappointing to discover they know nothing about the firm except for their assignment.

Let me be clear, mergers and acquisitions happen all the time. The success rate is approximately 49%. Let's assume that the definition of success is that the people you're sitting around the table with this year, are still sitting around the table with you in one to three years, and you don't regret it! If you've lived through one of the myriad of ill-conceived mergers, it's ok to shout out an "amen!"

The current shake-up is attributable to a multitude of factors. In some cases multiple factors come into play.

- **Compensation:** There is no perfect compensation scheme. In fact, in boom times even the worst of schemes can seem to function well. Similarly, in the worst of times even the best of schemes can appear seriously flawed. Objective v subjective. Lockstep v merit. Eat-what-you-kill v all-boats-rise-and-fall-on-the-same-tide. Minimum guarantees. Signing bonuses. All of the foregoing have both up and down sides.

When it comes to compensation, a myriad of factors will determine where the pendulum swings on a continuum of high to low satisfaction. Firms trying to hold onto top talent are constantly assessing the position of the pendulum, for potential impact on retention of high-value talent.

Admittedly, it's not easy for a firm to monitor how their competitors are doing in this area, e.g. what type of scheme they use and how well it is functioning to keep satisfaction high. It takes a lot of close relationships at a multitude of firms to maintain the desired level of current strategic intelligence.

There is great opportunity to recruit top talent when you know that you can offer a better compensation package. Although we often define "better" narrowly as meaning an increase in compensation, that isn't necessarily the case. Better may be a scheme which offers consideration of factors not valued in compensation decisions at the existing firm. Better might be a system which rewards rising stars, regardless of where they are in lockstep position.

- **Profit:** Depending on how well the firm controls overhead, right-sizes the talent pool for improving and maintaining individual utilization and incorporates client development and retention strategies into daily firm culture, the compensation of stakeholders, and the value of their equity at the firm, will change.

Simple mathematics tell us that when a firm loses one or more strong profitable rainmakers, profits per partner will likely go down. There will be fewer people sharing the overhead load. Just simple math.



Depending on the financial impact of a departure, remaining stakeholders can become nervous about such changes, and there is a greater likelihood that a discussion, at least, can be had. I frequently say, “*no doesn’t mean never, it means not now*” and I mean it. Just because you couldn’t get any traction to talk seriously before, it doesn’t mean you shouldn’t try again.

- ***Departures:*** Putting financial issues aside, departures can have cultural and psychological impact on those remaining. It depends on who is departing, and what she/he/they meant to people at the firm. Some departures knock the wind out of the firm’s sails. People feel alienated and adrift. They are looking for answers. They are often open to new leadership and structure.

Don’t be surprised that occasionally the opposite is true. Firms sometimes turn themselves inside out to satisfy an unhappy partner, and ultimately fail. They survive to discover that there is life afterwards, and sometimes it turns out to be way better than imagined. They can offer an opportunity for like-minded individuals looking for a home and wanting to be part of building something new.

- ***Demographics:*** Boomers are stepping or falling off the edge every day. Hopefully to a retirement which is yet another rewarding chapter in life. Much movement is associated with rebalancing demographics, shoring up revenues, and achieving economy of scale on expenses. Poor transition planning has certainly led to the more intelligent start-up combinations I’ve witnessed. There’s nothing quite like watching a train wreck to clearly define in your mind what mistakes you don’t want to make with your own firm.
- ***Strategic and visionary differences:*** Increasingly departing factions cite a difference in the desired direction and future of the firm. Equally are those so frustrated by a total lack of strategic thinking and action — usually by the senior faction trying to maintain status quo until their exit — that they lose their patience in waiting for “their turn” to run things. After all, in today’s marketplace, if you’re not moving forward, you’re falling behind. They are not willing to miss the opportunities around them, or allow the gap to widen further with competitive firms.



This is the third article I've published recently urging you to be vigilant, to be aware of the changes happening around you, to think strategically about opportunities it creates, and to purposely take action. Take continuous small steps in the right direction. Don't just think about it. Put your thoughts into action. This shake-up is of limited duration. The landscape will be entirely different when it's done. Will you still be in it, or will you be road kill?

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