



At the Forefront of Change

by Ellen Raim, Coraggio Group

I learned this morning that the Thelen firm, the place where I “came of age” as a lawyer, has voted to dissolve. This news, coupled with the recent closure of Heller Eherman, has left me feeling slightly unmoored.

Both firms were Bay Area institutions. In 1930, Thelen did the legal work for the company that built the Hoover Dam. In 1937 the Heller firm arranged for financing of the Golden Gate Bridge.

Despite their storied pasts and major accomplishments neither firm could navigate the changes in today’s legal market. As a result the leadership has left hundreds of attorneys without jobs and probably thousands of clients wondering what to do next.

The explanations in the press about the two closures sound very similar. Both organizations blame economic factors for their decisions, including recessionary pressures and partner departures. While accurate from a business perspective, this explanation seems hollow.

The real question for me is how such august organizations, comprised of some of the smartest men and women in the country could have been caught so far off guard? How could people who make their living recognizing and eliminating business pitfalls for clients have ended up with no options other than dissolution?

I suspect it was a resistance to change.

You can’t open a legal periodical now-a-days without seeing an article on the demise of the traditional law firm or the outdated billable hour model. The problem is, the legal community has been decrying

that the end is near for about 20 years. Until now, the gloom and doom predictions seem not to have materialized.

Maybe the closure of Thelen and Heller is the tipping point.

SO WHY AREN’T WE FOCUSED ON CHANGE?

Why doesn’t every law firm have a swat team of its best and brightest looking at the future and designing alternative scenarios? Some of the reason is that attorneys have been extrapolating the future by looking at past trends. When we do that, it’s easy to find reasons not to disrupt the existing order.

The below excerpt from a FastCompany.com article[†] shows some of the resistance that emerges when we try to take a company in a new direction:

- 1) We’ve never done it before.
- 2) Nobody else has ever done it.
- 3) It has never been tried before.
- 4) We tried it before.
- 5) Another company/person tried it before.
- 6) We’ve been doing it this way for 25 years.
- 7) It won’t work in a small company.
- 8) It won’t work in a large company.
- 9) It won’t work in our company.
- 10) Why change — it’s working OK.
- 11) The boss will never buy it.
- 12) It needs further investigation.
- 13) Our competitors are not doing it.
- 14) It’s too much trouble to change.
- 15) Our company is different.

[†] 50 Reasons Why We Cannot Change, Fast Company

The bottom line however, which was aptly stated in a reply to the FastCompany.com article is that if we don't change our competitors will. Moreover, if we don't own the change, we will have little flexibility in designing what might work best for our given firm or organization. Just think about the fate of travel agents after the advent of the internet if you believe that time is on our side.

These are difficult and scary considerations and to be honest, law firms have a good deal of trouble engaging their leadership in cross-firm decision-making. One of the pitfalls of the traditional partnership model is that much of the decision making is done in silos. Likewise, one of the drawbacks of entrepreneurial business development is it tends to make attorneys individually focused rather than focused at the overall operational level.

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One of the reasons I think there has been so little movement in law firm operations is the fact that to date, the discussion has been focused at the tactical, not the strategic level.

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How to redesign billing is a discussion that should take place only after the firm appreciates how it adds value to the client on "the client's terms." Understanding how to bill is an outcome of understanding the role you play in your client's operations.

To my thinking, law firms must also determine other strategic drivers such as:

- 1) how they will organize and operate internally to best address financial needs of clients and employees;
- 2) how to run the firm in a manner that leverages technology not associates; and
- 3) what unique processes or programs are needed to meet the changing generational demographics.

Only when the firm recognizes who they are and where they are going should they even begin to have tactical discussions about the way to bill and/or the client engagement process.

Unfortunately, the new way of thinking is already upon us. A recent article in The AmLaw Daily last week called *Welcome to the Future: a Tale of Two Cities* described the different corporate drivers inside a large company and a large law firm. It called upon firms to change their operations to closer mirror their clients. A comment posted in response to the article was very telling. It read:

"Unbeknownst to many large, major law firms, these changes have already been happening. Due to the boom, large law firms did not see how much work was getting shifted away from them or did not care. They traded erosion in law firm relationships for a focus on 'high end' work. No other service provider has had fees increasing at 6%–10% per year over the past 10 years. Now the 'high end' work will be at a lower volume and large firms will suffer. Every GC I know has already been through the steps outlined above many times."[†]

ARTICULATE YOUR STRATEGY

Now is the time to bring the firm brain trust together and engage in several critical conversations. First, articulate your strategy. In other words, what direction are you taking the firm? What is your competitive advantage? What will you do to sustain that advantage? How will you ensure you remain focused?

[†] *Welcome to the Future: a Tale of Two Cities*, The AmLaw Daily

HONE YOUR DECISION-MAKING

Next, ask, how well do we make decisions? As you move forward it will be imperative to be able to operate in a manner that allows for the key stakeholders to make informed decisions quickly. If you can't do this yet, you need to figure out how.

INVEST IN THE FUTURE LEADERS

Last, invest in the future firm leadership. Understand who your thought leaders and key influencers are below the highest level of management. Invest in these individuals. Think

about reverse mentoring sessions where the younger partners and associates explain the new environmental drivers and help lead discussions about the impact these will have on doing business. Look at ways to create attorney loyalty and engagement that centers on something other than the reward of partnership.

The bottom line: Things are changing and if we are honest, we realize it. The fact is if we don't like change, we will like irrelevance even less. Think about Thelen and Heller.

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