Performance is Everything…

By Joseph B. Altonji on March 6, 2015

My experiences in a number of recent client meetings have remind me of an exchange in the great movie *Apollo 13*, where Flight Director Gene Krantz was meeting with his key engineers about what it would take to get the crew home safely:

> **White:** *Whoa, whoa, guys! The power's everything. Power is everything.*
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> **Krantz:** *What you mean?*
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> **White:** *Without it they don't talk to us, they don't correct their trajectory, they don't turn the heat shield around… we gotta turn everything off. Now. They're not gonna make it to re-entry.*

I've been reminded of this exchange because in so many situations, a modest tweak of the wording would describe the situation many law firms are going through*: "Performance is everything. Without it they (laterals, or merger prospects) don't talk to us, we don't invest in anything. We've got to get our performance up, or we won't make it to strategy."*

Over the past few years we have consistently noted that even in these challenging markets, some firms continue to do well, generally at the expense of others who are underperforming. A zero-sum game creates tremendous challenges. My partner, Mike Short, recently wrote about *"The Role of Profitability in a Strategy"* warning firms about, among other things, confusing basic business improvement with strategic success. My experiences recently have made this point in an even stronger fashion: without at least decent performance, it is extraordinarily hard for a law firm to achieve anything else. Consider:

- How many law firms want to "grow" their way into utilization of capacity? *"Let's hire some laterals with business, and that will allow us to make better use of the excellent platform we've built."* But unfortunately, underperformance prevents hiring laterals, which defeats the point.
- How many merger discussions have ended – or been seriously sidetracked – not just by differentials in firm profitability but more specifically by a sense that one firm or the other was not properly managing its own performance, and therefore not living up to its own potential? No one wants to combine only to have to play the bad guy (or gal) with their new partners.
- How many others have seen a weakening of one firm's negotiating position?
- How many "strategic planning" conversations have been sidetracked into a discussion around "doing something" about whatever it is that's perceived to reduce profitability? (Often firing someone or more than one someone's…)
- How many important investment decisions have been foregone over time due to a perceived lack of affordability?
- How many firms have had a discussion around "Would we be willing to pay a lateral with $X of business more than we would pay someone in our firm with the same amount of business?" And it usually doesn't happen in any case.

Good performance is everything, because without it is almost impossible to achieve anything else. You don't need to have the highest profits per partner in your market – and obviously most firms, by definition, won't. You do, however, need to be performing somewhere near what *your firm* is capable of given its practice mix, clients and structure. You do need to be paying attention to financial hygiene, and holding lawyers accountable, and you do need to be able to pay your best people similarly to what they are capable of making in your market place.

This isn't about "strategy" – but it is a probable precursor to being successful with your strategy. Sound business management is critical to strategic success, not because they are the same thing, but because if you don't have the first, your chances of achieving the second drop dramatically. If you find yourself coming up short on performance, the first order of business might be to figure out why, and address the needed changes, in advance of focusing on longer term goals.