

The Race Continues...

By [Joseph B. Altonji](#) on January 7, 2015

Welcome to 2015 and the continuation of the long race to redefine success in the business and profession of law! Happily for some, less so for others, we are not “starting all over again” as we enter the New Year. Firms enter 2015 with the advantages, or disadvantages, they have built up over time and especially over the industry-changing years since 2008.

There is plenty of optimism in the air, both in the legal world and more broadly. 2014 appears to have been the best year since the recession for the US economy, employment is finally picking up, and post-election there is talk about the potential for bipartisan cooperation on at least a few issues of economic importance. In the legal world, there was a clear uptick in work for some, primarily around transactions, which has proven particularly beneficial to the Wall Street firms and other strong transactional players. Partner incomes are rising, and associate bonuses for at least some firms are approaching levels not seen since before the recession. Market forces are (slowly) beginning to adjust the imbalance between labor supply and demand, with law school matriculations dropping, particularly for those schools that offer limited prospects for entry into the corporate legal world. There is even some chatter out there about raising associate base pay, though perhaps this is more wishful thinking by associates than anything else.

Industry prospects appear better than they have for some time. Can we *finally* go back to normal? Can we assume that while some firms may outperform others, a rising tide will lift all boats? Not a chance.

As we and others have discussed at various points over the past few years (refer to [“Winners and Losers: A Special Report”](#)), the legal industry is increasingly segmenting on success. As our research identified in 2013, some firms have clearly been pulling away from their individual markets with multi-year sustained trends following the financial crash – whether measured in terms of profitability, growth, client attractiveness or other measures. Meanwhile others lag behind and continue to lose market share and clients. It might be tempting to think that if the overall market picked up, it would give the lagging firms an opportunity to close the gap, but this is unlikely to be true. If everyone keeps doing the same things, it is far more likely that the firms that are currently pulling away would expand their leads, while laggards would fall further behind. Worse for the latter group, an expanding market for legal services might well have the effect of *highlighting* the under-performance of weaker firms, increasing their vulnerability. Put differently, firms carrying serious disadvantages into 2015 may well see those disadvantages magnified, and for some this magnification may trigger crisis moments. We anticipate that 2015 will bring a new set of firms seeking rescue mergers, undergoing dramatic restructuring or, potentially, collapsing. Some may be evident to the public, while others will be resolved out of the public eye. Before your firm reaches this position, figure out how to change *something*.

We encourage those of you on the leading edge to take full advantage of an improving market to expand and cement your leads. Don't let up on what has driven success, but never be satisfied. Continue to adapt and experiment, always pushing to excel on whatever strategic path your firm has set. Look at 2015 as a year to expand on the lead you have been working to build.

However you entered the New Year, resolve to exit 2015 in a stronger market position than you began it. For some, this will be icing on the cake, while for others it may be a matter of survival. Whatever your competitive position is now, resolve to deal with the critical challenges your firm faces with clarity, determination and focus. Bear in mind that, generally, economic performance reflects getting other things right and focusing on the underlying challenges. Focus on quality of

performance, not just quantity. Get the culture right, but don't let it be an excuse not to change. As a leader, make 2015 the year you invest your management and leadership energies in enhancing and supporting the performance of your best people, with a much greater share of energy spent there than on the under-performers who remain in your firm. Focus on the clients, and understanding the role your firm could play for them – not just the role it does play. Invest in making your best things better, whatever they are, and worry less about the areas where you don't compete well.

We enter 2015 with more optimism than we've seen for several years, but we remind you that the new world is here to stay. This remains a buyer-driven market, and demands for efficiency and value are permanent. If you are leading the race, this is no time to slack off – increase the pace, don't stop to rest. For those who have fallen behind, it is time to dig in and find new reserves of energy and determination. The race is a long one, and as long as you are still in it you have a chance to change the outcome.

We wish all of you, our clients and friends, a Happy and Prosperous New Year.