

You Can Ignore This Post... If You Are Satisfied with How Your Firm is Doing

By [Joseph B. Altonji](#) on November 28, 2017

We're coming up on the 10th year-end closing since the financial crash got rolling, and as many as two-thirds of American law firms are *still* not back to pre-recession demand levels, according to some reports. But, some are doing great, seeing strong demand and profitability growth well above industry "averages." We clearly continue to see the [winners and losers](#) in the industry we first identified several years ago. If you are sure you are in the "Winners" category, you can stop reading now. (But please come back for our next posting!) For the rest of you, or for those who are not sure where you stand but have a nagging feeling your firm is just holding on, this post is for you!

It's been nearly a decade since the legal world changed. How are you doing? Consider the following questions:

- Have you grown much in the last decade? Or has your firm stagnated or maybe shrunk a bit in the years since then?
- Will your firm log more client hours this year than it did back in 2007? Have you built enough new business to overcome the clients' efficiency demands?
- Are your full-time partners averaging 1400ish client hours each year? And was it more like 1600+ back then?
- Has your average partner profitability at least kept up with inflation? How about your pricing?
- Are you increasingly dependent on extraordinary events (e.g. big contingency wins) to assure you have an OK year?
- Do you have a sense that your clients consider you more like a "vendor" than they did a decade ago? And are your new client wins of higher quality than your old ones – or are you winning more and more on discounts?
- Are your partners acting like solo practitioners, holding on to everything they have? And are compensation discussions getting harder?
- Can you quickly articulate what makes your firm special?
- Does every effort to talk about change devolve into a difficult conversation about "our culture?"

We could add many questions to the list but this should be enough to get you thinking. If you are troubled by your honest answers to these questions, your firm is likely stagnant or eroding at best, in serious trouble at worst. What happens if your key lawyers decide they are better off somewhere else?

If you are in this category or concerned you are heading there, what are you going to do about it? And how long are you going to wait to get started?

Einstein once said (to paraphrase), "the definition of insanity is to keep doing the same thing and expecting different results." Has your firm been doing the same things for the past decade? Absent some sort of change, sooner or later, one of three things may happen: 1) You could continue to gradually erode until you reach a crisis point, which will trigger either a radical, painful restructuring or a collapse (admittedly, the worst case scenario) 2) Your partners might eventually decide they need to be acquired to create some sort of future and keep things going or 3) A group of frustrated but critical

partners might seize control, demand and implement change and, maybe, begin to turn things around. Why wait for any of these potential outcomes when you can proactively drive positive change now without crisis or a coup?

Change isn't easy. If your firm is stuck in the rut described above, breaking free will require "doing something different" across the spectrum of firm challenges. Most of the "differences" will be hard. At its core, you will likely need to change the economic *structure* of your firm *and* your culture simultaneously. Most firms don't have a deep understanding of their own culture, relying instead on platitudes ("We're a collegial firm."), much less a real understanding of how culture needs to change to facilitate change in outcomes. Likewise, while most firms understand "underperformance" this understanding is rooted in historical economic structures that are not optimized to serve clients as they want to be served today. Changing individual performance, a challenge where many managing partners spend much of their time, will have limited and temporary impact. Changing economic *structure* will facilitate long term success – but is extremely hard and has implications for the roles of individuals – especially partners – which gets us to back to culture.

What about leadership? Are the right people even running the firm? Should *you* still be running it or should you give that role up? What about your Executive Committee? Is it packed with [long-time partners whose interest is in the status quo](#)? Do you really have a strategy? Does it create laser-like focus on how your firm will compete? Or is it a treatise meant to justify anything anyone wants to do?

Does your firm understand investment? Some of the best performing firms today have invested material time and resources over many years in people, technology, skills and, yes, culture to assure they are well positioned to perform and compete for both talent and people. Can you get your partners to support material diversions of resources to focus on the future rather than taking everything they can out of the firm every year?

What needs to be done will be different from firm to firm, but the challenge of doing it is universal. The starting point is diagnosis. For anything to happen requires a real, candid assessment of where the firm is today, and that requires real facts and analysis. If you want to change your firm, you need to start by convincing at least a critical mass of your partners that change is needed. Shining a mirror in your partners' faces might be hard, but no one ever said leadership is easy. The payoff, though, just might be game-changing.