How to Keep and Attract the Best and Brightest Talent

Take steps now to be a victor in the ongoing war for legal talent

As needs for legal services become increasingly complex and sophisticated, law firms must attract and retain talent that has not only the requisite intellectual and legal skills, but also keen business acumen.

More than ever before, the legal world will compete with the corporate world to attract, retain and develop top talent. Until recently, too many law firms have regarded their people from the perspective of “what have you done for me (and my clients) today?” rather than, “what can the firm do for you today so that tomorrow we can provide greater value to our clients?” For years the corporate world has recognized that financial success is derived from the best and brightest talent. Law firms need to emulate this approach and invest as much attention in developing the careers of their professionals as they do in their client relationships.

The war for legal talent will continue unabated for the foreseeable future. This is due in large part to a projected 15% decrease in the number of 35 to 44-year olds in the United States over the next 15 years. This scarcity will put added pressure on law firms to attract and retain younger, capable associates who can fill the gap. In addition, hyper-competition for top-tier, experienced talent will occur as work continues to become more complex and specialized. At the same time, lateral hiring will become increasingly necessary for firms that want to grow.

It is now clear that the economy is slowing down, but there are divergent views about what kind of impact this will have on recruiting and retention strategies. On the one hand, in our work with law firms, we have heard some partners comment that a slower economy might finally teach associates a hard lesson about the marketplace as opportunities become scarce. On the other hand, in our work with investment banks, a potential downturn is viewed as an opportunity to review and assess talent pools and eliminate poor performers. Because investment banks use assessment tools that measure individual performance, they will be prepared to keep their stars and let go of poor performers. Without a robust performance assessment system or process in place, law firms will have a more difficult time identifying who to keep and who is not meeting expectations. This difference highlights the fact that law firms tend to regard talent from a short-term, transactional perspective while investment banks take a longer term, strategic point of view.

How can the legal world compete with the corporate world in this ongoing war for talent? The three most important lessons that we have learned from our non-legal clients are to:

1. Embrace change
2. Become a “firm of choice”
3. Take calculated risks
There are many critical differences between the ways law firms and investment banks approach change. Banks embrace change and strive to be first to try the latest management techniques. Law firms, on the other hand, seem caught in a curious “lemming effect” where they are reluctant to take leadership positions and do things differently, preferring instead to follow established approaches. In recent years, however, the market has increasingly punished firms for their lack of investment in such management activities as lateral orientation, mentoring, and knowledge management. As a result, associate turnover is at an all-time high. While many firms have been successful in spite of themselves, we believe that evolving market forces will cause fundamental changes in how law firms recruit, retain, and develop talent.

Since the 1980s, with the advent of the infamous AMLAW list, the steady focus has been on per partner profits. As a result, law firms have concentrated too much on their economics, often at the expense of investment in human capital. While investment banks and consulting firms have aggressively created high-potential leadership development programs and quality-of-life committees, most law firms have used compensation as their primary incentive tool. Unfortunately, law firms have not yet recognized that extrinsic rewards, such as money and perks, are not nearly as powerful as such intrinsic rewards as the quality of relationships that come from working at a “firm of choice.”

Becoming a “firm of choice” is perhaps the best opportunity law firms have to create a sustainable competitive advantage and differentiate themselves from their virtually homogeneous competitors. The reward of doing so is a self-perpetuating model of high-performance whereby the firm attracts and retains the best talent, which attracts and retains the best clients, which brings in the most intellectually rewarding and highly paid legal services. If a firm can achieve and maintain this dynamic, then its partners will benefit from becoming a highly profitable industry leader that will generate higher profits, create higher morale, and attract higher-caliber talent.

Embracing change and becoming a “firm of choice” also entails taking calculated risks. However, any risk taken should be based on real-time data, not anecdote, hearsay, or politics. To take such risks, firms need to put clear processes and performance measurements in place that hold people accountable for achieving results. Doing so will allow the firm to validate its internal investments as well as understand what holds or “glues” associates to the firm.

Rethinking the Approach to Professional Development

In recent years, law firms have been losing what has become a very expensive war for legal talent. At first, they reluctantly increased associate salaries in an attempt to match those of their corporate competitors and to mitigate rising attrition rates. However, studies have now documented the fact that attrition rates since that time have actually increased, and associates (as well as partners) are job-hopping from one firm to another in record numbers. With loyalty and long-term tenure at one firm becoming increasingly rare, market conditions are favorable for taking a different approach to managing and leading the 21st century law firm.

We have seen other professional service firms focus on developing their professionals into leaders, not just managers. Law firms need to do the same. To grow in today’s competitive environment, leaders must hold people accountable for their actions and reward positive results. For years, consulting firms and investment banks have been measuring performance, while law firms have been measuring productivity and putting undue emphasis on the quantity of hours billed rather than the quality of the work product or the potential gains from a long-term client relationship.

As businesses, law firms are organized as hierarchies, while other professional service firms are designed as meritocracies. In a meritocracy, teamwork is a core principle in which the contribution of the youngest member is valued just as much as that of the most experienced member. While this is not always possible in a law firm, this kind of organizational culture inspires and motivates younger professionals to participate more actively in solving intellectually challenging problems. Hierarchies, on the other hand, reward individuals based on their seniority. For young star performers, there is no more demoralizing environment in which to work.

Shifting from a hierarchical to a meritocratic organizational design means eliminating discrete, tactical approaches to professional development and embracing more long-term, strategic frameworks. In the “pay for performance"
corporate world approach, long-term reward systems provide a variety of incentives that tap into the motivations
that drive different individuals and teams. Contrast this approach with the law firm model, which tends to base re-
wards primarily on hours billed and “levels” of experience, and it is no wonder why promising, fast-track associates
end up feeling stifled and confined by a system that is both unfair and outmoded, and needs to be overhauled.

Winning the War For Talent

The challenge law firms face is how best to attract, retain, reward, and develop talented professionals. While it is
common sense that firms should do the right thing for their people, we believe that this care and attention is also a
strategic choice. Clearly, a majority of law firms have lost control over the career directions of their legal profes-
sionals. In order to earn back this control, we propose a few simple rules:

- Focus on individuals who have the potential to rise within the firm. This means hiring for, and managing
toward, success.
- Define success at your firm and measure performance, in terms of both behaviors and results.
- Align the incentive and reward system with these measurements.
- Continuously seek to understand what individuals want in terms of money, training and development, status,
quality of life, or anything else that motivates them.
- Do not start any professional development initiative unless a community of partners will take responsibility
for seeing it through.

We have seen firsthand that money and perks alone are not enough to attract and retain talent. More important is
the quality of relationships, which come in many forms: mentors, coaches, peers, clients, managers, and leaders.
At their best, these relationships create bonds of trust, loyalty, and mutual respect between individuals, on both
personal and professional levels. However, these relationships do not happen without encouragement and strategic
facilitation, which is why the function of professional development in a law firm is so important.

Much of the professional development in firms today is being coordinated in two ways, through individual profes-
sional development planning and through hiring a professional development director. Most law firms are accus-
tomed to professional development planning, usually on an annual basis. However, these efforts need to be taken
one step further, which is why we see more and more firms hiring professional development directors whose role
is to strategically integrate all of the firm's professional development activities—from mentoring to orientation to
skills development and CLE training—and to ensure that they are organized into a coherent process. We believe this
role will become just as important as other senior management positions in professional services firms (i.e., chief
people officer or chief information officer) and will be part of the highest level of the firm's leadership team.

As the war for legal talent grows more intense, law firms should learn to compete by emulating the best profes-
sional development practices of their corporate competitors. Unfortunately, without firm support for professional
development initiatives, more lawyers are going to take their careers into their own hands and leave to join those
firms that do encourage them to learn, grow, and develop. Market forces are driving this evolution, but firms that
embrace change, become “firms of choice,” and take calculated risks will lead the industry and achieve higher
levels of performance.

Here’s how your firm can win the war for legal talent in 2001:

1. Make professional development a top priority for firm management.
2. Take a long, hard look at the firm's current professional development activities and decide what programs are
working, what programs are not working, and what could be done differently. If there is no coherent approach
to professional development, then the firm is probably causing more harm than good by over-promising and
under-delivering on the quality of its programs.
3. Hire a professional development director with a degree in organizational development or with experience
in running a large-scale professional development program, and elevate this position to a seat on the firm's
Executive Committee.
4. Create quantitative and qualitative measurements that provide data about the effectiveness of all profes-
sional development activities on an ongoing basis. This data is vital for evaluating the success of individual
initiatives and integrating them into a coherent process.
5. Use professional development planning on an individual basis to tie all professional development activities together. Used properly, professional development planning aligns individual career aspirations with the firm’s strategic intent.