

Managing Partners as Chief Executive Officers of Law Firms

In 1977 at the World Future Society conference in Boston, Ken Olsen, Chief Executive Officer of Digital Equipment Corporation, predicted that "there is no place for the computer in the home." At the time, Mr. Olsen and DEC were the darlings of Wall Street. Many observers expected DEC to overtake IBM as the world's leading computer company. So much for predictions from experts.

Given how far off most experts have been at predicting the future, it is with some trepidation that I venture to make this guess: in the next two decades, managing partners of law firms will become chief executives in the truest sense of the term. So what's the big deal about that? In our consulting work with law firms worldwide, no one factor is as important to the success of a law firm as strong leadership at the top. But in firm after firm, either the partners will not give real authority to anyone to lead the firm, or no partner is considered capable of assuming the role of strong leader. This void leads firms to drift at best and fail at worst.

One has only to look at some of the very successful firms over the past decades to appreciate the results of strong leadership: Sam Butler at Cravath, Swaine & Moore; Geoffrey Howe at Clifford Chance is a Midwest, regional firm that grew to national and then international recognition. Clifford Chance is the product of a merger of two prominent London City firms and has become one of the leading international law firms in the world. They all have one thing in common--a tradition of producing strong leaders.

Forces Shaping the Need for Strong Leadership

It was not long ago that most law firms generally operated in a democratic form, often as a reaction to a prior strong, founding autocrat. Important decisions were made at meetings of all partners. Firms had management committees, but their function was typically to recommend propositions with no assurance that the partners would accept them. Firms also had managing partners--some called them administrative partners, others called them chairman of the management committee. These individuals generally minded the internal aspects of the firm--cash flow, expenses, occupancy issues, and the like. They had no visibility to the clients or the community at large, very little authority to act, and a minimal role in setting the strategic direction of the firm.

This state of affairs worked fairly well in the 1960s and into the 1970s. But then some law firms moved to centralized leadership. Once a few competitors learned how to be nimble and quick in capturing opportunities, there was no going back. What it took on the part of the leadership of these firms was the courage to be wrong in risk-taking. Competing firms had no choice but to emulate these pioneers in law firm management. Today, many law firms still struggle with the trend toward strong, centralized leadership.

Other forces pushing for streamlined decision-making are well documented in many law management publications. Competition from unconventional sources such as the Big Five professional service firms, international management consulting firms, and employee benefits firms is just one example.

There are also constituents often forgotten or ignored by law firms: the clients. The role of the strong managing partner must now shift from internal matters to an external focus on the relationships with key clients. And "key" client does not necessarily mean the clients representing the most billings. At some time Microsoft was a small, emerging company on the client list of some law firm. Obviously, identifying the next Microsoft takes some skill and luck. In the law firm today, this educated guesswork is increasingly a larger part of the job description of the managing partner.

Not only must managing partners think strategically about clients, they must also push their firms to

learn about their clients and their industries. When we interview clients of law firms, the number one complaint is that their outside lawyers do not understand their business. Heightening the sensitivity of lawyers to the clients' concerns is typically accomplished through an activist practice group organization with strong practice leaders who understand what a "customer-driven" organization means. Again, the managing partner is the catalyst for inspiring a fundamental shift from infatuation with the internal aspects of the practice to a concentration on the needs of the firm's clients.

Thinking Like a Business Leader

The pool of partner talent in a law firm represents the best and brightest of the profession. These are the lawyers who have excelled at law school and associate internships, and who are committed to high standards of excellence and loyalty to clients. Unfortunately, the very ingredients that go into making a great lawyer are the antithesis of the qualities found in successful business leaders.

By nature, most lawyers are interested in the process of the law. They are also conservative with a lower case "c." Law schools encourage this nature by drilling into students an ability to spot issues--an exercise in determining what can go wrong in a given fact situation. Lawyers, like most professionals, have an aversion to making mistakes--of being wrong. This is the "M" word, malpractice. Added to this stew is a celebration of thoroughness. Young lawyers are admonished to "leave no stone unturned--get all the facts!" The end result of all of this is a person who is careful, thorough, and risk averse.

Successful business leaders, especially the entrepreneurial innovators, have almost the opposite profile. They are supreme risk takers. They are often wrong. And they seldom have the luxury of gathering all of the facts before they make a decision. Why? Because they know the competition is ready to act on seventy percent of the facts to capture an opportunity. Some might say the hallmark of a successful business leader is being audacious, not exactly a term synonymous with a fine lawyer.

Given this profile, it is understandable that in a pool of talented law firm partners, it is the unusual individual who possesses the qualities of a successful business leader. On top of these rare qualities, the candidate must also be a very [successful lawyer](#) and client developer. Otherwise, the individual will not have the respect of strong partners. No wonder firms have difficulty finding such a person!

Acting Like a Business Leader

Even the most enlightened law firm leaders are in the Dark Ages when it comes to acting like true CEOs. Take the reaction of very large law firms to the recent moves to allow multi-disciplinary partnerships. Here we have a classic case of an industry that for years was protected by its regulator--the State Bar or Law Society. As in most highly regulated industries, when unconventional competitors appear on the scene, the regulator that has given monopoly protection becomes an impediment. Now the regulated business must find innovative ways to compete with the new competitors, but these efforts are often hampered by the very regulations that gave the business monopoly protection. The once friendly regulator becomes the foe of the innovators in the industry.

One has only to look at the railroads, airlines, communications companies, utilities, and financial institutions to see the problem. In every one of those industries, the CEO is integrally involved in fighting for the change, or in some cases, the elimination, of the stranglehold of regulation. Do you think that the CEO of Citicorp, John Reed, was not actively involved in the recent and successful effort to modify the Glass-Steagall Act? Now look at the great law firms of the United States. Where are their managing partners in the efforts to modernize a set of regulations that have been largely unchanged since the ABA promulgated them in 1908? In firm after firm, this effort, if made at all, is left to the ethics partner or the partners involved in bar politics. These are vital questions for the "industry," but the [law firm](#)

business leadership is curiously absent from the scene.

Does Strong Leadership Equal Dictatorship?

There seems to be a perception among many law partners that appointing a strong leader as managing partner is equivalent to handing the reins of the firm over to a dictator. The history of successful law firm leaders tells us otherwise. Some of the managing partners named earlier in this article may have had a reputation for being somewhat autocratic, however, very few, if any, **important decisions** they made were done in a vacuum. The successful managing partners I have known are quite talented in building consensus among their partners.

The strong managing partner is a skilled listener, with a magical talent for coming up with an idea and having others embrace it to the point where they think it was their own. Good law firm leaders understand that a successful professional service firm is in the talent business and must win the race for getting and keeping talented individuals. They are invisible when things go well and very visible when they do not. Delegating, motivating and inspiring are their strengths, not dictating.

Consequently, when I hear that partners are reluctant to give authority to a strong leader because he or she might turn into a despot, I am suspicious. This usually means that the partners do not want to give up their autonomy; they like having a firm that is essentially a collection of sole practitioners. Such firms are doomed in today's marketplace.

Educating the Managing Partner

Lawyers spend three years in law school and at least another three to four years in an apprenticeship with a law firm or law department. The notion that **practicing law** is a life-long learning experience is well accepted in the profession, and is now mandatory in many states. I am continually amazed that this tradition is not followed when a lawyer becomes a managing partner. The idea that the person must now put the same amount of intellectual energy and learning into a new occupation is quite foreign to many of today's managing partners. Their counterparts in clients' businesses typically have MBA degrees followed by years of apprenticeship in business. In contrast, most managing partners are reluctant to give up more than a day for a leadership and management development workshop. My suggestion that they should have limited their formal law training to one day and not wasted three years of their lives in law school is met with laughter. But why is it different when one is asked to run a multi-million dollar business?

Firms are coming to the realization that law firm leaders at the managing partner, office-managing partner, and practice head level need initial and continuing education in formal leadership and management development programs. These programs should not be limited to "how to" seminars or roundtables where experiences are shared. Today's managing partner needs to be exposed to the latest management theories developed out of the business schools. They need to be challenged and stretched in their thinking about how a professional service firm is organized and operated. The next two decades will see a demand for these programs equal to what is found in the business world.

Compensating the Managing Partner

My final prediction is that law firms will realize how critical having the right leader is to the success of the firm, and will compensate the individual accordingly. It is not a coincidence that the highest paid person in a business entity is almost always the chief executive. Why? This person has the most influence over the success or failure of the business. Partners in law firms seem to accept this proposition for their business clients, but often fail to see why it should apply to their business--the law

firm.

Because successful business leaders are a rare commodity in a law partnership, simple principles of supply and demand would dictate that such a person should be highly compensated. This is still a novel concept in many law firms. But over time, all successful firms will come to realize how important it is to compensate the managing partner for leading the firm.

What will come to pass is the development of an executive incentive compensation package for managing partners. What strong partner in his or her right mind would demand less? Compensation during the term of office will be geared to the overall success of the firm. It will not be frozen at the level the managing partner enjoyed before becoming managing partner. Perhaps even more important, compensation after the managing partner steps down will be maintained for two to three years at the level the managing partner enjoyed when he or she stepped down, in order to give the individual time to build his or her practice back to a full-time level of activity. Many of our law firm clients are adopting this approach.

When firms finally realize how critical strong leadership is to the fortunes of the firm and its partners, they will almost always place the managing partner in the top compensation level. In fact, firms will become so desperate for skilled leadership that they will eventually hire away strong managing partners from other firms, a prediction I made in the October 9, 1995 issue of *The New York Law Journal*. At the time it was greeted in many law firm circles with skepticism. As this article goes to press, it was announced that Tony Williams, the Managing Partner of Clifford Chance, has been lured away by Arthur Andersen & Co. LLP to head up its legal services sector. The Big Five professional service firms apparently appreciate the value of strong leadership.

The trends I have identified are already well in place in the great law firms of the Western World. It will take a decade or so for the other firms to come around to the notion of strong leadership. If you are one who thinks a CEO cannot make much of a difference, consider what DEC might have become if Ken Olsen had been willing to find a place for the computer in the home.

Career Development for Law Firms

In today's highly competitive talent market, an evolutionary change to career development is currently underway. Instead of working for years at the same law firm waiting to be chosen partner, more and more associates are choosing firms where they want to be made partner. Unfortunately, too many firms continue to operate under the assumption that they choose the people they want to keep. However, the current reality is that firms have lost control over the [career choices](#) of their legal professionals.

This emerging trend is well documented. Statistical evidence can be found in the results of the National Association for Law Placement (NALP) Survey of Associate Attrition, Departure Destinations & Workplace Incentives report for 2000. It notes that just under half of the associates surveyed changed jobs by moving from one firm to another and, of these, 50-70 percent did so within the same city. This is an alarming statistic and it suggests that associates are taking back control over their career directions by actively choosing firms that provide, among other things, strong management and leadership, thoughtful professional relationships, and exciting and rewarding challenges.

What can law firms do to adjust to the new [market reality](#)? First, they can become a "firm of choice," not simply a firm that chooses who makes partner. To do this, firms need to help their professionals take charge of their own careers by organizing a strategic approach to managing talent. To achieve this goal, many firms have begun to establish thoughtful professional development programs that provide ongoing care and support for associates who are trying to determine their professional identities. What

remains unclear is whether firms will follow through with these programs. Over the next few years, the law firms that do so successfully will become industry leaders.

Poor professional development and career management planning stems from the commonly held belief that management, like administration, is a secondary, non-billable activity. Most partners are either too busy with their own clients or too reluctant to invest firm resources in these kinds of activities, or they are not held accountable for the results. And that does not mean just a problem with younger associate attrition, but, as will be seen in the case study presented below, the possibility that the wrong people stay with the firm and make partner, and/or that they do not manage their new status well.

Effective human resource management should be the goal of firms--including the one of which you are now a part owner - seeking to establish a competitive advantage where few firms have--in the area of professional development. Professional development is part of the firm's strategic intent to attract, retain, and provide ongoing care for its most precious resource, legal talent. The challenge is to become a recognized "firm of choice" in the legal community. Doing so will not only bolster a firm's image in the eyes of its clients and employees, but will also draw the interest of the best legal talent in the marketplace.

Transition Case Study

There is perhaps no more important transition in an attorney's career than when he or she makes partner. Unfortunately, most law firms do not take full advantage of the opportunity to prepare new partners for their new role and responsibilities. More often than not, instead of focusing on how to ease the new partner's transition into ownership, law firms focus on the partner's past accomplishments as a business generator and source of revenue. As a result, transitions are not forward thinking and are managed so awkwardly that many new partners end up questioning why they chose the partnership track in the first place.

The following is a case study based on interviews with several new partners about their transition experiences. What would you and your firm do to assist Chris Sample in his transition?

Chris Newpartner. The plane had finally taken off after a four-hour delay on the tarmac at San Francisco International Airport. Chris Newpartner felt relieved as the plane taxied up the runway. He had made a firm promise to his daughter that he would be home for her birthday. Chris had just finished three days of marathon merger negotiations with one of his Palo Alto clients. This was his fourth red eye in 16 days.

Chris is the newest partner in the intellectual property (IP) practice of a major New York City law firm. It is hard to believe that he has only been a partner for six months. As a senior associate his schedule had been grueling. Now it was even worse. Maybe his wife was right a year ago when she began questioning him about his desire to be a partner at the firm. She even encouraged him to consider returning to New Hampshire to practice at a smaller firm. The idea had appeal as he began yet another red eye flight home.

Chris was lucky to have the single center aisle seat. He was left to his own thoughts as he began dinner. Not surprisingly, his mind reflected on his experiences as a new partner and he began to question how well he was doing. For the past seven years, his focus had been on pleasing the partners in order to be chosen by the firm. Suddenly, he found himself questioning whether the firm's choice of him reflected his choice of the firm. He felt as though he had more confidence in himself and the firm as a senior associate. When he thought about how being a partner was different, he could only come up with a list that included reading more firm communications, attending more meetings, performing more firm

administrative tasks, spending more time on practice management, and not receiving a great increase in compensation. Chris had not felt this hassled or doubtful since his first year with the firm.

The Past Six Months. Becoming a partner at age 34 was one of the greatest achievements in his [legal career](#). Chris had worked hard and, from his first day at the firm, had felt that he was one of the star associates. His in-box was always full. He always had partners or clients asking for him and he was actively involved in the development of the firm's IP practice.

One month after making partner, Chris was told that he would become the partner in charge of work assignments for the associates in his group. The IP group is comprised of 10 partners, 25 full-time associates, as well as several associates from other practice groups who devote part of their time to the IP practice. As the work assignments partner, he had to make sure that associates were being assigned to transactions that were developmental and that gave them the opportunity to work with multiple partners. What he inherited with this role was an administrative and interpersonal nightmare. Several partners worked totally outside of the work assignment process, including the partner who was Chris' first mentor. To make matters even worse, many of the associates were well versed in how to dodge the assignment process in order to work on more challenging transactions with their favorite partners.

Chris really doubted his ability to improve the work assignment process. However, the practice group leader indicated that every lawyer needed to develop management skills and Chris needed to consider this experience as on-the-job management training. In addition to this responsibility, in the same year Chris was named the captain of the Columbia University School of Law Recruiting Team. Due to his hectic travel schedule, he had missed several on-campus recruiting events. His colleagues teased him about being a "virtual" team member. In addition, recruiting at Columbia was becoming increasingly difficult because the firm did not have as many international opportunities as some of its competitors and had rated poorly in a recent survey on opportunities for women. Chris had always enjoyed campus recruiting, but this year he began seeing it more as an added burden.

Chris' Fundamental Concerns. In spite of the positive aspects of [making partner](#), Chris was uneasy. He always felt out of control. His client work was growing, but he was always at the 11th hour with everything. He knew he had benefited from having a mentor and he considered himself an accessible person who was also good at training associates. However, he found himself increasingly relying on one or two associates and trying to avoid the rest because it was too time-consuming to train those who didn't seem to get it. Chris began to think that he was not doing anything well, including being a husband and father. He had spent more time with his family as an associate. During the past six months, he had traveled more often, had left for work even earlier in the morning, had come home even later in the evening, and had cancelled the second week of his vacation to return to work to manage a client emergency.

Chris found himself increasingly discouraged. Maybe there was nothing to be done at this time. He wondered if he would ever feel comfortable being a partner. Several of his friends chose not to pursue the brass ring, and they seemed more content with their lives. One of his closest friends at another major firm recently chose to take advantage of the firm's part-time option in order to spend more time on his own start-up idea. He told Chris he was having a great time. "If only I could think this through with someone I trusted," Chris thought, but let the idea go. He did not want to share his doubts with anyone at the firm. "Oh, hell," he thought, "I've spent six hours in self-absorption, and I still have four client meetings and a birthday party to get ready for when I get home."

Suggested Solutions

Partner Orientation. The first thing Chris' firm should have done is put him through a new partner orientation program that should have begun at least six months to a year before he was likely to be promoted. However, any new partner orientation process, whether it takes six months or a year, should not begin or end on the day the new partner names are announced publicly to the firm. Properly designed, these programs are ongoing and timed to address both the intellectual and the psychological effects of the transition. In many respects, the unnecessary psychological stress associated with Chris's experience could have been mitigated through more communication and education early on. This would have afforded him both the knowledge and the time to talk about the transition with his peers, mentor, close friends, wife and family.

New partner orientation is a process that other professional service firms manage thoughtfully and proactively. Tom Tierney, former Worldwide Managing Partner of Bain & Company, a global strategy consulting firm, believes that people are more receptive to new ideas when they are about to be promoted. Based on this knowledge, Tierney personally oversaw the development of a new partner orientation program at Bain that addressed both the personal and professional changes that come with partnership responsibilities.

Many different kinds of orientation programs exist in other professional service firms. At Credit Suisse First Boston, Accenture (formerly Andersen Consulting) and General Electric, new partners (or managing directors) spend a number of intensive days learning about what it means to be an owner, what the firm's strategy is, how the firm is organized, how the firm manages its finances, what it means to be a client developer and trusted advisor, as well as what it means to be a manager and role model.

Ongoing Career Support. Firms should also begin their career management processes earlier on in an associate's career at the firm. If, as a summer associate, Chris's firm had educated him about the importance of career management, he and the firm could have enjoyed many more years of working effectively together. By establishing a stronger sense of purpose and setting a clearer direction, Chris would have been empowered to take charge of his career from the beginning. Over time, he would have become more confident about the path he had chosen, not less so. He would have been better prepared to make difficult career decisions that would have helped to define his professional identity.

Instead of being handed arbitrary responsibilities, Chris and his practice group leader could have worked out a plan that drew on Chris's strengths and leveraged his personal interests for the strategic benefit of the firm. For example, if Chris is interested in and capable at college recruiting, then he should set some goals and focus his energies where he can make a difference.

The work assignment process is broken because no one is being held accountable for its performance or responsible for playing by its rules, including Chris's mentor. Chris won't be able to change the work assignment system, so why should he waste his time trying to fix a management problem that the firm's leadership is not committed to solving?

Professional development planning is one of the most underutilized performance management techniques in the legal industry. Instead of bolting performance to a fixed billable hour commitment, firms need to set short- and long-term strategic goals against which an individual's performance can be measured. Clarifying expectations and setting priorities will eliminate unnecessary stress and time wasted on activities that make no developmental sense. Without this process in place, however, too many partners end up like Chris, overextended, overworked and, ironically underutilized. It all comes down to making firm choices that are designed to achieve strategic organizational goals that are aligned with opportunities for legal talent to develop a meaningful and successful professional identity.

In our work, we have seen first-hand how making partner opens up a world of new possibilities.

However, there is so much pressure involved, that many (like Chris) begin to question what they are doing with their lives and careers. As a result, many end up leaving one firm in an attempt to start again at another. The challenge for firms today is to recognize that they are no longer in control of the career choices of their legal professionals. Instead, they need to support the individual's quest to establish a successful professional identity. Doing so is not only the right thing to do for individuals, but also a strategic imperative for law firms.

Managing at the Margin

The last two years have witnessed both dramatic and ongoing change in the professional services sector: the demise of Arthur Andersen, the introduction of the Sarbanes-Oxley Act, the onward march of the leading US and UK firms to build capability in mainland Europe and beyond, the unwinding of the Accountancy led MDPs, a number of high profile law firm failures, continued consolidation particularly among mid-market firms, the continuing focus of many leading US and UK firms to develop a substantive Anglo-American capability, and so on.

In parallel there has been a marked slowdown in some economies which in turn has impacted on levels of M&A activity affecting those firms in particular that traditionally have been strongly focused on this type of work.

There is a real danger, however, that these headline grabbing high profile factors distract attention from the more fundamental and more significant underlying trends and changes occurring in the legal market. By their nature, these trends do tend to be lower profile but their impact is not and the great risk is that they become ignored or receive less attention than they should.

The primary driver of these trends is a single, yet complex factor, namely the changing needs and expectations of clients; of course such changes have been occurring for many years but the evidence indicates that there is currently a coincidence of events that will result in their impact being of significantly greater scale over the next 3 years or so.

The impact will vary from market to market: intensifying and accelerating change in those jurisdictions that already have higher levels of competition and introducing new pressures in those jurisdictions that historically have been subject to lower levels of competition.

In the past references to clients' needs and expectations changing and displaying greater levels of 'sophistication' in their purchasing were frequently seen as a euphemism for buying on price and, to a degree, there was an element of truth in this. Over the past five years or so client sophistication in purchasing has gone way beyond a focus on price although the focus on fees paid to professional advisers is as intense as ever.

Clients today are increasingly purchasing services on a markedly different basis:

First, they are reassessing the 'value' of legal services (on a case by case basis for certain work) in an ever more rigorous fashion and on this basis deciding what level of fees are appropriate. Certain work is considered by clients to be of critical strategic, competitive, financial or reputational importance and for such work clients remain relatively less concerned about fees although expect them to be based on the 'value' of the matter as they perceive it rather than on the basis of time on the clock or scale fees. Increasing levels of work are, however, becoming considered as commodity or lower level operational matters and as such clients are prepared to pay relatively lower fees and take advantage of the competition between the range of firms seeking such work to drive down fees still further. But even on the higher value matters (except for in a very small range of work) clients perceive there to be a reasonable choice of potential providers and will use this to keep fees under tight control. This is all

occurring to a far greater extent and in a more consistent way than at any time in the past and more importantly all the indicators are that it is set to continue.

Secondly, clients are discriminating and differentiating between competing law firms in a way and to a level that they have not in the past. Over time clients have become more experienced at buying legal service, better at establishing what they are seeking on any particular matter or type of work, more knowledgeable about the relative capabilities and characteristics of a range of law firms and, most significantly, increasingly able and willing to select firms at a fee level they feel is appropriate, on this basis. Put quite simply they are increasingly clear about what they require and which firms are best able to meet these requirements and are in parallel willing to negotiate to ensure that the fees they pay are both in line with their perceptions of value and market rates;

To add to this, on the vast majority of legal services there is something of a 'product life cycle': new, innovative services command a premium to begin with but over time what was new and innovative initially becomes regarded as more 'run of the mill' and with increasing numbers of firms seen as credible providers, becomes devalued commanding lower fees in the market. In this respect the legal market is no different to any other market with new products and services commanding a premium at their time of launch but this becoming eroded over time as other competitors offer similar or even identical products and services.

The result is clients purchasing legal services on a significantly different basis from in the past, differentiating between the competent and the excellent, selecting the latter in preference to the former, and then using their negotiating strengths and the fact that they believe that there is choice to agree fee levels in line with their perception of the value of the service being provided.

In the past this approach to purchasing legal services has been most prevalent for the lowest value legal services and in a range of areas commoditisation or near commoditisation has occurred.

The downward pressure on fees has resulted in those firms unable to meet the service and pricing expectations of the market losing out on certain types of work while other firms have only managed to maintain some presence in such sectors, often at substantially reduced margins.

There have also, of course, been winners too: those firms that have restructured themselves in a way that allows them to meet both the service and pricing expectations of clients while still making good margins. This typically involves quite radical change in terms of the way services are provided (processes and procedures), the structure (gearing) of firms, the use of IT, the level of staff employed, and so on.

Successful firms have focused on building their capabilities in line with market expectations and those that have done so best are enjoying good returns on their investment.

What has until recently been mainly limited to the lower end of the legal services market is increasingly applying to mid and higher value work types (eg. Real Estate, Banking and Commercial Litigation) and clients are becoming increasingly determined to achieve lower costs for such work taking full advantage of any 'softness' in the market to negotiate reductions, leveraging the more aggressive (predatory?) pricing being offered by some firms (to maintain or build volume and market share) to 'force' pricing reductions from all providers.

This is increasingly putting significant margin pressure on an ever widening group of law firms and in particular those that are not seen as particularly exceptional or outstanding in what they offer.

Of course strong relationships can help offset or lessen the impact of downward pressure on fees but this is unlikely to provide a long-term sustainable counter force and it is unrealistic to expect this to last indefinitely.

The real risk for a very wide range of firms is that they will find themselves regarded as not fully competitive in terms of capabilities for the very highest value matters and not meeting the pricing and possibly also service expectations for much mid-value work.

The challenge for such firms is to develop and implement entirely new approaches to the way they 'manufacture' legal services ensuring that they can be 'produced' in a way that meets clients' quality, service and price expectations (that are all likely to become even more demanding over time) while also ensuring an acceptable level of margin is made.

Put quite simply the market will, over an ever increasing range of services, determine the price that can be charged for a particular service and law firms will have to focus more and more on effectively managing the costs of producing that service taking into account the margin they wish to achieve.

In manufacturing industry and much of the service sector this, of course, has always been a management focus - it is after all the basis upon which profit (or otherwise) is generated. In professional services which traditionally have enjoyed high margins it has tended in the main to receive lesser attention.

That will now have to change with the focus on managing margins becoming as important an issue for the legal services sector as it is other sectors of the economy. This will require the development of new skills, a change in mindset, differing roles and responsibilities for partners, and the willingness to consider and if appropriate implement radically different approaches to how legal services have been 'produced' and delivered in the past.

The opportunities certainly exist and the winners will be those that are most adept at changing the way they operate so that they remain profitable in what will increasingly become a 'margin' focused sector.

Interested in Learning More About Legal Hiring? Read the Definitive Guide:

[**How to Hire a Legal Recruiter for Your Law Firm: How Law Firms Recruit Attorneys Using Legal Recruiters**](#)