

**PERSPECTIVES ON  
FIRM STRATEGY**

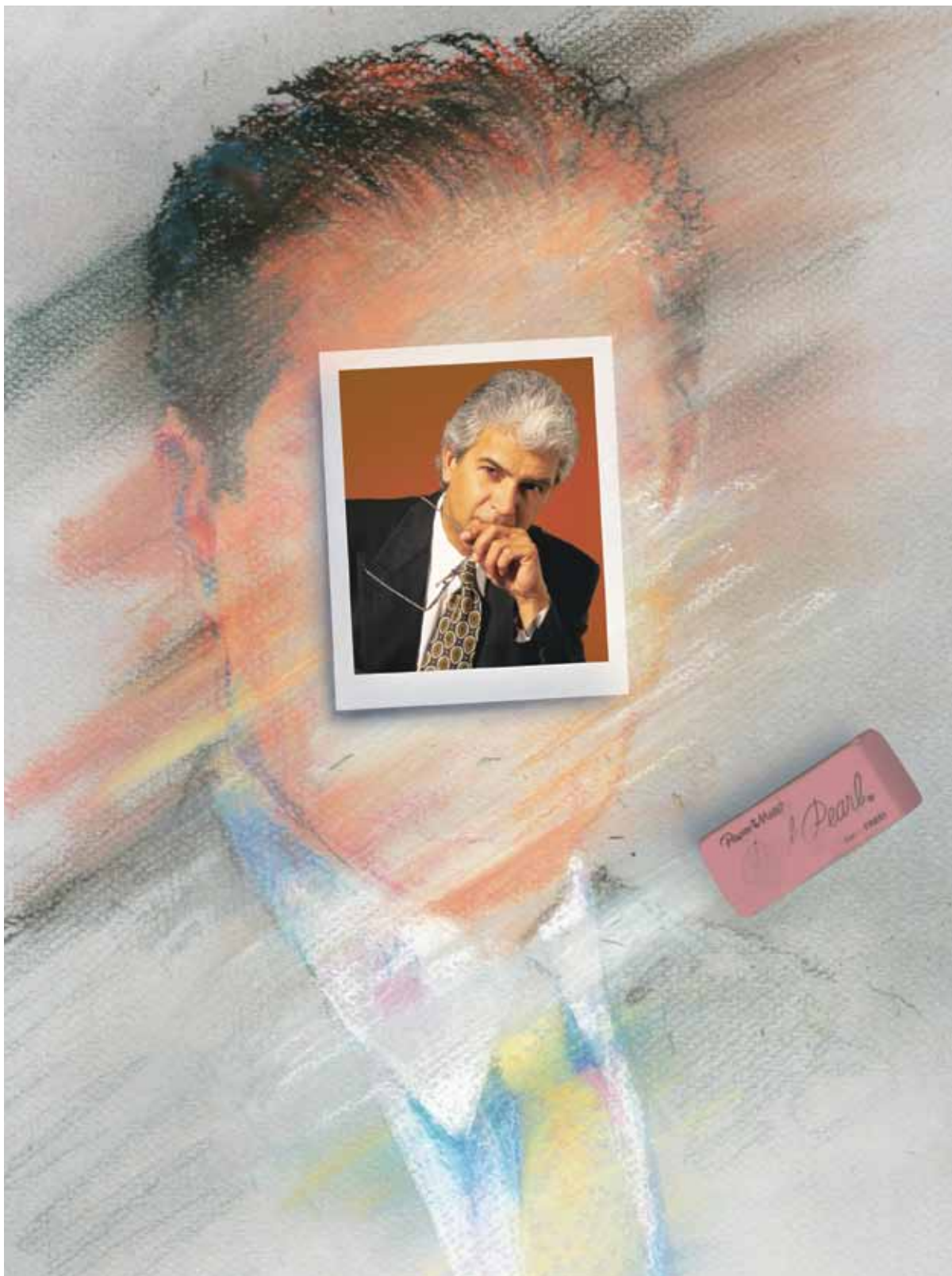
**WHEN FIRM  
LEADERS  
TRANSITION**

**PRIVATE ADVISORY  
SERVICE FOR NEW  
FIRM LEADERS**

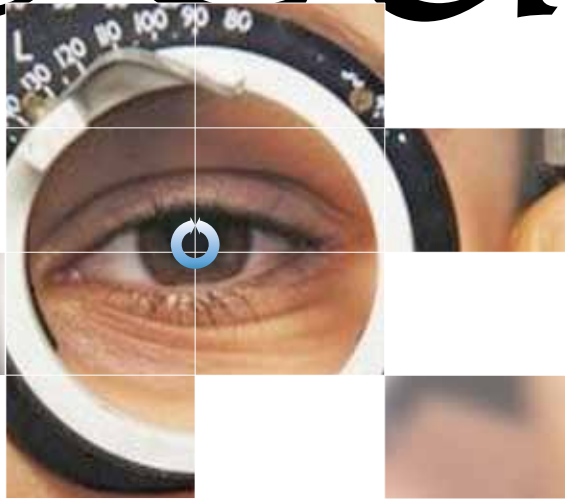
**THE QUESTION  
OF PARTNER  
COMPENSATION  
GUARANTEES**

**CREATE YOUR  
'STOP DOING'  
LIST**

**INTEGRATING  
LATERALS**



# BRING YOUR FIRM INTO FOCUS



## BECOME THE LEADER IN YOUR FIELD

All law firms must have one major objective—be the leader in your field. Easy to say. Hard to do?

Achieving leadership demands superior legal performance complemented by savvy marketing—inside and outside the firm.

Begin by realizing your BRAND. Successful executives understand that clear, consistent marketing strengthens their firm's leadership position and their BRAND. However, they also know their attorney's are enrolled in the intellectual challenges of crafting successful and brilliant solutions for their clients. This, after all, is what attorneys do. But let's face it, most attorneys dislike marketing. Marketing steals billable hours. Grooming attorneys to embrace the firm's BRAND and adopt their role as

marketers requires guidance and a strong arsenal of support. Without this your BRAND becomes diluted and ineffective.

Intelligent marketing requires agility and focus in today's fast-paced, linked culture. Creating a consistent, clear BRAND connectivity is a "must" dynamic for success. If you are not proactive you will fall behind and perhaps fail.

Perpetuate your BRAND. Avoid looking stale and getting lost among your competition. Actively maintaining a current-looking web site is critical. Establish your site as a living breathing marketing tool which looks fresh and accurately portrays who you are. It should also acknowledge your attorney's accomplishments giving them a tasteful marketing BRAND. One they are proud to wear. One that

rewards performance and leadership.

However, what is most often misunderstood and neglected is making a commitment to optimize your search engine presence. This is a daily marketing process not an IT project. Paying attention to your site's details and BRAND encourages repeat connectivity and seamlessly translates that you will pay equal attention to your client's needs. This builds trust which, after all, is what legal leadership strives to achieve. Maximizing these necessary components is essential for securing your firm's leadership role.

Bring your FIRM into Focus with PROKELLSEO, an experienced search engine optimization resource, and it's talented web site designers.

PROKELLSEO

Dear Valued Clients and Friends:

I sincerely trust that you have enjoyed a most productive summer with a bit of time devoted to personal R&R. For my part this year has seen my writings being featured in Forbes; on the front cover of the July-August Managing Partner magazine [UK]; in the Fall issue of Harvard Business Review's OnPoint magazine; and I'm honored to now be named a Contributing Editor for Of Counsel: The Legal Practice and Management Report.

Meanwhile, our Fall issue begins with a piece entitled, **Perspectives On Firm Strategy** which contains seven thought-provoking ideas on everything from becoming distinctive to quantifying and communicating real value to clients.

In our First 100 Days program (see back cover) we introduce new firm leaders to the monumental task of taking the reins of leading their firms. **When Firm Leaders Transition** provides prescriptive counsel and specific steps to both the departing firm leader and their successor on what they need to do to facilitate an effective transition.

Once again, my good friend and colleague Ed Reeser joins me in **The Question of Partner Compensation Guarantees** cautioning how, while providing guarantees can be a legitimate transitioning tool for incoming laterals, these same guarantees can also present firms with some real problems when best intentions and future forecasts don't materialize.

Finally, **Create Your Stop Doing List** is some straight-forward guidance on how to keep the urgent from crowding out the important, while **Integrating Laterals** provides pragmatic advice on how to best integrate the key talent that you have spent so much time, effort and expense attracting to your firm.

As always, I sincerely hope that you find practical ideas, tips and techniques here that you can put to use immediately. Please send me your observations, critiques, comments and suggestions with respect to any of these articles.

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# PERSPECTIVES ON FIRM STRATEGY



**In my work with firms helping them with strategic issues and strategic planning I am often asked specific questions about strategy. What follows is inspired by those questions and my experience and reflections – all intended to stimulate your own thinking.**

## NURTURE YOUR MAVERICKS

I was struck by an observation in a new book concerning how firms achieve innovation. The author explained: *“Management textbooks might suggest that innovations will flow elegantly from lengthy strategy documents and lateral thinking. The reality is that the overwhelming number of innovations evolve from the efforts of mavericks within law firms who pursue ideas that are initially regarded as peripheral, irrelevant, and even wasteful.”*

I not only *strongly* agree, but I’m reminded of a number of partner retreats wherein I had the opportunity of posing this question: *“How many of you have thought of some new idea, potential new practice or initiative, that has the potential to generate new revenues for the firm?”* The usual answer is

somewhere in the range of 69 to 83 percent to the affirmative. So, what happens to these ideas?

Aside from the usual critical responses that one would expect to elicit, the reality is that most firms do not have any formal system to nurture new ideas. If mavericks are the research and development departments of the twenty-first century law firm – then we need to find the way to commercialize their new ideas. Unfortunately there are only a handful of firms that have actually initiated an internal Venture Fund, available for lawyers to put forth their ideas and have them encouraged and financed.

Now that might have seemed frivolous during the boom times, but I think that it is just what a lot of firms need today to encourage enthusiasm, entrepreneurial spirit and innovation amidst the current obsession with AFAs, project management and process improvements!

## THE SECRET SAUCE: BEING DISTINCT IS BETTER

Strategic wisdom has it that you need to identify what you can do really well if you’re going to best the competition. This is important advice, but it’s not sufficient. Often your core competency is the same one your competitor has. One misstep that firm leaders often make is competing with rivals

by doing the very same things. You get into trouble when you attempt to compete head-on with other competitors. No one wins in that kind of protracted struggle.

You need to develop a clear strategy around developing a differentiated position in your marketplace. So unless your competency is seen as markedly better in your clients’ eyes, you have no meaningful differentiation, zip advantage, nada uniqueness.

The key to marketplace uniqueness is having some distinct capability or attribute that makes you clearly superior to competitors. Consider . . .

### ■ You need to FOCUS.

In today’s market you need to be disciplined and incredibly focused. Resources are limited and clients are discriminating. Be vigilant about what new trends are emerging, how the marketplace is evolving and how you’ll stay ahead of it. It’s not about building size. It’s about dominating selective practice niches. Dominate or leave. There’s no such thing as a ‘fast follower’.

### ■ You need to INNOVATE.

Embrace profound innovation. Push yourself to discover what you can do to mobilize your partners and inspire your clients. Ask: Is it ex-

traordinary? Does it matter to clients? Does it provide enhanced value?

#### ■ You need to **STREAMLINE**.

Restructure your processes – be lean and simplified. Figure out how long it takes your firm to: make a decision, launch a new legal service, get a client's deal completed, or get an account out the door. Now chop each number in half and force yourself to do it faster.

#### ■ You need to **LEAD**.

Move from responding to leading; from being responsive to being proactive. Smart firms aren't just responding to new trends and developments. They are leading them. Lead your clients to an entirely new market space. If your clients

**“Y**our distinct competency is the secret sauce, the get-out-of-jail-free card, the force field that yields more and better business.”

are asking for it, it's not uncharted territory anymore. You're already too late.

Every day, in every meeting, with every decision, leaders must ask themselves, “Is this merely a good operational practice or is this something that's improving on my strategic distinction?” You must keep asking, “How can we deliver a unique value to meet an important set of needs for an important set of our clients?”

Your distinct competency is the secret sauce, the get-out-of-jail-free card, the force-field that yields more and better business. It may be difficult to achieve, but I can think of no other objective more worthy.

### **ELIMINATE BARRIERS TO SWITCHING**

When you are trying to get prospects to change from

their existing law firm to yours, you need to consider a concept called “barriers to switching.” Eliminating the barriers is generally key in getting people to move their legal work to your firm. So for each new prospect, ask yourself: What keeps this person or company from becoming our client tomorrow?

Quite simply, you need to identify some motivating rationale for why this particular prospect should *even try* your services. And no, I'm sorry, assertions that you can “do it better, faster and cheaper” are rarely perceived as believable. They are possibly even insulting of the prospect's ability to choose a provider — so don't go there!

You are refreshingly strategic if you've targeted a particular client niche that other competitive firms have not. If you have a service offering that is unique in some way (“We have a specialized team that serves the needs of women entrepreneurs in this region”), then you have a much better chance of getting your target prospects to consider giving you a try.

If you're not differentiated . . . then perhaps this prospect is worried about how costly it will be for you to get up-to-speed on their matters. Devote some specific non-billable time up-front to learn about their business or situation, and inform them that you are prepared to make that investment.

Perhaps this prospect doesn't perceive you offering any real added-value. Think through (or ask) what would constitute value for this kind of client. Perhaps it's inviting them to an educational program, offering them preventative counsel, or helping them meet with influential contacts.

To dominate in your chosen market, you have to identify the most complete list of barriers and work diligently to eliminate them.

### **WHAT IS YOUR SKILLS-BUILDING STRATEGY?**

In today's world, you have to continually assess your skills and adapt them to match up to your target markets. Arm yourself with the following

information to keep pace:

**Skills are more specialized.** Rapid knowledge growth means it is increasingly difficult for lawyers to keep on top of everything they need to know. You need to specialize; knowledge niches are the reality for most professional careers.

**Skills are degradable.** The half-life of knowledge is decreasing at a furious rate. Firms are painfully discovering that many of their legal skill offerings are becoming commoditized at an ever-increasing rate.

**Skills can be transferred.** The boomer retirement issue is real. Smart firms are spending serious money to ensure that the important knowledge of senior practitioners is being captured, retained and archived.

**Skills are increasingly portable.** That's the thing we've learned with globalization. With clients sensing that certain skills are readily available, they've learned about outsourcing their legal requirements. It doesn't really matter to them where the skills are, as long as they can procure them when needed. Not exactly good news for you.

**Skills are renewable.** Fortunately, the expiry date on your skills can be extended. If you can develop a mind-set toward constant improvement and invest some portion of your non-billable time in developing new skills, you can adapt and evolve.

So, here is your personal and career building ACID-TEST: What is it that you know today, at the end of 2014 that you didn't know one year ago? Or, put slightly differently, what is it that you can actually do for your clients today, that you couldn't do at this time last year? If your answer is not much, then bless you, but you may quickly be on your way . . . to becoming obsolete!

### **DETERMINE REAL NEEDS**

Your prospects may know what they *want*, but they don't always know what they *need*. And, your job description is to identify need.

The more profound a need you identify, moving

“*Quantify your outcome in a meaningful framework such as potential revenue generated; better terms obtained; value of brand image or intellectual property protected; investigations, fines or litigation avoided; quicker speed in closing transactions; time or money saved or; importance toward helping the company achieve it’s corporate goals.*”

away from merely the “want,” the more valuable you are and the more you can charge, because your prospect’s return on their investment is so dramatically higher. Unfortunately, too many attorneys never even try to discern a prospect’s need.

The way to discern your prospect’s true need is to ask very different questions. A trivial example: if you’re an employment lawyer and your prospect says, “We want better employment contracts,” don’t rush to show them some PowerPoint that demonstrates your system for developing contracts. Instead, ask, “Why do you think you need better contracts?” You prospect may very well reply that they have to respond to competitors stealing their most talented people. There may be a much larger and more efficacious project here, aimed not at the “want” of some written contract, but rather at the “need” to enhance morale, reduce attrition or improve competitiveness.

This requires confidence to believe that you have value to offer and the diagnostic skills to determine what the actual needs are. Too often we act

as order takers, submissive beggars, hat-in-hand, hoping we’ll be selected. Instead position yourself as the objective expert and someone who can provoke ideas and novel perspectives.

If you’re not adept at helping prospects determine the real needs behind their wants, you’ll never be successful in securing larger matters, higher fees, and enduring relationships. Satisfying a “want” is non-differentiated; satisfying a “need” is a rain-making triumph!

### QUANTIFY AND COMMUNICATE REAL VALUE

Clients need and want you to identify what adds value (to them), deliver that value, and demonstrate that you have done so. Your mission is to communicate to your client what has been accomplished or achieved as a direct result of their retaining you, and how the outcome more than offsets the cost of the services.

Wherever possible, *quantify your outcome* in a meaningful framework such as potential revenue generated; better terms obtained; value of brand image or intellectual property protected; investigations, fines or litigation avoided; quicker speed in closing transactions; time or money saved; importance toward helping the company achieve it’s corporate goals; etc.

Here are a couple of examples:

- Filing for both permits now, before deciding on the project specifications enables you to be operational months sooner. An early opening could generate about \$500,000 in additional revenue and certainly justify the cost of the two applications.
- This settlement will save you up to \$1 million in protracted litigation expenses and preserve your company’s character by keeping you out of the press.
- We have reorganized the transaction to ensure that the royalty rights remain in your hands. This change should yield up to \$ 75,000 in licensing fees, annually.
- Selling these assets will reduce your onerous

debt. While seemingly drastic, the improvement in cash flow should protect you from having to declare bankruptcy.

At the end of every matter and to truly satisfy clients, your job involves identifying a specific value outcome for each legal service you deliver.

### INTERNAL EFFECTIVENESS IS NOT STRATEGY

There is a fundamental distinction between developing strategy and focusing on internal effectiveness. In a recent survey I discovered that among those law firms that have a formal strategic plan, 79% of those plans are predominantly internal focused.

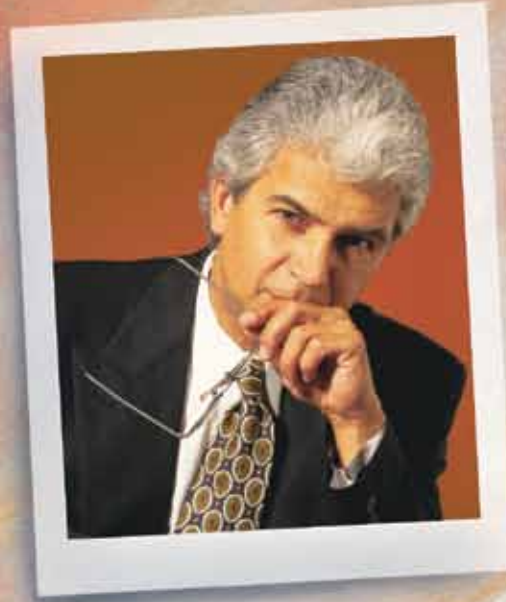
Typically, “the strategy” seems to be either fixing problems or emulating best practices. We are trained to resolve the issue, put out the fire, correct the underperformance and generally fix the problem – all time spent in looking backwards rather than focusing on the future, exploiting opportunities and building on strengths. Meanwhile the more benchmarking that you do and the more you seek to copy some other firm, the more indistinguishable you are from your competitors. Admirable, but not a winning strategy.

**Shatter the mold.** Your firm can outperform rivals only if you can establish a difference that clients actually value. Strategy is about making choices: Sorry, but you can’t be all things to all people. It is about deliberately choosing to be different. So if you have a really great strategy, people are fired up: “We’re not just another law firm. We’re claiming a territory in which we can be unique and contribute something important to the profession.”

If all you are trying to do is essentially the same thing as competitive firms, then it is unlikely that you will be very successful. Malcolm McLaren, manager of the notorious rock group the Sex Pistols, once said, “There are two ways to lead your life: karaoke (copying) or authenticity.” Copy or break the mold. That’s the choice we face every day.



# When Firm Leaders TRANSITION



In 2007, I initiated a survey and asked firm leaders to reflect upon the various Managing Partners that they had met, observed and / or read about, from across the country, and report back their answer to this question: “Aside from your own law firm, please tell me the name of that law firm Managing Partner / Chair / CEO you most admire for their management / leadership competence?”

Far and away the most admired law firm leader was Robert M. Dell, Chair and Managing Partner at Latham & Watkins. A recent announcement that Bob would be retiring at the end of 2014, after 20 years as Latham’s firm leader reflects a loss that will not be easy to fill. That said, the steps the firm is taking should serve as a role model for any firm that takes management and leadership succession seriously.

Let's take a look at just a few of the steps that Latham's is doing right:

- Dell gave the firm over 13 months advanced notice that he would be stepping down
- To oversee the identification and election process, Latham has appointed a succession committee that consists of a diverse group of partners from a variety of the firm's offices and practice groups.
- Once the new managing partner is elected, Dell will work with the individual for about 6 months to help ensure a smooth transition.
- Following this transition period Dell plans to leave the firm in order to "get out of the way" of whoever succeeds him. "When a new person is coming in, following a person who has been doing it for two decades, I think that new person deserves a lot of space," he says. "So, my view is it's best for me to retire and to let that person create his own successes, or her own."

Now contrast this example with the one reported at Reed Smith. In October of last year, the firm announced that their Global Managing Partner of 13 years, Gregory Jordan was leaving (immediately) to become executive VP and GC at PNC Financial Services. As a replacement, Sandy Thomas, the firm's Litigation Department Chair, was anointed (with no opportunity to deal with his personal practice or be properly oriented into a job of this magnitude) to take over. According to the media spin . . . Besides being an "exciting opportunity" for him to join PNC's leadership

team, Mr. Jordan said the time was right to hand over the top job at the law firm to Mr. Thomas. Asked how he feels transitioning from his role at the top of Reed Smith to be part of a team of executives at PNC, Jordan said, "I feel great about it."

Now think about your personal investment portfolio. Imagine that corporation in which you hold the largest number of shares suddenly announcing that their CEO is fleeing their post. As an owner, stakeholder and investor - Would that be a "buy" signal for you or a "sell" signal?

Leadership transitions can be a complicated and messy ordeal or they can be carefully

*"The leadership transition period is a good time to finally deal with annoying operational problems or troublesome personalities, so that the new leader can come in and immediately begin to address the more important, strategic issues."*

planned to progress the best interests of the law firm. In this article I wanted to set out some of the best practices and potential pitfalls that both outgoing and incoming firm leaders needs to be sensitive to.

### When You Are The Outgoing Leader

The outgoing leader has a number of responsibilities to the firm, to the unbiased selection of his or her successor, and to the transition process.

**FIRST**, when you have decided or it has been decided for you by the terms of your tenure, that it is time to step down, the proper course of action would be to assist your firm's executive committee/board in the formation of a Selection Committee, but do not involve yourself as a member of that committee or suggest any candidates for consideration by the committee.

Some hold to the belief that the current firm leader should select their successor and that has undoubtedly worked for a very few firms, most notable Jones Day, for decades. The countervailing argument is that selecting your replacement is likely to have you selecting someone that is just like you, which may not be what your firm needs at this stage in its evolution.

When you're handed the keys to the kingdom from a successful predecessor who groomed you for the job, there's a temptation to play the Great One's "mini-me." In some ways, you feel indebted to this firm leader who gave you the opportunity, and you feel obliged to try to carry on in the same style. But that defeats the purpose of the succession. When partners see a new leader who looks exactly like the old one, they may be lulled into thinking the old managing partner has simply been cloned, which, in turn, encourages a mindset less than receptive to innovation and independent initiatives.

Hand-picked leaders can also be reluctant to take the firm in a new direction because, after all, the existing approach worked. That too can be a mistake as it reinforces the old model which, even if effective in the past, sends the message that there is really only one way to get things done.



In any effective leadership selection process, before you can begin discussing the “who,” your executive committee/board must agree on the strategic direction of your firm in light of trends and discontinuities that your firm may be facing in the future. It follows that if the members of your executive committee cannot agree on strategic direction, they will have even greater difficulty agreeing on the requisite capabilities they require from their next firm leader. Therefore in any leadership succession process you need to pay particular attention to defining the criteria for selecting your next firm leader based on future performance requirements. To go beyond generalities, the board has to identify the very specific effect it wants the next Firm Leader to have on the firm’s business and define the skills that it will take to accomplish that.

**SECOND**, one common delusion every departing leader may hold is that we are indispensable or at least that the firm will stumble without us. Every one of us who has ever held a leadership position may maintain some secret fantasy of one day announcing our plans to resign, and then leaving office amidst sorrowful tears, a standing ovation from partners and staff, and general consternation about the future, now that we are leaving. Here is how one firm leader expressed it, somewhat tongue-in-cheek:

*“You should know: I was ‘indispensable’ even though the Firm has not ‘stumbled’ under my successor’s leadership; that I don’t like it one bit but the Firm is ‘thriving’ without me; that I have been very positive about my successor and his new leadership team and believe me it has not been easy! I never agree with the probably hundreds of my partners*

*that constantly complain about the new leadership team and want me to start a coup . . . Can’t you tell - I have moved on!”*

The bittersweet reality is that your firm will survive and even thrive without you. You should therefore compose a realistic story to tell people, in a positive way, why you are stepping down and to convey your excitement about your next adventure and the firm’s future.

**THIRD**, the leadership transition period is a good time to finally deal with annoying operational problems or troublesome personalities, so that the new leader can come in and immediately begin to address the more important, strategic issues. Conferring with your successor and, with their concurrence, confronting these often sensitive and sometimes messy situations now, is one of the best gifts you can give your replacement – a clean slate from which to work.

**FOURTH**, think about what information you would want if you yourself were now about to embark on this new leadership position. As the incumbent, you typically know more about the firm and its operating nuances than anyone else. Much of that information, or at least how to find it, is stored in your head. Think about how you might codify and share everything you wish you had known when you first took office.

**FIFTH**, to assure the success of the new leader, you should under no circumstances speak with anyone at the firm about his or her performance. Being perceived as negative or unsupportive only reflects poorly on you. You must also not allow anyone to say, “Well that’s not how we handled things when you were the managing partner.” That is disloyalty, and you must take issue with

it. It may be gracious of partners to acknowledge your good work, but your focus should be on supporting and cultivating the strengths of the new leader.

In a recent discussion with a soon-to-retire firm leader, I discussed a number of substantive issues he need to discuss with his successor including how he needed to handle communications with his various partners after he passed on the baton. Here is the script he prepared for himself to communicate to his successor:

*“I’ll always be here to help you, but you should expect that some of our beloved partners are probably going to go around you and come to me whenever you make an unpopular decision. And, if you are doing your job as our new firm leader, as I know you will, this is guaranteed to happen. I want you to be confident that I am not going to respond, in any way, to any complaints, so don’t let the prospect of my responding, impact your decision making. Even if you choose to fire someone who has worked closely with me for many years, you should proceed to take that action. And rest assured that if I don’t agree with some course of action or observe you doing something contrary to the way I did it, I would not go to any partner to voice my feelings. This is now your firm to lead and you may call upon me should you ever feel the need for a sounding board.”*

**FINALLY**, the best advice I can frankly give any leader leaving office is to simply let go. And ‘letting go’ means not sitting on the executive committee/board, not moving from “Managing Partner’ to Firm Chair’ and not being involved in any way in the leadership of the firm.

Never mind all those lovely things they said about you at your retirement dinner. You

are now a beloved part of the firm's history. The firm must learn to live without you, so the sooner you get out of the way, the sooner they get down to business.

### When You Are The Incoming Leader

**F**ew new firm leaders are as prepared as we, or they, might wish. As one expressed it:

*"New firm leaders mistakenly believe that because they have served as a practice group manager, as an office head, or on the firm's executive committee they have the necessary background for taking on the role of leading the entire firm . . . Not even close!"*

**FIRST**, most professionals really do dramatically underestimate the scope and responsibility of managing an entire firm. One thing we should insist on is that the managing partner have a detailed job description. That description must get widely circulated throughout the firm so that everybody gets a true sense of what the job entails. One thorough description that we examined encompassed around sixty bullet points of responsibility.

I often tease new firm leaders by asking them what they could possibly have been thinking when they took on such responsibility. For all the burdens they are willing to shoulder, their willingness to do so is often disparaged. Many partners see management as pure overhead, as drudgery that does not really reflect on the legal professionalism that defines a lawyer, and does not generate revenue like practicing law actually does.

Meanwhile, partners at law firms often bristle at any suggestion that they can or ought to be *led*. Firm leaders feel they are sacrificing for the betterment of the firm and should be appropriately appreciated.

The partners think of you as serving at their pleasure; they are allowing you to hold the leadership title, so you should be beholden to them!

Thus one of the common mistakes that new firm leaders make is thinking this appointment is about you, when it's all about them. As you begin your new role, it is quite seductive to take to heart all of the wonderful best wishes, congratulations and accolades. You will only succeed when you recognize the truth – you may be the firm's leader, but your partners don't work for you. You now work for them and they have just become your most important client.

**SECOND**, many of these same professionals then underestimate the time that is going to be required of them to really do this job.

A recent Citibank/HBR 2014 Client Advisory, provided a commentary under the title: *The Leadership Challenge*. According to the report, *"One development which gives us concern is that some of the newer breed of leaders continue to maintain busy, full time practices. In this scenario, their clients' needs are likely to take priority, to the detriment of the management of the firm. If we could see any change, it would be that firms recognize that to be effective, the firm leader is best performed as a full time role."*

Indeed, the biggest issue I hear about from new leaders is always the amount of time it takes to do the job. Many of them are not full-time managing partners so they struggle with trying to maintain some balance between the time needed to manage the firm and the time required to maintain some modest personal practice.

Here's a tip: Create a *Stop Doing* List. Take a look at your desk. If you're like most

hard-charging leaders, you've got a well-articulated to-do list. We've all been told that leaders make things happen -- and that's true. But it's also true that great leaders distinguish themselves by their unyielding discipline to stop doing anything and everything that doesn't fit.

**THIRD**, any new firm leader needs to get a clear sense of their partner's expectations. Coming into this job you are a professional with a great internal reputation. It is therefore, anticipated that you will create momentum quickly and deliver results. Expectations are high and you do not want to disappoint, and that concern over not disappointing will therefore mistakenly have you entering the fray with a given strategy in mind.

New leaders believe that their successful track record, combined with their mandate, guarantees the support of the partnership. They focus attention on the technical aspects of implementing their strategy, wrongly assuming that a critical mass of support is in place. The higher the expectations, the more they believe that everyone is behind them, and the more likely they are to assume that they are on the right track. As a result, they act first and ask questions later. In their rush to make their mark, the new leader can neglect taking sufficient time to learn important information, and to more wisely gauge what we call his partners' "appetite for change."

As a new leader, it's understandable that you will feel that you already have the information you need about how people think and feel. After all, you have been a partner in the firm for many years and may have even served on the executive committee/board prior to accepting this mandate. But how much

do you really know? It is all too easy to step on people's toes and, as a result, abort even the most promising agenda. As a new leader, you must use your time, ideally before your actual transition, to gain significant information that will refine and maybe redefine your strategic agenda going forward. In most situations, your initial concern should NOT be to hit the ground running, but to *hit the ground listening*.

The Lesson: As early as possible, you must get input from your people on what they see as the preferable direction. Conduct one-on-one interview sessions with your partners (and other professionals in the firm), asking each one the same questions to get their insights, solicit their advice, and see what themes emerge. Clarify what they want to see you "shake up" and what they want to see you "preserve." It is wise to have people see that you are genuinely engaged and willing to listen before you say the first word about where you think the firm needs to go.

**FOURTH**, as a new leader, you are being observed under a microscope. Your decisions, how you make them, whom you consult with, are all viewed very carefully; likewise, everything you say, and the signals you send. You will be barraged with phone calls and e-mails; with questions, requests, and advice.

You have to be especially careful how your relationships are perceived. If you are coming to the top leadership position after stints as a practice or industry group head, or if you reside in some foreign office, you will likely be perceived as maintaining ob-

vious loyalties to established friends. Once you are identified as being on "one side" of an issue, it becomes even more difficult to solicit disinterested perspectives.

You may need to make time to transform some relationships. Good leaders customize relationships with each individual on their radar screens. And, don't forget to inform people about how best to work with you. As you take charge you will be work-

*“As you begin your new role, it is quite seductive to take to heart all of the wonderful best wishes, congratulations and accolades. You will only succeed when you recognize the truth – you may be the firm's leader, but your partners don't work for you. You now work for them.”*

ing with an established team with established work patterns and habits. Important to them is to learn how you like to operate:

- How do you prefer to receive information – in person, by phone, in writing?
- Is your door open or do you prefer that people arrange appointments?
- Do you have any pet peeves that people should know about?
- How do you feel about being called at home?

Help those who report to you, learn how to work with you.

**FIFTH**, based on what you've been hearing from your interviews with fellow partners, settle on a few major priorities. You can't

fix everything at once or do everything you want to do, so you need to make some strategic choices. Here is where you begin to align your firm around a shared direction for the future.

And, within your first 100 days, you need to target a few early wins. Momentum counts and nothing succeeds like success. Pick some problem your firm has not been able to address and figure out a way to fix it quickly. That is how you ensure the perception of a successful transition.

One firm leader began her term with an initiative wherein numerous of the professionals and staff throughout the firm collaborated together in small task forces to identify the firm's "sacred cows" – those things that were being done internally that made no sense, frustrated clients and impaired the delivery of good service. She then set about having these same task forces kill the sacred cows by either proposing ways to effectively eliminate the past procedures, change

behaviors and adopt new approaches. Don't ignore the power of accomplishing a small win. Listen, look around and find some small win that you can bring about.

**FINALLY**, contrary to what some business literature suggests, real leaders don't worry about legacies. They care instead about the long-term competitive vitality of their firms. If you are focused on fashioning a legacy, you will be remembered as . . . the individual who was focused on fashioning a legacy!

*An excerpt of this article originally appeared on Forbes.com*





# McKenna's First 100 Days Private

**L**eadership transitions do not occur as a series of linear or logical steps. If you are about to take the reins and transition into the role of **Firm Leader**, than you are about to make a quantum leap into a new reality – one often containing big goals and complex challenges. Will you be prepared to successfully navigate this transition?

needs. I am here to help you get the job done and your problems are my problems.

## Homework and Reflections Assignments

I will provide prescriptive reading materials, things to think about, thought-provoking exercises and homework assignments – all to help you be highly successful in your leadership transition.

## How My Sessions Can Really Make A Difference

Do these sound like some of the perplexing questions that you are asking yourself:

- Am I really clear on the reasons why I accepted this position?
- How can I be sure that I have correctly understood what is expected of me?
- Which tasks should be a priority and which can be put on hold?
- Who am I going to meet with first and what am I going to say?
- Have I defined the challenges facing my firm and determined an approach to dealing with them?
- When can I begin to introduce change and what is my initial plan of action?
- How do I make sure that I have the support I need from the partnership?

These questions can rattle around in your brain with little clarity. But I can help you achieve the clarity you need by way of private advisory sessions based on proprietary content developed and contained within my unique First 100 Days Master Class. Here is how we will tackle your transition:

## One-On-One Consultations

We will schedule an advisory session approximately every second week for your first three months – each lasting about 60 minutes by telephone or desktop video conferencing; and I will provide additional counsel by email as needed. The intensity of the support depends entirely on your unique

## Document Review

I will also review and provide detailed feedback on any documents, report or written notes related to your leadership transition – from formal job descriptions to your First 100 Days action plan.

These sessions will give you practical insights and actionable perspectives about how to succeed in your new role. And my entire process is:

**TOTALLY CONFIDENTIAL** – no one in your firm need know that you have retained a special advisor to assist you with your leadership transition.

**EASILY ACCESSIBLE** – from anywhere in the world through audio (telephone) or video (Skype or other) desktop conferencing.

**AFFORDABLE** – your one-on-one advisory assistance is priced on a flat fee for 3 months (plus any disbursements) complete with my satisfaction guarantee: McKenna's First 100 Days Advisory is *unconditionally guaranteed to the complete satisfaction of you, the client. If you are not completely satisfied with the services provided during any month of this engagement, I will, at your option, either completely waive my professional fees or accept a portion of those fees that reflects your level of satisfaction.*

**HIGHLY EFFECTIVE** – Since 2007, I have helped dozen's of new firm leaders navigate their first 100 days by way of my highly successful Master Class (see: [First100daysmasterclass.com](http://First100daysmasterclass.com) and the various testimonials). These advisory sessions provide that same expertise only in a highly interactive and customized one-on-one process.

### **What Is Involved In My First 100 Day Private Advisory Sessions**

Here are the issues that we will address over the course of our sessions together.

#### **Advisory Session 1:**

##### *Beginning Before the Formal Handoff*

**What competencies, resources and skills do you bring to this new role and how will you leverage them?**

We will review your need to confer with your key clients, prepare your family, assess your strengths and weak-

nesses, and determine how much non-billable time may be required of you in this new role. I will advise you on what may be appropriate actions and what to do and not to do during your initial days. I will introduce you to the same personality assessment taken by Fortune 500 CEOs, designed to identify your 'Dark Side' – those strengths you possess that, when under extreme pressure or stress, can turn into vulnerabilities; and help you determine what to do about them.

##### *Hitting The Ground Listening*

**What do partners view as the most important areas where you *must* succeed?**

You know that you need to discern your partners' appetite for change – because you know that you can only move your firm as far as your partners are willing to allow it to be moved. To that end, I will show you how

to make a positive first impression with your partners, how to build trusting relationships, how to be seen as someone respectful of the perspectives of others, and how to identify those whose support is essential to your success and get them on your side.

#### **Advisory Session 3:**

##### *Working With Your Administrative Professionals*

**What impressions will result from having a well-run administrative team?**

We will determine whether your first formal meetings with your administrative team should be one-on-one or as a group and whether they should be get-to-know you sessions or focus on business issues. We will identify how to communicate with your administrative professionals on how they should work with you.

##### *Working Effectively With Your Business Units*

**How will you know whether your practice groups are accomplishing anything?**

It has often been said that what you are managing as a firm leader is not one homogenous firm, but actually a portfolio of very different businesses, such that the requirements for market success of a Health Care practice will be very different from an Employment and Labor practice. We will discuss the 10 elements of structural integrity that you, as the firm leader, need to carefully manage with your practice leaders in order to ensure results. We will also discuss some alternative approaches for dealing effectively with your Office Heads.

#### **Advisory Session 4:**

##### *Setting Your Strategic Agenda*

**What is your initial plan of action?**

From your various internal interviews and discussions I will help you determine which critical issues are 'ripe' in that there is a general appetite among many partners for action and which are 'unripe' - where there is some readiness for change but which require you to spearhead

some proactive attention. We will then develop your specific, written First 100 Days Action Plan and identify those initiatives that you view as an important part of your leadership mandate going forward.

#### **Advisory Session 5:**

##### *Stimulating Change That Sticks*

**How will you begin to build awareness of the need for change?**

We will review 25 different strategic levers you have available to you to bring about change in your firm – none of which include trying to stimulate change by dictum or thru some artificial crisis; and determine your plan of action for moving your important initiatives forward. We will also discuss the various leadership symbols and rituals you have available to signal those issues of most importance and explore which ones you might wish to employ to bring consistency between your words and actions.

#### **Advisory Session 6:**

##### *Securing Early Wins.*

**How can you capitalize on the power of realizing some small, quick wins?**

I will show you examples of how to design early wins that are pivotal in building political capital, building momentum around results, and an all-pervasive sense that good things are happening. We will work together in determining which specific undertakings can secure early wins, which may have the highest impact with the least internal disruption, and which are likeliest to be achieved given available resources.

##### *Managing Your Time – Priorities Dilemma*

**How will you balance your time in the early weeks, given the demands that will be made?**

We will explore what portion of your management time should be spent solving problems *versus* what portion spent on exploring opportunities. I will help you keep focused by making sure that you are working on the right things, and help you get the very best return from the very limited time you have to manage and lead the entire firm.

### **CALL TO ARRANGE YOUR NO-OBLIGATION, GET-TO-KNOW-YOU CONSULTATION.**

Call today @ 780.428.1052 to set up a time for a get-to-know-you conversation. I will ask about the challenges and issues you are expecting to face in your first 100 days and we can get to know each other. You can ask anything you want about my First 100 Days Advisory process. There is no obligation to enlist my services as a result of our discussions and at the very least, I'm sure that I can provide some valuable initial counsel.

# Advisory Sessions

nesses, and determine how much non-billable time may be required of you in this new role. I will advise you on what may be appropriate actions and what to do and not to do during your initial days. I will introduce you to the same personality assessment taken by Fortune 500 CEOs, designed to identify your 'Dark Side' – those strengths you possess that, when under extreme pressure or stress, can turn into vulnerabilities; and help you determine what to do about them.

##### *Getting Clear On Your Mandate*

**What is the scope of your mandate from your Board / Executive Committee?**

I will take you through the 4 predictable stages of your transition process - from your initial eagerness to "what the hell did I get myself into" and identify the common traps and what to do at each stage. Whether you are replacing an icon or following a train wreck, we will review 18 critical questions you need to ask of your predecessor to ensure a proper briefing together with an 8-point action plan for working with your predecessor going forward. I will help you identify a 4-point action plan for getting clarity with your elected Board / ExecComm and 6 specific discussions you need to initiate in order to ensure the most effective working relationship.

#### **Advisory Session 2:**

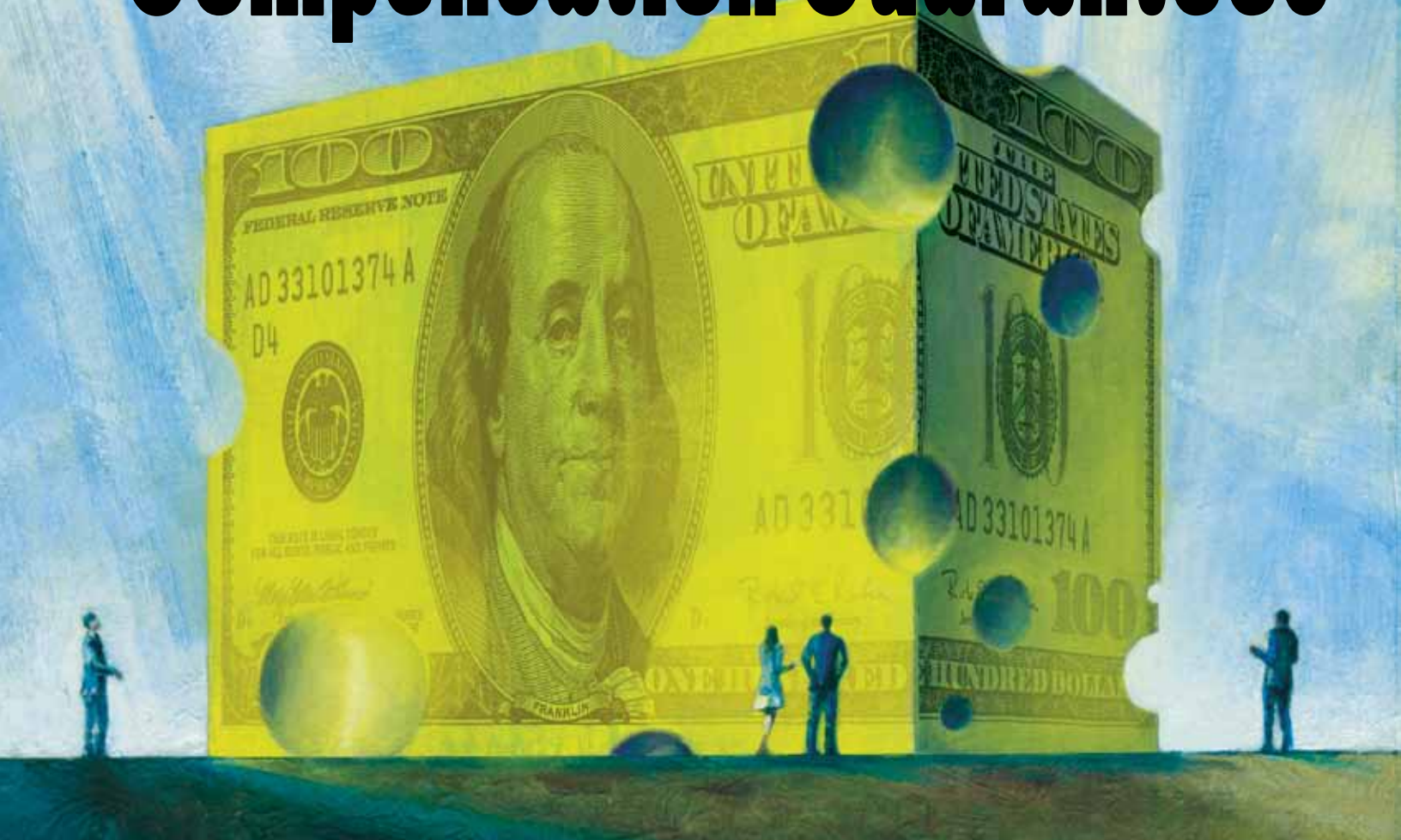
##### *Understanding Your New Role*

**How does your firm's current circumstances shape your expectations of what your first steps should be?**

We will explore and assess your firm's unique situation from five different archetypes that represent the different leadership challenges that any new firm leader might be facing – from the firm facing the crisis driven situation to the firm that is doing okay financially, comfortable with where it is at but your partner's thinking is trapped by the prevailing success the firm has enjoyed in years gone by; and times are changing. We will also discuss the various traits, characteristics, and expectation that any



# The Question of Partner Compensation Guarantees



**G**uarantees don't destroy law firms. It is easy to point to guarantees as a cause of Dewey's demise, but it is probably more accurate to look at them as a symptom, because there were so many things that went awry at Dewey.

Are compensation guarantees inherently 'bad' in law firm operations? Definitely not. But just as a kitchen knife is not inherently a bad thing, there is no question that when used improperly, irrespective of good intentions, bad things can and will happen with both knives and guarantees.

Your first area of caution with any partner compensation / distribution guarantee is whether, and to what extent, it may pay a partner more than they have earned under your firm's compensation model, as the model is supposed to be applied to all partners.

A second area of caution with a partner compensation / distribution guarantee is how long the guarantee stays in effect before your partner is fully absorbed into the law firm's compensation model.

As a transition device for integrating a lateral partner, compensation guarantees are viewed by many firms as a legitimate tool. When you bring on a lateral partner you should be able to forecast, with some accuracy, where that partner, with a certain level of business, will fit into your compensation system and what they should earn. "If you do 'X' then you should receive 'Y'" has to be part of every lateral hire conversation. Done properly, the guarantee is both a protection against the firm underperforming for the lateral and against a lateral over-representing how he /she will perform.

As we all know, the world is an uncertain place, and disappointments with lateral hires who underperform are pretty high. But



it works both ways. It is your task is to place the incoming lateral into the hierarchy of your compensation model and forecast what the income will be. But, what happens when the compensation being offered isn't enough to get that lateral candidate to come to the firm? Here are a number of areas in which that compensation guarantee can become a real problem:

### 1. When it assures a partner a level of income that is not achievable.

A guarantee that serves as a backstop against underperformance by the law firm, for a short time such as one year or two, and is measured against delivery by the partner of his or her hours / billings / collections goals, is not an unreasonable feature of any transitional compensation arrangement. Eventually, however, every partner should fit within the same system, and be fit into the hierarchy of compensation fairly with all other partners who perform similarly. To pay two people differently for comparable contribution to profitability can be controversial, and if it is a significant difference it can become cancerous.

A guarantee that is problematic is the one that assures a partner a level of income that the firm knows or should know is above that achievable. This is a decision by leadership, usually without wide disclosure, in a closed compensation system, to subsidize the compensation of the new partner addition with a reallocation of income from the other partners – who don't themselves have guarantees. This is a zero-sum game. The money has to come out of somebody's pocket, and the pockets it usually comes from are the other partners. Naturally how much and from whom depends on how and when the guarantees are triggered and become operative, and that can quickly become very complex.

How does this happen?

One instance is when a firm assumes or represents it is on an upward trajectory for partner income. The firm aspirationally justifies the guarantee as expiring at a point in time where the firm will be performing at a level which meets or exceeds the guaranteed level of compensation. The firm expects to underwrite the 'excess compensation,' in the first couple of years, because it has a strong desire for the new partner's business and / or practice type. Of course that then becomes a future problem when the rest of the world doesn't

cooperate and your firm doesn't succeeded in meeting its net income goals. Then you have to reset the partner to a lower level, which could trigger his / her departure and a financial loss for the firm (especially if a recruiter fee was paid for the deal).

### 2. When it assures a level of income based on different operating ratios.

Another area where a compensation guarantee becomes problematic is when a lateral comes from a firm that has a significantly higher operating margin. All things being equal (they never are, but let's do this for illustration) a law firm with a 40% operating margin can afford to pay its partners more for the identical book of business than a firm with a 20% operating margin. Like twice as much!

Let's say George has a \$10 million practice with a strong 40% operating margin in a law firm with that same margin. George will often be diluted by laterally moving his practice into a different firm with

a 20% operating margin. Why? **Because relatively few law firms compensate based on contribution to profits.** Instead firms historically compensate based on gross revenues. Rather than reconfigure their entire internal compensation system to one based on individual partner profit contribution (and possibly resulting in a significant pay reduction for high volume / low margin practice partners) the partner candidate receives a guarantee so that he / she can receive a comparable income to

what they were earning in a firm that could afford to pay it. In some cases, the pay package has to be even more than that to get them to come. Thus it must be recognized that the challenge in this situation isn't with the newcomer, but rather it is a struggle to maintain what is an inequitable allocation of income already existing in the new firm.

If the new partner's practice is profitable enough to generate a net distributable income sufficient to carry his / her compensation and allocated costs, even if the guarantee kicks in, it is still a 'win' for the law firm. But what happens if notwithstanding strong performance of the new addition, there is a requirement for the law firm to step up and make a guarantee payment to the partner, and the impact to the firm is 'out of pocket'?

If the acquiring firm is large enough, the 'tithe' from other partners to subsidize guaranteed payments is spread widely and individually bearable. But that will hold true only to a tipping point where the partners

**“A** guarantee that is problematic is the one that assures a partner a level of income that the firm knows or should know is above that achievable.”

paying that title themselves begin to reach a position where they would be better off leaving the firm to join another, where their business will be better paid for. This occurs as the impact of shifting the income allocation means **that the operating margin of the firm is further reduced relative to their compensation** as to this class of partners bearing the 'subsidy tax' to enhance compensation for others.

The result can be that your higher margin practices, the ones you should want to keep are precisely the ones most motivated to leave, if they themselves do not have a guarantee. To protect against that, guarantees may beget more guarantees, which further leverages up the income allocation pressure.

It should not go overlooked that operational superiority, which involves not only 'efficiency' but 'effectiveness', is a huge competitive advantage, and firms that do not possess it are at a serious handicap in being able to attract, as well as retain, talented lawyers with strong client books of business. (It is also very hard to achieve, so law firms have resorted to all manner of internal gymnastics with their structures and procedures to compensate).

### 3. When it brings pressure on the firm's need to report higher incomes.

A true compensation guarantee, one that guarantees a partner a minimum distribution irrespective of how the firm performs as a whole, is contrary to any traditional partnership ethos of 'we are all in this together'. While partnerships may have different levels of participation, the fundamental principle is that everybody rises and falls proportionately **together**. Guarantees break that relationship and disrupt the culture. They provide the guaranteed partner with an unrealistic safety net that . . . "if we do well we rise together, but if we don't then no matter, I get mine and my partners can pay for it."

Apart from the cultural schism this creates, there is an operational problem as well. Actual financial performance of the firm is not capable of being forecast with any real assurance two or more years into the future when the guarantees may be called. One can forecast to within a percentage point or so around October 1st of most calendar years ending December 31st. By mid year, with some ability to make midcourse corrections that will impact year end results, you really shouldn't see outcomes that are more than 10% off . . . again assum-

ing something unexpected doesn't happen, like having a sequence of major litigation matters resolve unexpectedly, your largest client changes firms, or merges out of existence and the work goes to the acquiring firm's counsel, etc. But forecasting with any kind of certainty two years out, let alone four years out is problematic.

Accordingly, the precise impact of all guarantees outstanding for a term of more than one year cannot be forecast as to the financial impact they may really have on your firm. The tougher it gets on the firm's overall profitability, the harsher the impact may be on the partnership to step up and pay on those guarantees – at a time when they are already feeling the pain of their proportional share of the reduced profits.

**“A true compensation guarantee, one that guarantees a partner a minimum distribution irrespective of how the firm performs as a whole, is contrary to any traditional partnership ethos of ‘we are all in this together’”**

The most devastating effect on your firm's morale and institutional glue happens when two years out your firm is down ten percent on distributable profits, and your partner see guarantees going out to six of the top ten most highly compensated partners – amounts likely to be robust and going to those partners perceived to be best able to weather any financial adversity.

#### IN CONCLUSION

The guaranteed compensation tool, when it gets too prevalent, too great in magnitude, or used for purposes beyond a short transition period for the partner(s) coming aboard, especially if it triggers guarantees to persons already partners in your firm who demand that if Ms. Newbie gets one then they deserve to have a guarantee too, becomes dangerous. It's akin to holding that kitchen knife at the wrong end.

**EDWIN B. REESER** is a business lawyer in Pasadena specializing in structuring, negotiating and documenting complex real estate and business transactions for international and domestic corporations and individuals. He has served on the executive committees and as an office managing partner of firms ranging from 25 to over 800 lawyers in size.



**M**any new firm leaders severely underestimate the time that is going to be required of them to really do the job. In fact, a recent Citibank/HBR 2014 Client Advisory, provided a commentary under

*the title: The Leadership Challenge. According to the report, "One development which gives us concern is that some of the newer breed of leaders continue to maintain busy, full time practices. In this scenario, their clients' needs are likely to take priority, to the detriment of the management of the firm. If we could see any change, it would be that firms recognize that to be effective, the firm leader is best performed as a full time role."*

Indeed, the biggest issue I hear about is always the amount of time it takes to do the leadership job. Many are not full-time managing partners so they struggle with trying to maintain some balance between the time needed to manage the firm and the time required to maintain some modest personal practice.

Here's a tip that I've been talking about for some time now: Create a *Stop Doing* List.

Take a look at your desk. If you're like most hard-charging leaders, you've got a very lengthy and well-articulated to-do list. We've all been told that leaders make things happen – and that's true. But it's also true that great leaders distinguish themselves by their unyielding discipline to stop doing anything and everything that doesn't fit. And that's not easy. We all get a personal sense of satisfaction every time we check something off of our to-do list. Our only failing is that the things that we are checking off are the easy tasks like perhaps responding to some email and probably not the things that will advance our personal strategic



**“O**ur failing is that the things that we are checking off are the easy tasks and probably not the things that will advance our personal strategic goals as firm leader or significantly change the firm. There is where the urgent crowds out the important!”

goals as firm leader or significantly change the firm. There is where the urgent crowds out the important!

So how can we go about re-focusing your To-Do list?

Start with making your usual to-do list and list the items in some priority from those that are likely to have the greatest impact on your strategic goals to those that are least impactful. Now draw a line about halfway through your list marking the lower listed tasks as your ‘Stop Doing’ items. Recognizing that you

identified those tasks for a reason, the point here is to force you to apply some strategy to thinking about those items.

Your first obvious strategy is to **just not do it**.

Make a decision that you are not going to spend time on that issue. Perhaps it will go away. In any case, you will not be taking action on that particular item at this time.

The second strategy is to **delay or postpone**.

Sometimes a delaying tactic will result in you reevaluating the importance of the item – is this task really as critical as it once seemed? Occasionally, someone from within your firm will recognize that it is important for him or her to take the action needed to complete the task. Other times, the situation will shift and the need for action goes away.

In my article Firm Leadership Is NOT For Wimps! I identified how some of the best leaders I’ve met periodically engage in what I would call, “purposeful deferment.” They operate on the principle of never making a decision today that can reasonably put off until tomorrow. And I’m not being uncomplimentary. Whenever requested to make a decision they would first ask, “How much time do I have?” In other words, is it essential that the decision

be made now, in a day, next week or within the year? These leaders have wisely discerned that if a particular task or decision can be reasonably delayed for a short while than circumstances may change – an adversary may leave the firm, a competitor stumble, or an advantageous new development emerge.

That, of course, can be a hard choice for action-oriented leaders to make. As we know, the bias for taking action is both a strength and a weakness. The truth is that waiting can work.

Your last technique for dealing with your Stop Doing list is to **delegate**.

If an item is too important to defer, but still doesn’t rank in the top half of your personal list, it could be a great one to delegate. Find the right person inside or outside your firm that can best attend to this task. People are generally flattered you, as the firm leader, have asked for their help. What may be a non-strategic task to you as the leader can still be an interesting assignment for someone else. This gives you two benefits:

Your item gets checked off and you have contributed to someone’s professional development.

The Not-Do list should be revisited on a regular basis, perhaps monthly. This

will allow you to become more aggressive over time and shorten your personal To-Do list.

Give this technique a try. With regular discipline, you can keep those seemingly urgent but non-important and non-strategic issues that find their way onto your To-Do list, either eliminated or delegated.

*My thanks for some insights to Jim Schleckser, CEO of the Inc. CEO Project ([www.IncCEOProject.com](http://www.IncCEOProject.com)) and a multi-national businesses entrepreneur with over 25 years of experience across a number of industries. Jim has personally interviewed thousands of CEOs to develop insights into the differentiators that create excellent performance.*

**“S**ometimes a delaying tactic will result in you reevaluating the importance of the item – is this task really as critical as it once seemed?”



# Integrating Laterals

**T**his article represents an excerpt from comments made during a Webcast delivered in March entitled **Successful Lateral Hiring**, hosted by the **LA Daily Journal** and featuring: **Professor Bill Henderson (Indiana University Maurer School of Law); Michael Roster (former managing partner of Morrison & Foerster's Los Angeles office); and Edwin Reeser (served on the executive committees and as an office managing partner of firms ranging from 25 to over 800 lawyers in size).**

Like I often see in firms that engage in strategic planning, there is a huge time investment in having very senior partners working on the plan such that when the plan is completed, everyone wants to get back to their client work leaving the execution of the plan to happen by . . . divine intervention. So too it seems, with lateral recruitment. After a long process of identification, search, courtship, vetting, due-diligence, interviews and so forth – we inevitably revert to our long-revered tradition of hiring bright, autonomous, self-starting individuals and then just turning them loose, maybe only to reach in at the end of the year to see what the results were. And that approach is just not working!

There are two huge issues involved with integrating a new lateral addition that require the attention of firm leadership:

## I. TIME TO EXECUTE

I believe the key to retaining laterals lies in investing time to treat these individuals as true partners and help them feel connected. In that spirit, let me offer some prescriptive suggestions of what I've seen firms doing that is working. And some firms do a good job of integration while others almost seem to ignore this component. I'm going

to divide this into two buckets of suggested action steps – first around the pre-integration phase, before the lateral joins our firm and then during the actual integration period.

## PRE-INTEGRATION

**1.** Clearly define and communicate to your existing partners, the **strategic benefits** of adding this particular candidate to your firm; whether it be because of their particular specialty and experience or because this lawyer is bringing clients that need the

expertise of others in our firm. And the reason why this is such an important first step is because your existing partners are likely feeling threatened. Some because this lateral is a new source of competition for what they do, some because there is the potential for conflicts, and some because it may dilute their power in the firm. Meanwhile,

you have senior associates who are seeing this lateral as a barrier to their elevation to partnership. And as all of this is going on, there is a strong possibility that everyone is experiencing lateral fatigue given that the statistics tell us that in 2012, firms added an average of 10.3 laterals.

2. Work, in concert with your lateral, before they join your firm, to draft a written plan that clearly sets out the precise expectations of both sides. Your plan should be agreed upon by both your firm and the lateral, identifying timelines, responsibilities, milestones, with a precise schedule for continual feedback and assessment over the coming two years – which is, I believe, an accepted time frame required for full integration.

3. You should then take that written plan and provide your lateral with a detailed examination of the firm’s (or practice group’s) business plan – and an analysis of how their individual plan complements, supports and fits within the firm’s plans.

4. A step some firms completely overlook is to give the lateral a budget, both for expenses and for non-billable time (which should be treated like billable time for the first 6 months). The expense portion is to accommodate internal lunches, travel to other offices, attendance at relevant events, perhaps an industry gathering and so forth. The non-billable time budget (or as one firm prefers to call it, the “investment time budget”) is provided concurrent to having the lateral identify specific **value-added services** that he or she is willing to offer, to give their fellow partners a justifiable reason for making a client introduction. Those value added services might encompass offering a complimentary in-house client presentation or CLE event, discussing a novel approach the lateral has used in

helping other clients, or perhaps even providing introductions to high value contacts and people that the lateral knows and that certain clients may want to meet. And of course, you want to track the budget and corresponding activity.

5. Before the lateral comes onboard you will want to introduce the candidate to key partners in the firm with whom he or she

*“Clearly define and communicate to your existing partners, the strategic benefits of adding this particular candidate to your firm; whether it be because of their particular specialty and experience or because this lawyer is bringing clients that need the expertise of others in our firm.”*

may be working. That should obviously include those within the firm who perceive benefit from lateral’s arrival. Some firms have even invested the effort, before the lateral’s start date, to create a list of partners who will commit to introducing the lateral to specific clients – such that partners are asked to check their calendars for the first 30-60 days after the lateral starts for suitable occasions to bring along the new lateral to meet their client. And of course, if that lateral has some value-added service to offer, it makes the entire process that much easier.

6. Help your lateral craft a compelling story for clients on why they joined your firm – why this new firm is different and a better platform for serving the client’s interests. In other words, have the lateral complete this sentence: *“I made this move to benefit you, the client, by . . .”*

7. Every firm has a different billing process, conflict procedure, knowledge management system and so forth, and any newcomer can be inundated with an intensive orientation that often, only serves to overwhelm. You need to confer with each lateral to determine and prioritize in advance what specific administrative and orientation issues that need to be covered *and when*, so as to provide that lateral with the necessary information and support on an **as needed basis**. We should keep in mind that one of the primary concerns of any lateral is to get up and running as smoothly and quickly as possible. And if your lateral is not bringing a former EA with her – you should possibly think about assigning a well-seasoned, well-organized and well-respected assistant.

Let me turn now to a few suggestions with respect to integration, when the lateral actually arrives at your firm. Some of these could arguably also fit into my pre-integration bucket. And we should not lose sight of this being a two-way street in that the lateral also has an obligation to becoming fully integrated, so with many of these suggested actions, a good lateral candidate should be proactive in moving the ball forward.

**INTEGRATION**

1. What I have seen work most effectively is to appoint one individual in charge of the orientation and integration process;



and not rely on some committee. You need to select someone internally who then “owns” the responsibility, tracks progress on mutual promises made in the integration plans, and reports back to firm leadership. In some firms this person is called the Director of Orientation or the Director of Lateral Integration, but the very best candidate is usually another lawyer with deep institutional knowledge. One firm I’m familiar with selected their former managing partner now referred to as the “Lateral Tsar” where another firm calls her their “Cultural Attaché.”

That individual then selects another partner as a “Peer Advisor.” And notice the term peer. If I’m really a valued addition to your firm, I deserve the attention of another partner, not some administrative assistant with good intentions. Thus the firm should select a partner who has a vested interest in this lateral’s success, someone who sponsored them in coming to the firm, or at least some partner who knows and has an existing relationship with the lateral. This peer is usually given extra compensation, in some form, for the time invested in providing hands-on coaching, serving as a sounding-board, interpreting firm nuances, and most importantly, this peer should spend time “selling” the lateral to other partners in the firm.

Notice that this effort is all undertaken to send a clear message that integration is important and needs to be sustained. The Executive Committee, therefore, should be asking for a monthly progress report for the first six months and a quarterly report for the next six quarters.

2. We need to issue an internal “Welcome Announcement.” This sounds trivial but the goal here should be to get each

new lateral noticed and remembered with a personal touch. We should never have our people learning about some new lateral through the legal press.

Now one firm, I know takes a rather novel approach in that they have every new professional, articulate in their own words, the answer to two questions. First, “tell us about your most gratifying personal achievement, something that you have accomplished that most people don’t know about you” and secondly, “tell us about your most important professional accomplishment, something that you are proud of, that many of your former partners did not know.”

There is yet another firm that produces a video of each new lateral, in an interview format that is then posted to the firm’s intranet.

3. Convene a special meeting, on the first day of the lateral’s arrival, to have the entire practice group strategize with the newcomer about which of the existing client matters this newcomer could add value to. Notice, that any discussion about cross-selling a lateral’s clients is deferred until this newcomer develops some sense of trust and is integrated into the work of existing clients.

4. During the laterals first three months the emphasis should be on building professional relationships, therefore:

- have each practice leader invite the lateral to a practice group meeting. One firm encourages their laterals to attend all practice group meetings (outside of his / hers) for the first few months;
- encourage the new lateral to travel to the other offices of the firm within the first month to meet, get to know,

and develop collaborative, face-to-face exchanges with their fellow practice group members and other partners; and

- get the lateral engaged in working on some internal firm committee or project assignment that matches this lateral’s interests and brings them together with partners of similar interests, but cuts across clients and practice areas.

5. Request and require each lateral, within their first 6 months at your firm, to deliver a substantive internal training effort or presentation; something from their different client experiences that others in the firm can benefit from.

6. Don’t forget the lateral’s spouse. One firm has a special event to welcome spouses. The event is intended to either help promote the spouses business or career interests, or get them involved in the firm or offices’ charitable or community activities. Remember that if my spouse loves you, I will love you. And if they don’t, it makes it that much harder to be investing those long hours away from home. So, what have you done to make my significant other feel they’re part of the family?

7. The firm leader should conduct a two-hour interview with every new lateral on their first month’s anniversary with your firm – to get that lateral’s detailed observations on what they’ve seen that works and what could be improved. This opportunity to interview someone new to your firm, while first impressions are still fresh, presents your firm with a prime opportunity to pick up best practices from their experiences in other firms.

8. The firm leader should also conduct a

second two-hour interview with every new lateral on their three-month anniversary with the firm – to ask for feedback on the lateral’s view of the integration efforts to date; to get the lateral’s candid assessment of whether their expectations are being met; and to begin to make any course corrections if they are needed. Providing the time and attention of the firm leader to this meeting reinforces the value of having this lateral in your firm while also allowing you to explore ways to further demonstrate to the newcomer how the firm’s strengths can contribute to creating the opportunities that initially motivated the lateral’s move to your firm.

Someone once said, “The measure of a successful integration is that other partners can’t recall when the lateral was not part of the firm.”

I started by saying there were two huge issues involved with integrating laterals, so let me touch on the second.

## II. MANAGEMENT

I noticed recently an article penned by Michael Allen of Lateral Link in *Above The Law* and he touched on two interesting observations. First Michael tells us that the average tenure of a BigLaw partner is a mere 5.2 years. [So, *If your last lateral move coincided with the death of Michael Jackson, there’s a strong likelihood that you will be on the move again soon.*]

But more importantly, Michael identified from his extensive experience in recruiting laterals, the “*Top 5 Reasons Why Attorneys Move.*” And the number one reason on his list started with an “M.” Most of you will think I’m referring to money – but the number one reason why attorneys move is actually Management!

Upon reading this I remembered a discussion I had, some years back, with an office managing partner in Los Angeles while we were having lunch. During our discussions she was bemoaning how upsetting it was for the firm to be losing good talent that it really didn’t want to see go. During our discussions, and I don’t know where the inspiration came from, I asked her, “Tell me please, are you losing these good lawyers from your high-performing, best organized practice groups or from your dysfunctional groups?” She paused for a moment, looked at me and said, “McKenna, I think you are on to something.”

“**A**mong the top five reasons why attorneys move, the number one reason is not money, but Management!”

Since that time, I have posed exactly the same question to no less than a dozen firm leaders, only to extract precisely the same reaction. Now I mention this because any advice on lateral integration will usually strongly suggest that you make sure practice group leaders are at the forefront of your integration efforts. In fact, in some firms the practice group leaders are mistakenly charged with overseeing integration. Why do I say mistakenly?

You may know that I do an intense, interactive Workshop, on behalf of Ark Conferences, twice-a-year on practice group leadership. In those workshops we will normally get 20-30 participants,

all from firms of at least 100 attorneys in size. I’ve been doing these sessions for about the past six years but more recently I’ve been asking the participants a few ‘diagnostic’ questions before we get into the substantive content.

**Question number one.** “Show of hands please, how many of you have a formal, written job description?” Response from thirty participants – about three hands.

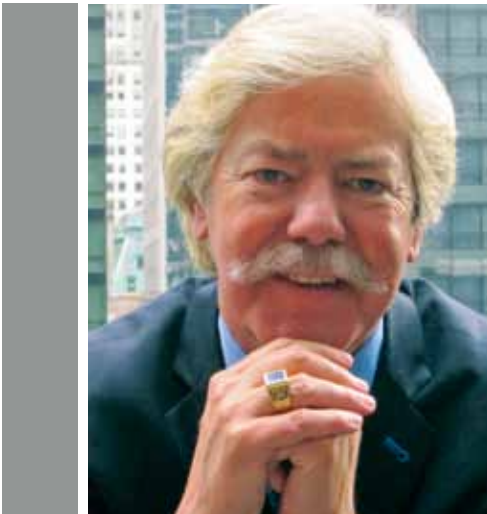
**Question number two.** “Show of hands please, how many of you have a very clear understanding from firm leadership as to precisely how many non-billable hours you are expected to spend managing your group?” Response from thirty participants – no hands.

I sometimes ask of individual practice leaders, “How often does your practice group meet?” and get responses like: “Occasionally.” which is code for . . . Never.

I could go an ad nauseam but the message here should be clear. You can’t drop a valued lateral partner into a practice group that never meets, or when it does, it’s only an excuse to have lunch; a group that really isn’t doing anything to make an impact on their marketplace – and expect that lateral is going to hang around.

If your spending, and the latest estimates are direct and indirect expenses combined of a minimum of \$600,000 per lateral, you cannot afford to be parachuting these laterals into dysfunctional groups.

It’s costing you big time! And you need to get to work on fixing your practice group structure.



## PATRICK J. MCKENNA

### P R O F E S S I O N A L P R O F I L E

An internationally recognized authority on practice management, McKenna has, since 1983, worked with leaders of premier firms globally to discuss, challenge and escalate their thinking on how to manage and compete effectively.

He is author of a pioneering text on law firm marketing, *Practice Development: Creating a Marketing Mindset* (Butterworths, 1989), recognized by an international journal as being “among the top ten books that any professional services marketer should have.” His subsequent work includes *Herd-ing Cats: A Handbook for Managing Partners and Practice Leaders* (IBMP, 1995); and *Beyond Knowing: 16 Cage-Rattling Questions To Jump-Start Your Practice Team* (IBMP, 2000).

A prolific writer on the challenges of firm leadership, his book (co-authored with David Maister), *First Among Equals: How to Manage a Group of Professionals*, (The Free Press, 2002) topped business bestseller lists in the United States, Canada and Australia; was translated into nine languages; is currently in its sixth printing; and received an award for being one of the best business books of 2002; while the book *Management Skills* (John Wiley, 2005) named McKenna among the “leading thinkers in the field” together with Peter Drucker and Warren Bennis.

In 2006, McKenna’s e-book *First 100 Days: Transitioning A New Managing Partner* (NXT-Book) earned glowing reviews and has been read by leaders in 63 countries. This publication culminated in Patrick being asked to conduct a one-day master class for new managing partners, currently held at

the University of Chicago. Thus far over 60 new firm leaders from legal, accounting and consulting firms have graduated from the program.

His published articles have appeared in over 50 leading professional journals, newsletters, and online sources; and his work has been featured in *Fast Company*, *Business Week*, *The Globe and Mail*, *The Economist*, *Investor’s Business Daily* and *The Financial Times*.

Always obsessed with innovation, he was instrumental in introducing the first global (InnovAction) awards initiative in 2003 in conjunction with the College of Law Practice Management to identify and celebrate law firm innovation.

McKenna did his MBA graduate work at the Canadian School of Management, is among the first alumni at Harvard’s Leadership in Professional Service Firms program, and holds professional certifications in management. He has served at least one of the top ten largest law firms in each of over a dozen different countries and his work with North American law firms has evidenced him serving 62 of the largest NLJ 250 firms.

His expertise was acknowledged in 2008 when he was identified through independent research compiled and published by Lawdragon as “one of the most trusted names in legal consulting” and his three decades of experience in consulting led to his being the subject of a Harvard Law School Case Study entitled: *Innovations In Legal Consulting* (2011).





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*Michael P. McGee, CEO*  
**MILLER CANFIELD**

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**Patrick J. McKenna** is an internationally recognized authority on law practice management; and

**Brian K. Burke** is the former Chair Emeritus at Baker & Daniels with over 20 years in law firm leadership positions.