EDGE International Review

Vol. 6, No. 1, Spring 2011

Essential Insights for Law Firm Leaders

EDGE INTERNATIONAL

www.edge-international.com

Leading @ Edge

By Gerry Riskin

Twenty-eight years ago, when I co-founded "The Edge Group," (now Edge International), I could not have hoped for nor imagined the talent of its current partners. But you needn't take my word for the quality of Edge's thought leaders — I believe the six feature articles in this edition of our *Edge International Review*, along with smaller items like roundtables and media appearances, speak for themselves.

I'm especially proud, in this issue of the *Edge International Review*, to welcome the newest member of our team. Australia-based Sean Larkan has served as a managing partner in three leading law firms in three countries on two continents. For the past several years, Sean has been a premier strategic consultant to law firms, and has now added tremendously to both Edge International's substantive capabilities and its geographical footprint.

As a lawyer and as a leader, your most important skill is listening. At Edge International, we strive to live that axiom, so we would appreciate your feedback on this issue and your input on future issues. Write to us at *eir@edge-international.com* or to any of our partners with your suggestions for future topics in upcoming issues.

As always, you can find an electronic copy of this and previous editions of the *Edge International Review* at our website, *www.edge.ai*. You are welcome to download and share full editions or individual articles among the members of your firm. •

Gerry Riskin
Founder
Edge International

Capital Fabric™

By Sean Larkan

The key to your firm's long-term success

What constitutes the underlying, unifying essence of your firm, the thing that defines your identity and sets you apart from your rivals? It's your Capital Fabric, and it's the single most important trait a firm can develop in these times of unprecedented upheaval.

Here's how to understand, apply, and reap the benefits of Capital Fabric.

Picture these two scenarios:

Partner A is a nice guy, has always been a solid performer, consistently achieves budget and serves clients well. He leaves the firm. Hardly a ripple is felt.

Partner B leaves soon afterwards. This time, there is an indefinable sense of loss and sadness. It feels like a piece of the firm has left.

Weaving the fabric

What are the foundational elements of Capital Fabric? How do you propagate and encourage its development? Here are nine steps your firm can take.

1. Explain and articulate it. While Capital Fabric is not a difficult concept to grasp, it can be a challenge for partners to understand it in practical terms and see why it's so important to the firm. Once they understand and accept it, they need to integrate fabric-building activities into their own practices — not always easy, since it often takes partners far outside their comfort zones. That's why the next step is important.

2. Get them involved in the creative process. Once you're sure your partners understand the concept and support it, ask them to think carefully about how they think they can personally build Capital Fabric. That might mean adapting and accelerating an activity with which they're already comfortable, or it might mean embarking on something new. Either way....

3. Focus on one thing. Partners will be more engaged and can build on an existing strength if they maintain focus in one principal area. Examples might include thought leadership in a particular field, exceptional client relationship skills, innovative new practice areas, or growing a new regional office in a short timeframe. With enough determination and genuine effort, any partner can develop this in relation to at least one activity. These chosen activities can then be built into individual partners' professional or work plans.

A couple of partners discuss these departures over Friday night drinks. The consensus is that Partner A performed well, but left few clients of distinction, didn't pass on significant skills, failed to bring along any partners and failed to develop anything new for the firm. Partner B, on the other hand, passed on skills, consistently ran an excellent team of high-calibre people, brought along two dynamic new partners, helped strategize a successful merger, and was the driving force for the successful new IP practice.

4. Include it in your KPIs. Make this one of the partner's key performance indicators. Whenever we are asked to help firms develop partner performance systems or develop KPIs, we strongly encourage the incorporation of capital-fabric building as a key criterion. Of the eight to ten KPIs we normally recommend, even if a higher overall weighting is given to financial contributions, we believe this is the most important contribution a partner can make to a firm.

5. Provide feedback. Ask other partners to assess their colleague's contribution to the Capital Fabric of the firm, providing recognition and encouragement wherever possible. This gets everyone involved in the process, requiring them to understand the concepts and think them through carefully. Just make sure it's handled in a constructive and positive way.

6. Recognize it. In most cases where a partner is actively building Capital Fabric, other partners barely notice it. It is very important that any new efforts and successes achieved are recognized. In some firms, depending on their profit-sharing and remuneration structures, this may well translate into enhanced financial results.

7. Identify successful role models. Some partners are naturally good at building Capital Fabric — they happen to build it while doing other work. Use them as examples, and ask them to talk about it and possibly coach others.

8. Get new arrivals involved. Explain the idea to new and potential partners on arrival or recruitment. In fact, we encourage firms to look for capital-fabric track records or capabilities in potential senior recruits.

9. Invite young lawyer participation. Once they understand the concept and the benefits that can flow for themselves and for their firm, our experience is that many young lawyers quickly adapt and focus on activities that over time contribute to building Capital Fabric.

The difference is clear. Partner B contributed significantly to the fundamental long-term strength and well-being of the firm. She helped build the firm's Capital Fabric™ by weaving into it a number of significant activities and contributions that will fundamentally strengthen the firm in future. Partner A, despite being a solid and reliable performer who contributed his share to short-term profits, did nothing of the sort.

As firms try to bulletproof themselves against a future global financial

The Rainmaker Test

Are your rainmakers also fabric-makers? Consult this chart to determine whether your top business development lawyers are contributing to the firm's long-term success or merely to its short-term profits.

Rainmaking activities that do not contribute to Capital Fabric

- Exceptional rainmaking skills are present, but they are not exercised with perseverance and consistency.
- Activities benefit only the individual rainmaker.
- Due to poor administrative capability, rainmaking does not translate to good fee performance and utilization.
- There is no proper follow-up or follow-through with clients after they have been introduced to the firm or the first matter has been taken on or completed.
- Clients become disillusioned.
- As many clients may be lost as gained.
- There is no cross-selling to other sections of the firm of either the client or the practice area.
- Rainmaking skills are not passed on within the team or the firm.

Rainmaking activities that contribute to Capital Fabric

- Exceptional rainmaking skills are present and are exercised with perseverance and consistency.
- Activities benefit the whole team.
- Utilization and billing management are excellent.
- The rainmaking skills are supplemented with good client relationship management skills.
- Clients become advocates for the firm.
- Clients become long-term clients of the firm.
- The new clients are cross-sold to other parts of the firm.
- Rainmaking skills are transferred to others within the firm.
- The partner is recognized as a leader in his or her industry sector or practice area.
- Confidence builds and enhances the brand of the firm and the practice group.

crisis (GFC) and regain lost ground from reduced profits during the last GFC, they would do well to consider and learn from these simple examples.

During this post-GFC period, firms are focusing on the dollar: partner performance management systems and KPIs geared principally to productivity, profitability, utilization, cost containment, tight management of work in progress, and collections. This is creditable and necessary. But in the process of carrying this out, short-term efficiencies have inadvertently undermined long-term effectiveness. Many firms have overlooked their most valuable asset, their Capital Fabric.

A firm's Capital Fabric is built by certain activities carried out in such a way that they significantly reinforce the fundamental, foundational strength of the firm over the long term.

WHAT IS CAPITAL FABRIC?

Capital Fabric is the fundamental essence of a firm. It is the firm's foundational, inherent strength, and it contributes in a subtle yet powerful way to the firm's long-term resilience and might.

A firm's Capital Fabric is built by certain activities carried out in such a way that they significantly reinforce the fundamental, foundational strength of the firm over the long term. It can determine if a firm will do well and succeed in the long run, or if it will stumble and fall. Capital Fabric can be strong, or it can be weak. Short-term activities, regardless of how beneficial they might be to near-term profits, invariably will not enhance the Capital Fabric.

I was fortunate to serve in leadership roles with large law firms for 20 years, and I have been consulting to others for the past five years. Throughout this time, I have been actively involved in devising partner performance management systems, key performance indicators, long-term firm strategy and the like. What I have come to realize from these experiences is that partners' key contribution to their firm is to do at least *something* that contributes to the foundational, long-term strength and growth of their firm. They must do something to build the Capital Fabric of their firm.

Yet in most firms, I have seen no conscious effort to encourage, develop or recognize the creation or reinforcement of Capital Fabric among partners.

When it occasionally does develop and evolve, particularly in successful start-ups, often it's by chance or accident, "while other things are happening." Capital Fabric is too important to be the strategic exception rather than the rule.

HOW CAN WE BUILD CAPITAL FABRIC?

Many different activities can contribute to building Capital Fabric. Whether they do, however, or whether they merely amount to the conduct of day-to-day business, is determined in large part by the intention with which they are undertaken. An activity that might in one case be unremarkable will, in another case, clearly contribute to building the Capital Fabric of the firm.

An activity that might in one case be unremarkable will, in another case, clearly contribute to building the Capital Fabric of the firm.

Let's go back to Partners A and B, and suppose that each of them ran a leveraged team. Partner A led his team quite effectively: all its members worked hard, they were fully utilized, they did good work, they met client needs, and they made budget, all proving to be a valuable contribution to the firm's short-term profitability.

Contrast that with how Partner B ran her group:

- **Individually, members of the team developed abilities beyond their professional skill sets. They became good marketers, managed client relationships well, improved their professional profiles, developed particular interests, and took thought leadership roles in their area of practice or industry sector.**
- **CLE within the team is excellent and effective.**
- **The team developed a top-notch information database.**
- **Members of the team quickly started exhibiting potential partnership credentials.**
- **Leading graduates from top law schools now want to be part of the team.**
- **Lawyers from other parts of the firm want to switch to be part of this team.**
- **Turnover is extremely low.**

- **The team is fully engaged: they will "say," "stay," and "strive" for the firm (strengthening the firm's recruitment position) and enhance the firm's brand.**
- **The partner and her team became role models for achieving optimal partner/team performance within a firm.**

You can start to see why losing Partner B would be such a blow to the firm. By undertaking this standard such that it contributed to the fundamental, long-term strength of the firm, Partner B contributed significantly to its Capital Fabric.

It will quickly be evident that even these "everyday" activities can be converted into Capital Fabric. Obviously, it takes an exceptional effort and an extremely high level of performance to move activities into the realm of contributing to the Capital Fabric of the firm. Simply carrying out practice in the normal course does not qualify.

But many partners, once established in a firm and in the "system," slip into automatic mode and meet most normal requirements of partner contribution without attempting to go any further. In our experience, many such partners exist in a majority of large firms, and generally they do not attract the adverse attention of management: in many firms, it is regarded as acceptable behavior.

To our minds, however, it is also an indicator that there is unrealized potential among partners in many firms. Once partners understand Capital Fabric, are encouraged to identify areas in which they could do something to reinforce it, and are supported in this process, many will start contributing to the firm in ways that they and management previously thought was not possible.

Obviously, it takes an exceptional effort and an extremely high level of performance to move activities into the realm of contributing to the Capital Fabric of the firm.

STRATEGY, PURPOSE AND BRAND

There is a strong correlation between the implementation of a firm's strategy and the engagement of individual partners in building Capital Fabric. As we know, it is one thing to develop vision and strategy and entirely another to ensure implementation. Individual partners' decision to actively build

Capital Fabric can contribute significantly to the implementation of strategy.

Many of the key strategic objectives identified by the firm in the development of its strategy will coincide with the Capital Fabric-building activities encouraged at the individual partner level. In our experience, there are few better ways to actively involve partners on the implementation side of strategy. It can also ensure the firm achieves the ability to successfully adapt to and absorb whatever the market throws at the firm, including a GFC.

In addition, a firm with a clear, higher purpose and direction — one that goes farther than simply increasing partner profits — can be another catalyst to get partners actively engaged in building Capital Fabric. This is especially the case if partners have played a direct role in determining that purpose and feel passionate about its attainment. In this way, a firm can connect to partners' desire to leave something useful and lasting behind them.

Partners who build the Capital Fabric of their firm also strengthen the firm's brand and their own individual brands, sometimes becoming thought leaders. As noted previously, they can also contribute to the strength of the firm's recruitment and retention ability.

Partners who build the Capital Fabric of their firm also strengthen the firm's brand and their own individual brands, sometimes becoming thought leaders.

REALITY CHECK

While Capital Fabric is a relatively straightforward concept, it is often a challenge to introduce it, explain it, and persuade more than a handful of people within the firm to actively build it. But the effort is worthwhile, and the rewards can be substantial. Consider, within the context of your own firm, the impact if 25% of your partners actively contributed to building the Capital Fabric of the firm, beyond their normal contributions. This could jump-start a firm to a new level of performance and strength within its market.

Strong senior leadership is essential, however. Building Capital Fabric needs active support, encouragement and follow-through: it's not enough to simply explain it and articulate it and wait for it to happen. Partners will need strong backing, and an annual discussion at partner reviews is not enough. This is an ongoing exercise requiring constant attention. Divisional, department or practice group leaders must be actively engaged, and role models should be identified and highlighted.

Building the Capital Fabric of one's firm is the most important contribution a partner can make. You are really trying to get a majority of partners to focus beyond their own world and comfort zone, and to focus instead on doing things that will be in the long-term interests of the firm.

Harnessing the power of a number of partners in building this fabric can significantly reinforce the underlying strength of a firm and differentiate it from competitors. It sets a firm apart and enables it to weather the storm of external market volatility or future downturns. More of your highly talented, successful partners will give you everything they've got. •

Strategy never sleeps

Sean Larkan *uses his 25 years of direct leadership and consulting experience and a number of unique methodologies to help law firms internationally to develop new or revitalize existing strategy. Sean has a track record of helping firms realize their potential and achieve actual implementation and growth. In whatever he does, his underlying philosophy is always to build a firm's confidence, strength and well-being.*

Email Sean at: sean@edge-international.com
Call Sean at: +61 2 40 8844 208 or Skype "seanlark"

The talent portfolio

New options for where, how and by whom your work gets done.

The old "talent wars" were fought over top law students or laterals with big books of business. Tomorrow's talent competition will be about systems first and people second. Here's a preview of the new players and new rules of the forthcoming "legal talent portfolio."

By Jordan Furlong

Hey, remember the "Talent Wars"? Five years ago, you were probably reading articles in journals like this one, warning that a lawyer shortage was coming and urging you to act now to preserve the safe supply of that most precious resource, legal talent. With the imminent retirement of Boomers grown rich on years of plenty and the simultaneous emergence of a Millennial generation notoriously hard to please, you had to fight early and often to corner the market on good lawyers, right?

But then the financial crisis happened, and the recession came in like a storm, and Boomers' savings dried up, and Millennials were thrown out of law firms by the thousands. And suddenly, the Talent War didn't seem like

such a big deal anymore. In fact, it seemed a lot more like an HR version of the Y2K crisis: a lot of consultant-powered hot air that caused great consternation but ultimately came to nothing.

As you might imagine, neither of these narratives is entirely accurate. The "Talent War" scare ignored the fact that even before the recession, America's Boomers would have to keep working longer than they wanted to believe. But nor is it wise to assume that the buyer's market for legal talent is now a permanent fixture.

What's really happening is this: the market for legal talent is evolving and becoming more complex. The financial crisis marked the end of the traditional model by which law firms acquired and utilized talent. The time when all legal work and all legal workers were housed inside a law firm's walls is just about over. What comes next is what your firm really needs to be ready to face.

THE NEW RULES OF LEGAL LABOR

Work, as we know, is like water: it flows downhill until it finds its proper level, the place where the costs of production are lowest while still meeting market standards of quality and competence. It's why automotive jobs left Detroit first for Mexico, then for southeast Asia, among many other examples. And talent, of course, follows work.

The legal profession hasn't followed this pattern, however. Work has been more like helium: it rises to the top, finding its way to the most skilled and most expensive performers regardless of their cost. Too often, there is little proportionality between the sophistication of the work and the skills of the person who performed it: partners happily did associate work, associates happily did paralegal work, and so forth.

The time when all legal work and all legal workers were housed inside a law firm's walls is just about over. What comes next is what your firm really needs to be ready to face.

The primary reason for this state of affairs, of course, is that in the legal market, costs of production directly determine price and are, in the absence of competition from other providers, to be encouraged rather than streamlined. From the point of view of partner profits, this has been an extraordinary golden age — one that's now coming to an end.

Both planks of this profit platform are now splintering. Clients, under enormous pressure to reduce legal spend, are making unprecedented demands of their outside counsel: lower your prices, now. For law firms addicted to ever-increasing partner profits, that can only mean reducing costs, and the two biggest internal costs for law firms are leases (usually untouchable) and talent. It's not hard to see where firms are looking.

At the same time, the legal services "market" is finally losing those quotation marks, with the emergence of new suppliers for many services law firms traditionally have sold at huge markup. Legal process outsourcing (LPO) companies are performing research, document review, due diligence and e-discovery for 75% to 90% less than law firms charge. Thomson Reuters' acquisition of LPO giant Pangea3 late last year gave this nascent industry instant credibility among GCs.

Now and in the future, with the causative link between internal cost and external price finally severed, the market will require (and increasingly obtain) legal services provided in cost-effective ways. This will trigger a greater flow of work to lower-cost providers outside the confines of the law firm — and where work goes, workers follow. This will usher in a brand-new model for legal talent.

REDEFINING "LEGAL TALENT"

The first step firms must take is to redefine "legal talent." Traditionally, that term has included only law firm partners and law firm associates. It needs to be re-envisioned as any competent provider of legal services — which means that when you think "legal talent," you need to think beyond full-time law-firm lawyers.

Think about part-time law firm lawyers who are extremely talented and dedicated, but whose family situations or personal preferences mean they're not going to meet your firm's annual revenue targets. Don't throw them away; use them during their irregular hours to meet client needs at lower cost.

Think also about freelance lawyers who are just as competent as many of the associates who "won the lottery" and now toil for your firm. They have little overhead, they don't require a secretary or a benefit plan, and they charge far less for their services than your associates cost. These "free-agent" lawyers are a growing force, and they do better work than you might believe.

Think about clerks and paralegals and other quasi-lawyers who can handle (or could handle in the future, with training) tasks that are now performed by associates. It's a pretty good bet that your associates are often punching below their weight, doing work beneath their potential simply because it can be billed profitably. Move their work down the value chain, and move your non-lawyer staff up the same chain to meet it.

And think about LPO firms, within your national borders or outside them. Some LPO personnel are lawyers, some are not; but they all enjoy, and are

Think about part-time law firm lawyers who are extremely talented and dedicated, but whose family situations or personal preferences mean they're not going to meet your firm's annual revenue targets.

trained specifically to do, the tasks assigned to them, which is more than can be said on either count for many law firm associates. Clients are using LPOs and are coming to rely on them: get them onside as suppliers to you, before they usurp your position as suppliers to your clients.

Richard Susskind was the first to identify the "decomposition" of legal tasks as a critical trend in the evolution of legal services: breaking down a task into its component parts and assigning each part to the provider best suited — in terms of skill, training, enthusiasm, and above all, cost — to perform it. Identify sources of legal talent best aligned with the quality of the work at hand and strive to match the work to the appropriate performer.

QUESTIONING OLD ASSUMPTIONS

But that's not all. Rethinking legal talent is an across-the-board exercise, and everything should be open to consideration in a new light.

Here are some suggestions for talent-related topics you can discuss at your next management committee meeting:

Why are we still recruiting from law schools? You can recruit talent from your rival firms, from the ranks of your alumni, and from the in-house departments of your clients. But most firms continue to recruit talent from law schools, even though schools clearly aren't interested in producing practicing lawyers. Law firms will require fewer on-site associates in future, and when you think about it, attrition-by-tournament is a terrible way to determine tomorrow's partners and leaders. So why not prepare for a leaner future by reducing your law school intake today?

There are information and cultural benefits from close quarters, to be sure, but they don't justify full-time in-person attendance, no exceptions.

Why are we "training" our lawyers like that? I frequently hear partners justify repetitive tasks for associates by saying this is the only way new lawyers can learn the law. To this argument I invariably reply, remembering boxes of documents in windowless rooms that so many lawyers have endured: "You call that learning?" Lawyers should know how this work is done, yes; but this work ought to be performed, as a matter of course, by specifically trained lower-cost personnel. Try assigning associates to spend a month or so with those people and have them train the associates on what they do.

Why do we have so many people in the office? One big-firm lawyer recently confessed that it was "insane" how much real estate his firm occupies. The modern law firm evolved at a time when businesses operated on the factory model: bring all your employees together in one place, have them work (alone) together, then send them all home at the end of the day; repeat. Knowledge workers simply don't need to operate this way. There are information and cultural benefits from close quarters, to be sure, but they don't justify full-time in-person attendance, no exceptions. Rethink how, when, and how often your workers should be physically proximate.

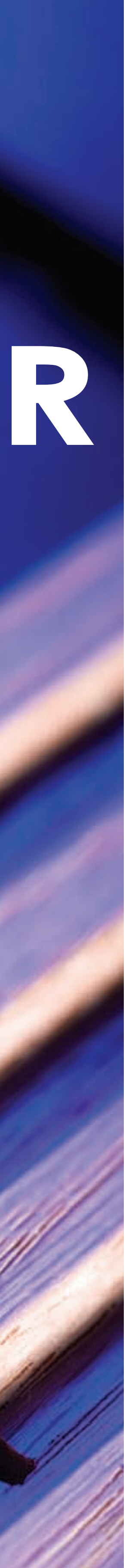
THE NEW "TALENT WARS"

Up until now, "talent wars" have been fought over the "best and brightest" graduates of law schools that don't even pretend they're training lawyers, or over lateral hires with the "biggest books of business" regardless of whether that business will continue to flow or whether the lateral will jump at the next better offer that comes along. It's no wonder firms are often disappointed with the results.

These visions of talent competition haven't aged well. In their place is emerging a new model that focuses less on individual lawyers and more on creating a diversified portfolio of service providers. Law firms of the future will have fewer employees inside their walls, but will have many more part-timers, freelancers, specialists, and other independent contractors outside — each retained for specific tasks or skills, each playing a specific role in a modern legal workflow process.

Tomorrow's talent wars will be fought, yes, over truly talented lawyers — but also and maybe more so over these networks of non-firm providers. The winning firms will design the best systems, identify the best providers, utilize those providers most effectively, and integrate them into their pricing schemes in the most market-friendly ways. The "who" of legal talent will always be important, but the "how" is poised to become even more critical. •

POWE



TOOLS FOR general counsel

Creating RFPs that really deliver the goods

Exponential expansion in the use of Requests for Proposals (RFPs) has placed a powerful tool in the hands of general counsel — one that they use with uneven skill. Here are the pitfalls to avoid and the keys to making RFPs clear, fair and effective.

By Pamela H. Woldow

Recently, the general counsel of a major corporation met with us to discuss consulting support for a Request for Proposal (RFP) process that would winnow down the number of outside law firms they would use in the future. But he mentioned an astonishing twist: “Of course, we’ve already selected the firms we’ll use.”

When I asked why they would go through an expensive and time-consuming exercise (for them and for law firms that responded) when the outcomes were already determined, the GC replied: “Well, to make the selection process look fair.” It turns out that the real purpose of this RFP was not to select the best counsel, but to avoid hard conversations and potential acrimony with the firms that would be "de-selected."

I suggested that rather than go through an elaborate and costly charade, they simply start using only the firms they knew they wanted to use. The senior members of the legal team looked at me as if I had uttered heresy. "You have to understand," the GC objected, *"we want to get rid of a bunch of firms.* An RFP will provide a gentlemanly way to do so that appears fair and objective." For obvious reasons, we declined to participate in an engagement that would be an exercise in avoidance rather than a valid way to change the company's status quo.

This GC and his senior colleagues, let me emphasize, are not devious or disingenuous people suffering from Integrity Impairment Disorder. They are fine lawyers with a record of sound management of the corporate legal function. But their aversion to conflict illustrates how the stresses accompanying the new face of client-law firm relations can distort the RFP process.

Shifts in the balance of bargaining power mean that to an unprecedented degree, the client now can call the shots in selecting and retaining outside counsel. The problem, a lot of chief legal officers admit somewhat sheepishly, is they don't necessarily know who to shoot, when to shoot, or how to shoot. Many have been thrust into dramatically altered relationships with outside counsel that require them to be more aggressive, make decisions that are bound to displease someone, and perhaps put longstanding friendly relationships at risk.

Shifts in the balance of bargaining power mean that to an unprecedented degree, the client now can call the shots in selecting and retaining outside counsel.

KINDER AND GENTLER IS NOT BETTER

On one hand, one can't blame general counsel for seeking non-confrontational options for tough decisions. On the other hand, however, a "kinder, gentler" approach can backfire, producing distrust and resentment that erodes the lawyer-client relationship. We have assisted several law firms with responding to RFPs, and many have voiced their suspicion that the RFP process may be a pre-determined and artificial beauty contest, or even that their RFP responses may be shared with their competitors.

Law firms face a tough decision about whether to even bother spending the hours and the thousands of dollars required to prepare a thoughtful, thorough RFP response. In many cases, we often suggest that the firm take a pass on responding unless it already enjoys some form of relationship and service history with the client. Incumbents rule, and newbies are very much long shots unless they can boast some extraordinary differentiator in expertise, experience or price that will get them through the screening process. On the other hand, if a well-crafted RFP suggests a level playing field and if an RFP "win" really is likely to provide actual economic gain, we will help them frame a competitive response.

Unlimited client rosters of "acceptable" outside counsel led to an entitlement mentality among law firms that chief legal officers are now using RFPs to unwind.

NEW PRESSURES, NEW PRIORITIES

General counsel have always had to exercise judgment about which firms and vendors will best serve their companies across a spectrum of legal matters. Historically, however, the approved vendor list expanded almost without limit (and often without discipline). It seemed a win-win situation for everybody; the only damage was to the corporate legal budget.

Those days are done. Unlimited client rosters of "acceptable" outside counsel led to an entitlement mentality among law firms that chief legal officers are now using RFPs to unwind. We hear about law firms expressing outrage that their annual bite out of the fatted calf might not be as big as before; so imagine the wrath a General Counsel contemplates when pushing firms away from the table altogether. GCs aren't coaching peewee baseball, where everyone gets an equal chance to play. "Today," one American GC told us, "it's a new game. It's called 'Tough Darts.'" In England, it's called "Hard Cheese."

CUTTING BOTH WAYS

Serving as a law firm to a corporate client is neither an entitlement nor a sinecure, and firms cannot behave as if it is. They must earn the right, every day, to sell their services to a company by delivering excellent results, predictability, and consistent value.

But that cuts both ways. General counsel have the responsibility to exercise sound judgment and make choices that support the company's goals, not the vendors' interests. Hiding behind a bogus RFP process to avoid taking heat from disenfranchised law firms is not merely a waste of everyone's time and money; it also undermines the GC's authority. We are entering a "Strong General Counsel" epoch in the legal profession, one in which GCs must learn to wield, and appear comfortable wielding, their strengthened leverage.

WHY ISSUE AN RFP?

Even if they're not always skillfully drafted or implemented, most RFPs can confer enormous value in selecting outside counsel if the time and circumstances are right. Here are the three most common situations in which RFPs are called for:

1. A new general counsel needs to put his or her personal stamp on the office, or act as a new broom sweeping clean.

When a GC joins a company, she is obliged to examine the law firms that served her predecessor and she is fully entitled to select firms that support her philosophy, strategy and objectives. She is also permitted to give preference to vendors whose loyalties run to her, not to the previous occupant of her chair. Finally, changes in the legal marketplace call for her to aggressively seek out fresh ideas and approaches. An RFP can be an excellent way both to become acquainted with a broad range of law firms and to help get the GC up to speed on the firms that have served the company over time.

An RFP can be an excellent way both to become acquainted with a broad range of law firms and to help get the GC up to speed on the firms that have served the company over time.

2. The company is confronting new or unique challenges and legal needs that cannot be addressed by the current roster of firms.

There will be times when a company faces a new issue, a new technology, or a matter of first impression. It might involve a new regulation in a specialized area or an unusual case in a faraway jurisdiction. If the incumbent law firms do not have the requisite expertise or geographic coverage, an RFP can be the best way to identify a firm that can provide what the company needs right now.

3. The GC wants to send a clear, unequivocal message about new priorities within the company or the legal department.

In the last few years, we have seen RFPs clearly intended to communicate to firms one simple fact: the company's legal priorities have changed. In 2008, 2009 and 2010, as economic pressures mounted, flurries of RFPs appeared seeking services at lower prices and in more creative configurations: they were vehicles announcing that "business as usual" was over. These RFPs shook firms out of their complacency; equally important, they demanded that firms back away from automatic annual rate increases that far exceeded inflation and other costs of doing business. Their message was clear: "You are in serious competition for the company's business. Compete or lose."

Hiding behind a bogus RFP process to avoid taking heat from disenfranchised law firms is not merely a waste of everyone's time and money; it also undermines the GC's authority.

WHAT MAKES A GOOD RFP?

Someone once defined a camel as a horse designed by a committee. Many RFPs, it's fair to say, suffer from "camel syndrome." Many people want a hand in the process, so the end product looks like an aggregation of random information requests, few of which are relevant.

In my experience, many RFPs ask for far too much information — and when that information arrives, no one knows quite what to do with it. I've seen RFPs ask hundreds of questions that generated hundreds of pages of answers, but most of the requested information has no bearing on the purpose of the RFP and will not be used to evaluate or select law firms.

It's disrespectful, in my opinion, to require law firms to spin their wheels like this. They are squandering significant resources answering questions that no one cares about or will ever review. In most situations, only a few core items of information really bear on the suitability of the competing firms.

For that reason, I'm delighted to report an emerging trend in which RFPs concentrate only on a few essential questions. Recent RFPs issued by FMC Technologies (which made a point of calling their request a "Non-RFP") and Pfizer were both brilliant. Each was concise and was tightly focused on relationships, collaboration, and company values. The fundamental issue was not about legal competency; it was about trust. After all, GCs want firms they can trust to deliver value and high-quality legal services, so why not get right to the all-important trust issue up front?

GET IT RIGHT OR LOSE THE RELATIONSHIP

The question of trust suggests a final and supremely negative impact of a bogus RFP: the lamentable but all-too-common lack of follow-through with the selection process after RFP responses have arrived. What message

RFP trends

Here are examples of demands made by corporate law departments in recent RFPs. Get used to them.

What we will not pay for:

- *Time spent by summer associates and first- and second-year associates*
- *Third-year associate time (except in limited circumstances)*
- *Time spent debriefing lawyers on the results of meetings or teleconferences*
- *Time spent educating new or replacement lawyers added to the team to become familiar with the project*
- *Lawyers who are not part of the core team.*
- *Rate increases in 2011*
- *Busted deal fees in transactions*

What we want at no additional cost:

- *Open counseling line*
- *Multiple short-term secondees (less than six months)*
- *Non-billable advice*
- *Continuing legal education training*
- *Extranet technology*
- *Online research resources*
- *Educational seminars*

does a law department send to law firms when, after issuing an RFP with a strict deadline and receiving all the replies, it dawdles over evaluation, or worse again, never finishes the process or makes its selections known?

There are legal departments that have become infamous for sending out RFPs that result in nothing but profound radio silence. For a law firm, responding to those legal departments is like tossing $30,000 to $50,000 worth of time and effort into a black hole. The result is a once-burned-twice-shy law firm that either hesitates to respond to future RFPs — a lose-lose outcome for both sides — or turns out mundane, off-the-shelf RFP responses.

There are legal departments that have become infamous for sending out RFPs that result in nothing but profound radio silence.

Similarly, if a company does complete an RFP process but either does not send the promised business to the "winners" or continues to send business to friends at firms that were supposedly "de-selected," both the company's and the GC's credibility are eroded. The law firm-client relationship will suffer accordingly.

If GCs want to be seen as trustworthy within their own organizations, in their legal departments, among their outside counsel, and in the legal marketplace, then they need to stand tall, play it straight, and show respect for the RFP process they rely on to identify the best and most loyal alliance partners. •

Transformative innovation

Pamela Woldow *has earned global recognition for her pioneering approaches to transforming today's law firm-client relationships. Drawing on her deep expertise in Legal Project Management, Convergence Programs, Alternative Fee Arrangements, RFPs and law firm selection, Pam helps law firm lawyers work more profitably while also providing better value to clients, and she counsels corporate legal departments in containing costs and creating stronger alliances with outside counsel.*

Email: **pwoldow@edge-international.com**
Call: 610.660.9550

EDGE Roundtable

In each issue of the Edge International Review*, we pose a "big picture" question of significance to our clients and the legal marketplace generally, and ask our partners to supply answers. This edition's question is:*

Trans-oceanic law firm mergers, legal process outsourcing companies, and the economic momentum of China and India are making the legal marketplace truly globalized. What global trends and developments affecting lawyers do you see emerging in 2011-12?

Here are some of our responses.

"To the credit of the broader legal profession, I have seen a much greater comfort level among law firms to consider mergers (or at least alliances), outsourcing in various forms, and involvement in China and India as viable and sometimes strategically essential options. There is a new dynamism in play and I see this continuing.

"These trends have important brand implications. Whether firms are geographically located or aligned in particular markets, particularly the (emerging) Indian and (emerged) Chinese markets, can be critically important to growing or existing global legal brands. Clients and potential clients will sometimes judge brands on this basis alone. This can only evolve even faster in future."

– Sean Larkan, Sydney

"New global legal economic engines undoubtedly will foster sophisticated structures, processes, and metrics for rationalizing operations across offices, cities, countries and global economic regions.

"But these innovative structures will not necessarily produce effective cross-cultural collaboration — either within an organization or between globally dispersed lawyers and clients. They tend to be assembled without much concern for the human factors that inspire trust (or not), for cohesive organizational cultures, or for assuring that unprecedented power is shared skillfully among people who do not regularly interact personally.

"At the human level, I foresee a Babel of escalating power struggles, turf wars, and escalating cross-cultural communication gaps."

– Doug Richardson, Philadelphia

"Keeping in mind the ways in which most Indian law firms are managed and operated today, a key development would be the introduction of systems and workflow processes like project management that are already common in other organizations.

"This would upgrade the productivity of each lawyer, whether a firm leader or simply a firm member. Consistency across the spectrum of firm activities would also improve; for example, HR is a well-managed activity, but the completion of time sheets remains a regular bone of contention."

– Juhi Garg, Delhi

"I'm tempted to cite the relentless advance of technology as a means of both producing and delivering legal work, as well as macro-economic trends that will especially affect the U.S. and European markets, as 2011's biggest story.

"But I can't think that any development will have more long-term significance than the October 6, 2011 activation of the Alternative Business Structure (ABS) provisions of the U.K.'s *Legal Services Act*. The flow of non-lawyer equity capital, ownership and influence into the legal marketplace (and into non-firm vehicles especially) through ABSs will change the underlying rules and assumptions of this marketplace for the balance of the decade. It's the law's Big Bang, and global firms in particular must be ready for it."

– Jordan Furlong, Ottawa

The managing partner of a client firm sent me a link to the New York Times article titled "Armies of Expensive Lawyers, Replaced by Cheaper Software" (March 4, 2011). What sounded like science fiction five years ago is now widely accepted. Corporations are driving down their legal spends, so law firms that can adapt will have a distinct competitive advantage. I predict that 2011 will be a year when the luddite law firms will insist that these trends are temporary and will go away as soon as the problems surface. The most progressive law firms are busy training their people to craft alternative fee proposals, engage in legal project management, and actually raise these issues with clients before the clients have to do so themselves.

– Gerry Riskin, Anguilla

What is the optimum size for a law firm?

Conventional wisdom says that a firm needs at least 100 lawyers to be taken seriously in the marketplace. But is that really true, and does it apply to all types of firms in all locations? Viewed in five dimensions (capability, clients, reputation, collegiality and profitability), here is an analysis of whether, and to what degree, size matters.

By Ed Wesemann

Lawyers and the legal media frequently talk about the size of law firms. But unlike how most businesses address size (annual revenue), law firms seem to define size as the number of lawyers practicing at a firm. Managing partners who talk about growth typically mean adding enough lawyers to reach "critical mass." When lawyers are laid off, it's termed "right-sizing." So with all this focus on lawyer head count, shouldn't there be some benchmark as to the optimum size for a law firm?

When a firm starts talking about size in the abstract, it is usually signaling concern about being big enough to compete for the most sophisticated and challenging work while remaining small enough to maintain a strong client focus — large enough to attract the big fish and small enough to not scare away the small fish. At the same time, firms want the prestige of being a large firm while enjoying the culture and collegiality of a smaller firm. And oh yes, this should all occur while maximizing profitability.

This is the result of a natural internal conflict within every law firm. On one hand, firms see growth as a symbol of success — prospering businesses grow, failing businesses shrink. Larger firms seem to have greater credibility and attractiveness to clients and, in the minds of many law firm leaders, there is an assumed correlation between the number of lawyers a firm has and its level of profitability. On the other hand, change creates uncertainty, and lawyers hate risk.

Conventional wisdom among law firm managing partners and sophisticated clients is that there seems to be a presumption of quality in firms with more than 100 lawyers.

The fact is that size does matter — at least in lawyers' perceptions about law firms. There are five generally held "truisms" about the size of firms:

1. Capability: larger law firms are more capable of handling complex sophisticated legal matters than smaller firms.

2. Clients: larger law firms are more attractive to larger clients with more sophisticated legal issues than smaller firms.

3. Reputation: larger law firms have better reputations and name recognition than smaller firms.

4. Collegiality: larger law firms are less collegial than smaller firms.

5. Profitability: larger law firms are more profitable than smaller firms.

Like any generally held opinion, there is an element of truth in each of these statements. The real issue, however, is whether an analysis of these perceived truisms under a number of circumstances can allow the construction of a model that helps determine the optimum size for a law firm.

CAPABILITY

The ability to perform legal work well would appear to be a natural derivative of size. More lawyers means a greater likelihood of having someone with the experience to handle a matter. Beyond that, having more lawyers usually converts into bench strength, which permits firms to handle larger matters. As well, with greater size typically comes the potential for increased expertise through specialization.

Mixed together with capability is the concept of quality. In theory, any lawyer is licensed to handle virtually any matter. Therefore, capability generally implies the ability to competently provide services — not just being able to avoid malpractice, but actually fulfilling the needs of clients.

Conventional wisdom among law firm managing partners and sophisticated clients is that there seems to be a presumption of quality in firms with more than 100 lawyers. Indeed, the acceptance of 100 lawyers as the "critical mass" point is so widespread that it represents one of the driving influences causing smaller law firms to merge into bigger ones. Managing partners of smaller firms that joined larger entities consistently report that there were always questions about quality and experience, and even requests for references from potential clients, when they had fewer than 100 lawyers. After a merger that created a 100-lawyer or larger firm, however, those issues seemed to disappear from clients' minds.

Of course, capability is also a function of the complexity of the issue. Any reasonably sized general practice firm is most likely capable of handling routine business transactions or commercial litigation cases. But a major international transaction or billion-dollar lawsuit likely will require specialized experience normally held in larger firms.

Nonetheless, despite the inference of quality that clients take from size, specialization plays an important role in assumptions about capability and quality that may override the size issue. A specialty boutique is deemed to have the capability and level of quality to handle specific matters in its sphere of expertise, but only in that area of expertise. When a boutique attempts to step beyond its particular focus, the firm loses its clients' presumptions of capability.

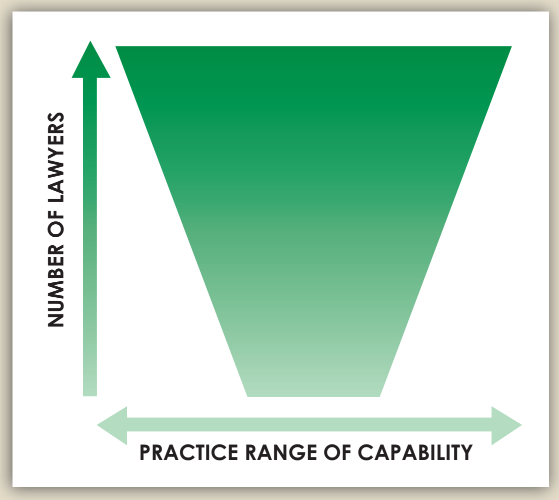
A good example of this is patent prosecution. A client seeking a patent might go, with equal confidence, to a 20-lawyer IP boutique or to the 20-lawyer intellectual property department of a 300-lawyer general practice firm. But when there is occasion to litigate that patent, clients tend to favor the larger firm, where they anticipate there will be capability in both IP and litigation.

Nonetheless, despite the inference of quality that clients take from size, specialization plays an important role in assumptions about capability and quality that may override the size issue.

In a series of interviews with law firm managing partners and with clients from a variety of sized businesses (including both owners and general counsel), we asked: "What number of lawyers is necessary to have confidence in a law firm's capability to perform quality work?" As predicted by conventional wisdom, the consistent response for a law firm was 100 lawyers. But for a specialty area, it ranged from 10 to 20 lawyers, with a few responding with numbers as high as 100.

Graphic 1:
Does size matter?

Number of lawyers and range of capability



What we find, therefore, is an ascending hierarchy of capability based on the level of specialization involved. A 100-lawyer general practice firm might make the capability and quality cut for general matters. But for sophisticated issues of specialization, there must also be critical mass in the specialty area.

CLIENTS

Most partners in law firms believe that the largest and most attractive clients (generally viewed as Fortune 500 corporations) prefer very large law firms. Law firms consistently believe that clients want "one-stop shopping" and seek out firms that can fulfill all their legal needs. This view would seemingly favor larger firms. Clients, however, particularly general counsel, are equally consistent in their response that they want the best firm possible, consistent with issues of value.

Law firms consistently believe that clients want "one-stop shopping". Clients, however, are equally consistent in their response that they want the best firm possible, consistent with issues of value.

According to American Lawyer Media, last year the Fortune 500 listed 649 law firms as their "go to" firms. Of those, fewer than half counted more than 100 lawyers (although a number of non-U.S. firms were included). However, it is interesting to note some consistency of firm size by practice area. Corporate work (both governance and transactional) seems to go heavily to larger firms, while IP, litigation and employment law seems to be mixed between boutiques and larger general practice firms. While there seems to be a willingness to give work to smaller firms, they tend to be boutiques. Indeed, there was almost a universal absence of general practice firms with fewer than 100 lawyers on the Fortune 500's "go to" list.

REPUTATION

Law firms tend to use the terms "reputation" and "name recognition" almost interchangeably. But these terms have different meanings: name recognition is about whether you are known, while reputation is what you are known for.

500-lawyer firms with national name recognition are frustrated that no one in New York or Washington has heard of their 50-lawyer offices in those cities.

Clearly, name recognition is enhanced by size. Larger firms have more lawyers on the street, meeting and interacting with more people. They also have bigger marketing, public relations and publicity budgets, making it more likely that the firm's name will be seen on advertisements, in articles, or on speaking programs. Indeed, there is virtually a direct relationship between the size of a law firm and its name recognition.

However, this relationship is a function of relative size in a market. A 20-lawyer law firm in a 50,000-population town would be known by everyone. But 500-lawyer firms with national name recognition are frustrated that no one in New York or Washington has heard of their 50-lawyer offices in those cities. Although there are rare exceptions (e.g., Wachtell Lipton), name recognition is based on size in relation to the other firms in the marketplace in which a firm is seeking name recognition.

Arguably, there is a reputational benefit to size. Law firms' reputations are largely built on the collective reputations of individual lawyers within the firm. Therefore, a firm with more lawyers is able to create more opportunities for lawyers to succeed and more positive interactions on which good reputations are built. In fact, size might even help avoid a bad reputation. In a smaller firm, the misdeeds or failure of a single lawyer would affect the whole. In a large firm, the negative impact of a single lawyer is diluted by the combined positive reputations of a large number of other members of the firm.

COLLEGIALITY

The meaning of cultural issues varies among firms, but typically, collegiality refers to the state of affairs in which lawyers within a firm know and like one another. Certainly, to like another individual requires that one knows that person, and clearly that is a drawback of size. But experience seems to indicate that the loss of collegiality is not a linear event that directly correlates with size.

Law firm partners provide all sorts of definitions of the point at which a loss of collegiality occurs. For some, it is when you cannot address each of your partners, much less the associates, without the aid of name tags. Some would say it is when you have not met each of your partners' spouses, or when everyone can't fit around a conference table. Generally, however, there seems to be reasonable consensus that collegiality is lost at a point somewhere around 100 lawyers.

We hear from lawyers who laterally leave 80-lawyer firms to join 800-lawyer international firms and claim they had never before experienced the level of collegiality they found at the new firm.

With some frequency, however, we hear from lawyers who laterally leave 80-lawyer firms to join 800-lawyer international firms and claim they had never before experienced the level of collegiality they found at the new firm. It turns out that there is a context to collegiality, one that is borne out of a group that may not be the whole. As law firms grow, attachment to the overall firm is replaced by attachment to an office of the firm, or to a practice group within the office. This is analogous to people in a large city who feel greater unity within their neighborhood or on their block than people may feel in a small town.

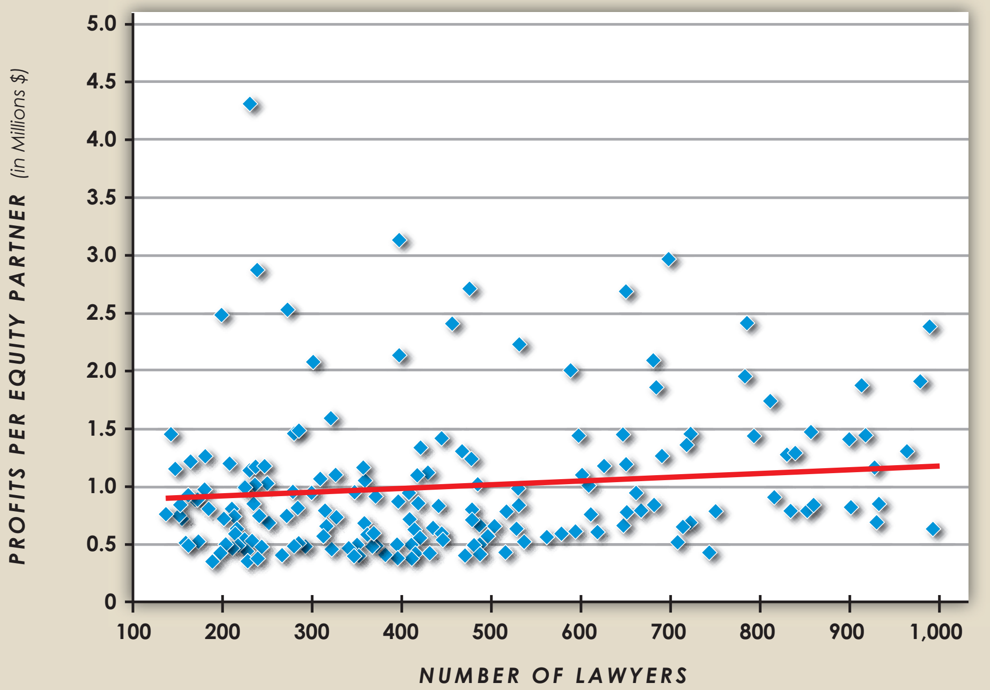
The result is that the loss of collegiality as firms get larger seems to occur in gaps between individuals aligning with subgroups to replace the attachment to the firm as a whole. In short, collegiality is lost as a firm grows, if the individuals can't find some other group within which to form attachments.

PROFITABILITY

A driving feature of many law firms' strategies is to increase profitability through growth. While there is no inherent correlation between the size of a firm and its profitability, there appears to be a consistent belief that bigger is more profitable. A comparison of the AmLaw 200's number of lawyers versus profit per partner, however, shows (see the trend line) that there is virtually no correlation between size and profitability. Confirming this is our anecdotal experience that law firms in the range of 50 to 100 lawyers routinely are more profitable than many firms with 300 lawyers.

Interestingly, two issues correlate to profitability on a broad scale, and they both involve location. The first is the geographic location of a firm's headquarters

Graphic 2:
AmLaw 200 Profit vs. Size



or largest office. Big firms in large capital market cities (New York, Chicago, Washington, Los Angeles and San Francisco) are generally more profitable than similar firms in other cities. Other than these cities, regions have little to do with profitability: firms headquartered in the Southeast or Northwest are generally no more or less profitable than firms in the Northeast or Midwest.

The second locational issue is the number of places in which a firm is based. Firms with more than one office are generally less profitable than firms with those of the same size with a single office. This is not much of an issue with larger firms: virtually all firms with more than 200 lawyers have more than one office. But among firms with fewer than 200 lawyers, the difference between multiple and single office firms is startling.

There is virtually no correlation between size and profitability. Law firms in the range of 50 to 100 lawyers routinely are more profitable than many firms with 300 lawyers.

In fairness, size does provide some economies of scale. Overhead costs, including staff positions, do not increase proportionately with the size of a firm. For example, the average square footage per lawyer in a law office designed for 25 lawyers is typically 800 to 850 square feet. In an office designed for 100 lawyers, it is about 650 to 700 square feet. On the other hand, offices with significantly more than 100 lawyers tend to see an increase in amenity lawyer services that eat into any economies of scale.

WHAT IS THE OPTIMUM SIZE?

So where does all this lead us? The evidence (and admittedly, much of it is subjective and observational) seems to shout that the optimum size is somewhere around 100 lawyers. But it is not a clear-cut decision, and there are some results that feel like conclusions rising to the surface:

For general practice firms performing moderately sophisticated work for mid-sized and smaller clients, about 100 lawyers in a single office is absolutely the best configuration.

1. For general practice firms performing moderately sophisticated work for mid-sized and smaller clients, about 100 lawyers in a single office is absolutely the best configuration. Such firms need to avoid endangering themselves (and their clients) by attempting to be all things to all people. They are far better off creating referral relationships with boutiques for highly specialized practices than to risk doing a mediocre job for their clients or bringing specialists in-house that they can't keep busy.

2. Boutique firms in highly specialized areas seem to fare well in the 10- to 20-lawyer range, provided that they keep themselves specialized. They can, of course, grow to about 100 lawyers, but they need to be careful about adding areas of practice without the 10- to 20-lawyer critical mass. As well, a boutique can have one or two areas of practice; but at the level of three practices, it risks being viewed as a general practice firm with limited capabilities.

3. Firms attempting to offer in-house boutique specialized services need to follow the 10- to 20-lawyer rule for such practices within the firm. This might drive up the optimum size of the firm, since more lawyers may be necessary to refer work to the multiple in-house specialty practices.

4. “Branch offices” are subject to all the same rules as the firm as a whole. That is, an office with a single practice area (such as a Washington office that does FDA work) is fine with 10 to 20 lawyers. But if it is going to be a general practice office, it is effectively a general practice firm whose optimum size is closer to 100.

Total size is probably not an issue beyond the factors listed above. There are, of course, name recognition advantages to having 500 lawyers, but the important feature is more the makeup of the firm (size of offices and specialty practices) than the size of the total firm. The absolute conclusion may not be the identification of an optimum size. Instead, it may be making decisions to avoid the pitfalls of growth. •

Global strategic expertise

Ed Wesemann *specializes in assisting law firms with strategic issues involving market dominance, governance, merger & acquisition, and all activities necessary for strategy implementation. He has worked with law firms on six continents and is the author of four books on law firm management.*

Email him at ed.wesemann@edge-international.com
Call him at 877.922.2040

Why the best managing partners need coaches

By Gerry Riskin

The best managing partners are talented, accomplished lawyers who command the respect of their peers and want their firms and their people to succeed. It seems counter-intuitive that they would need a coach. However, there are extraordinary benefits, both personally and professionally, to be reaped from a good coaching experience — and the better the performer, the more gains coaching can provide.

MANAGING PARTNERS' CHALLENGES

The law firm environment is fraught with challenges that the average corporate CEO would struggle to understand. For example, the typically flat partnership structure means that equity partners exhibit a sense of entitlement.

Individually, each partner wants every decision that adversely affects them reversed; every issue they care about elevated to crisis level; every dispute with someone internally resolved in their favor; and their own compensation to be exactly right (especially in relation to everyone else).

The world's great athletes rely on coaches to help them raise sterling levels of performance to even greater heights. The same reasoning applies to managing partners. Here are five elements of great coach-managing partner relationships.

Collectively, the situation is seldom better. As a whole, the equity partners want huge profits, high rankings in Chambers and other directories, and the full realization of the firm's vision and strategy (whether realistic or not). And all these goals, of course, must be accomplished while meeting the individual partner's demands.

The managing partner, in spite of scarce management resources and inadequate support, still hopes to accomplish all that others hope for; overcome formidable external forces; cope with information overload and interruptions;

(usually) maintain a practice; earn deserved appreciation; and have an exit strategy for leaving and continuing on after the managing partner role comes to an end.

In the face of all these demands and challenges, it becomes easier to appreciate three things in particular that coaches can provide to managing partners:

- a person they can trust, someone who has no skin in the game;
- objective and honest feedback, even on sensitive issues; and
- creative options and alternatives drawn from the coach's broader experience.

A GOOD COACH'S ATTRIBUTES

To provide effective service to a law firm managing partner, a good coach needs intimate knowledge and experience in the legal profession, ideally with a large and diverse set of firms. The best way to understand the legal profession is to live in a law firm for a significant period of time, and good coaches fit this bill.

How else would the managing partner's coach understand each equity partner's sense of entitlement, or the behavior of the 800-pound gorilla in the corner office who creates compensation crises and demoralizes the junior staff? How else would the coach understand the maddening way in which "critical and analytical legal thinking" kills new ideas within 18 seconds of their pronouncement?

Beyond legal profession experience, the coach must understand business principles and be widely read, in order to offer the managing partner options and alternatives that go well beyond worn anecdotes, myths and conventional wisdom. The coach can help the managing partner generate a list of valuable, creative and imaginative options that otherwise would not have found their way to the menu of choices.

We can assume that a managing partner has good judgement. A great coach can ensure that the managing partner has better choices on which to exercise that judgment.

THE 5 ELEMENTS OF COACHING MANAGING PARTNERS

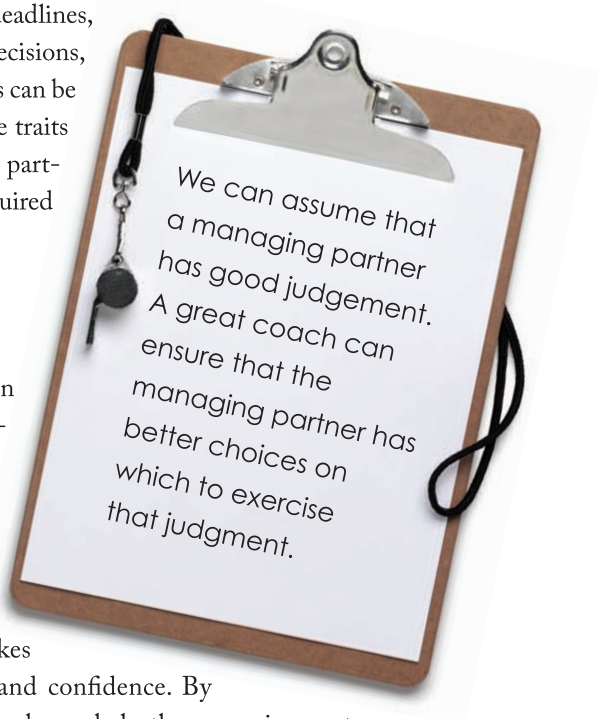
1. Help the managing partner "dare to dream" — in stereo

The managing partner needs two harmonious visions: a personal one and one for the firm.

The firm vision might be somewhat easier to realize, because there are usually senior and powerful partners close to the managing partner who will vociferously articulate their notions of where the firm should go. Few managing partners, however, get around to choosing a personal vision. This might include answering questions like:

- How long do I want to serve in this capacity?
- What do I want to achieve for the firm and for myself?
- What do I want to do after I am no longer managing partner?

The coach's job is to ensure that the managing partner is decisive even when faced with hard choices. This typically requires the managing partner to agree to decision deadlines, to develop a tolerance for imperfect decisions, and to have confidence that adjustments can be made along the way if necessary. (These traits are often antithetical to the managing partner's usual perfectionist tendencies, acquired over years in the practice of law.)



2. Acquire (or compensate for) missing expertise

This process begins with an identification of the expertise that the managing partner does or does not possess. It involves exploring both strengths (talents and experience) and vulnerabilities (weaknesses or talent and experience gaps).

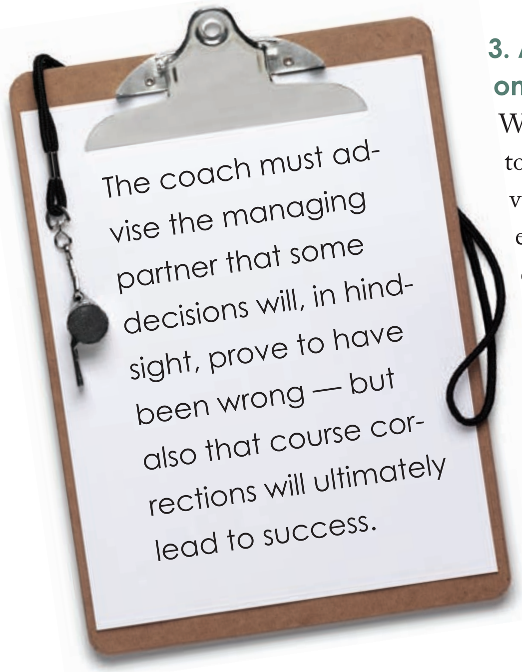
In this regard, the coach's job is to ensure that the managing partner strikes the right balance between humility and confidence. By holding up an objective mirror, the coach can help the managing partner avoid self-deception at either end of the spectrum. Insufficient information should not be mistaken for lack of capacity to make decisions. Similarly, biases or adherence to myths should be held up to scrutiny to avoid bad decisions from unsupported or misguided over-confidence.

Unlike the practice of law, running a firm requires that the managing partner make decisions with what seems like inadequate information and uncertainty as to outcomes. The coach must advise the managing partner that some decisions will, in hindsight, prove to have been wrong — but also that course corrections will ultimately lead to success.

No business leader or managing partner can predict outcomes with 100% accuracy. The price of seeking certainty is inertia and delay, which are costlier to most firms than a few bad decisions. The key is to keep the firm moving forward, rather than pausing to ensure that every incremental step is perfect.

The coach can help uncover gaps in the managing partner's talents, knowledge and experience, and then help compensate for those gaps by exploring:

- additional skills and knowledge that might be acquired;
- tools, resources and technology that would lead to a broader repertoire;
- staff competencies that would compensate for gaps or add strength or depth; and
- consultants who can provide highly specialized knowledge where required.



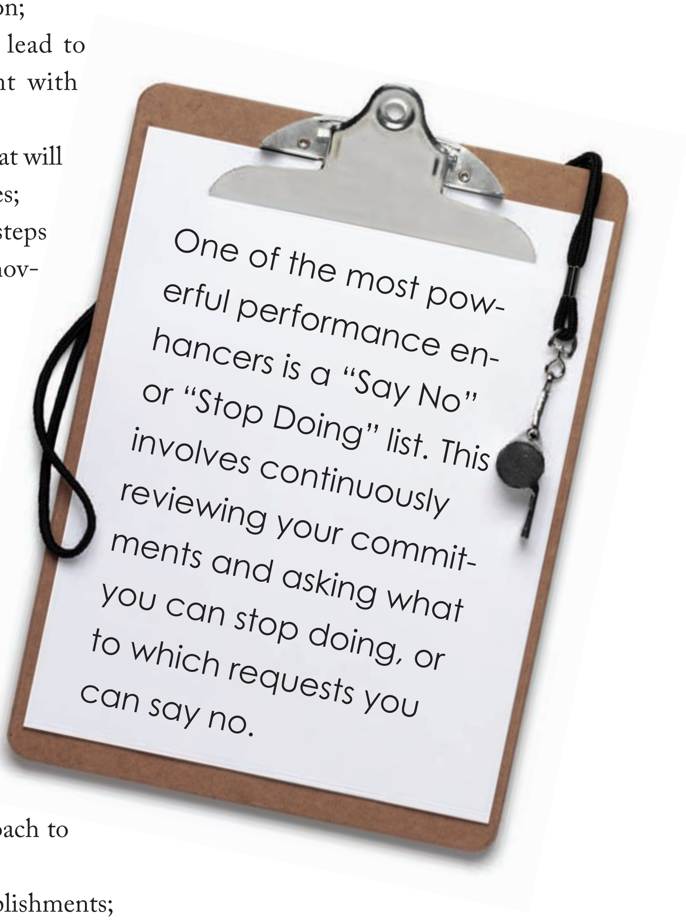
3. Assist with managing time and staying on track

With rare exceptions, managing partners struggle to balance a near-impossible workload in an environment of continuous interruptions: crises, electronic communications, visitors and other distractions. Miracles are hard to come by in this regard: even the best coaches are unlikely to be time-management gurus.

Nonetheless, effective coaches understand what resources are available to assist the managing partner in terms of publications, tools and resources. These can include, if necessary, time-management specialists who can provide supplemental coaching in brief interventions.

The most important dimension of execution, however, is focus. This involves helping the managing partner through a progression of steps:

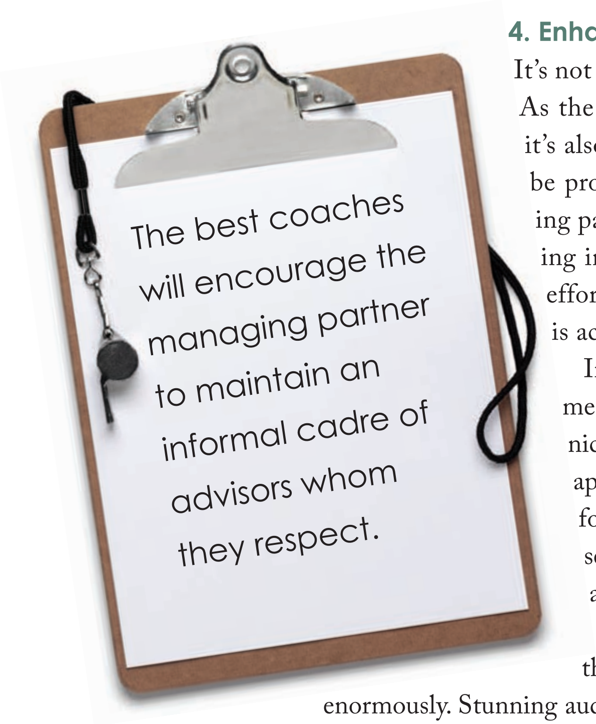
- identify and articulate a vision;
- choose strategies that will lead to accomplishments consistent with the vision;
- commit to specific actions that will breathe life into the strategies;
- describe the incremental steps that will keep the actions moving; and
- create a monitoring device (a "dashboard") that allows weekly status updates.



The "dashboard" can dramatically reduce the time that the coach and managing partner spend with each other. The ongoing monitoring provides clarity as to "status and progress" so that real-time discussions can focus on the few areas that need mutual attention. This focus is typically manifested by feedback from the coach to the managing partner, such as:

- noting extraordinary accomplishments;
- identifying actions that are languishing;
- helping generate options and alternatives to overcome challenges;
- suggesting the addition or deletion of actions; and
- re-evaluating and reconsidering actions to ensure continued relevance.

One of the most powerful performance enhancers is a "Say No" or "Stop Doing" list. This involves continuously reviewing your commitments and asking what you can stop doing, or to which requests you can say no. Perhaps a different lawyer can sit on a board so that the managing partner can resign from it. Perhaps annual invitations to speak that have been historically accepted could be declined with suggestions for replacements. Saying "no" at appropriate times frees the managing partner to say "yes" and devote more time to mission-critical opportunities.



4. Enhance presentations

It's not enough simply to care and to work hard. As the most appreciated lawyers have learned, it's also necessary that effort, as well as results, be projected. The coach can help the managing partner find ways of continuously informing internal and external constituencies as to efforts being made and progress that the firm is achieving.

Internally, it is essential that accomplishments be meticulously tracked and communicated. This leads to the parallel benefits of appreciation for the managing partner's efforts and the sense of self-confidence and self-esteem that the best firms must acquire and maintain.

Of course, substance is more important than form; but form can leverage substance enormously. Stunning audio-visuals and powerful speeches can enhance the journey of the managing partner significantly.

5. Provide wise counsel

Great coaches are not smarter than the managing partners they serve, but they can assist nonetheless. We all face decisions that become virtually impossible because we're "too close to the target." Our objectivity suffers, we over-analyze, and finally, we rationalize. A trusted coach can sometime provide great assistance simply by saying: "What I would do in your shoes is…."

This is not, let me emphasize, the substitution of the coach's judgment for the managing partner's. It is offering the managing partner an option to appreciate and consider, because it comes from someone who can think clearly, outside the emotional storm.

The best coaches will encourage the managing partner to maintain an informal cadre of advisors whom they respect. Those advisors may be friends or professional acquaintances who rarely are labelled or think of themselves as "advisors." These advisors can also provide wise counsel for the same reasons.

If you suspect that coaching might be beneficial to you but you are not quite sure, I suggest that you sample the process before you dive headlong into it. Three months of weekly contact with a professional coach will help you determine, one way or another, whether this path is helpful to you. •

Ten steps to trust

Lawyers are notoriously slow to trust. But in law's "new normal" that demands collaboration, trust problems become business problems no lawyer can afford. Here are ten factors to consider in your effort to build greater levels of trust and achieve better outcomes in your client relationships.

why it matters and how lawyers can achieve it

Douglas B. Richardson

Take a moment, if you will, and think back to a legal project that came up short, or a legal relationship that imploded, because some of the players didn't trust each other. Review the life-cycle of that interaction, and try to parse the causes and consequences.

What really happened? Was trust lacking from the outset? Did a promising opportunity fall victim to a loss of trust over time, or did things just seem to go belly-up all of a sudden?

This isn't just an exercise in retroactive finger-pointing. This exercise matters, because trust is becoming an essential element in the success of any and all legal enterprises. The modern legal environment demands unprecedented levels of collaboration — among colleagues, between practice groups, among lawyers and firm administration, with clients, between lawyers and regulators, and even with adversaries.

Collaboration is king, and trust is the power behind the new throne. Effective project managers and team leaders have long understood the importance of listing all their "hard" performance-related resources: budget, time, team members' skills, technology, equipment, etc. Good managers also are adept at identifying "soft" performance factors: morale, culture, incentives, diversity, cohesiveness and commitment.

Trust is becoming an essential element in the success of any and all legal enterprises. The modern legal environment demands unprecedented levels of collaboration.

The very best managers know that trust is the cornerstone of both motivation and collaboration. So they monitor it carefully and nurture it assiduously, both between individuals (including themselves) and in terms of collective team dynamics. Bad cultures are invariably low-trust cultures.

Even if we regard trust as an important performance variable and not just some soft, touchy-feely thing, many lawyers struggle with trust — giving it, receiving it, building and rebuilding it..

Both by temperament and by training, lawyers tend not to be natural collaborators. In addition to their natural autonomy and drive for personal achievement, lawyers learn from law school onward to hone their skepticism, to guard against being manipulated, and to say "No" more readily than "Yes."Trust no one, as *The X-Files* used to say: that's lawyers' default position.

While it's possible for people to collaborate without the lubricant of trust, the "friction losses" of trust-less interaction are horrific: all that energy burned and wasted while you watch your back, guard your flank, protect your interests, examine others' motives, practice pessimism and play power games. It's hard to drive with the brakes on; it's hard to keep your eye on the ball when you're gazing skyward to see if the sky might fall.

For the sake of practicality and business success, therefore, we should try to understand where trust comes from and why diminished trust so often poisons our wells.

NOT AN ON-OFF SWITCH

Many people (and most lawyers) tend to view trust in simple yes-or-no terms: either two people trust each other, or they don't. From this binary perspective, the parties tend to take up fixed relational postures: they embrace (figuratively, of course, if they're lawyers), confront, fight or flee. And once they assume their initial stance, they tend to interpret subsequent events in a way that supports their first perceptions.

This is called "confirmation bias" — we see what we expect to see and we interpret information in ways that support our initial opinions. So if we are warned ahead of time that someone might be untrustworthy, we tiptoe into the relationship heavily defended, prepared for the worst and primed to bail out the moment we see something that confirms our preconceptions. When the other party detects this wariness, it mounts its own defenses, and things tend to go downhill from there.

In fact, research suggests that an individual's decision to trust, or two people's decision to trust one another, is far more complex than yes-or-no. Our level of trust is shaped by the interaction of at least ten distinct factors, some relating to the psychology of the parties, some relating to the situation, and some relating to past experience.

Now, you might be thinking: "Yikes! You mean that if I want to build or sustain someone's trust, I have to keep ten different variables in mind?" The answer, if you want to move beyond gauging trust solely with your gut or your unexamined biases is: Yes, you do.

If trust is the recipe for successful collaboration, you must understand its ingredients and their respective contributions to its taste and flavor. If you are troubleshooting a trust-impaired relationship, you really must deconstruct that relationship to fix what's broken. As circumstances (and the stakes) dictate, you can conduct this analysis slowly and carefully or in a quick-and-dirty fashion — but either way, you have to do it. Here are the questions you should ask.

"Is the other person capable of delivering what they promise?" If the answer is no, don't buy in and don't commit.

THE CRUCIAL FIRST CUTS

To divide trust into manageable components, your first step should be to figure out what you're being asked to trust: is it another person's competence or that person's motives? For example, if I conclude you are incompetent, I'm entitled to back away even if I believe you are well-intentioned. Conversely, if I think you're selfish or manipulative, I should disengage even if I think you're highly skilled or experienced.

So question #1 is simple: "Is the other person capable of delivering what they promise?" If the answer is no, don't buy in and don't commit — not if a failed collaboration will prejudice your credibility or your economic interests.

Practical Ways of Building Greater Trust

If	*You should*
Your competency is in doubt.	Let your actions speak for you: demonstrate your abilities and explain how you do what you do, while readily acknowledging areas of lower competence.
Others doubt your "benevolent concern."	Consciously take actions that demonstrate empathy, give ground occasionally to support the greater good, and implement processes designed to ensure fairness.
Others' risk tolerance is low.	Spend more time explaining options and risks, evaluate participation and results separately, and build in some form of safety net.
Others are slow to trust.	Be patient and allow time to process and ponder, empathize with and accentuate positive traits, and look for opportunities to praise and support.
The other party is less powerful than you.	Avoid coercive behavior, listen hard and give the other person a participatory voice, emphasize organizational objectives and benefits, and discuss choices and options before deciding.

Question #2 comes courtesy of social psychologist Robert Hurley, who coined a wonderful phrase for assessing another person's motives towards you: "Does he or she show benevolent concern?" In other words, do you have evidence that they give a damn about your interests as well as their own?

If you trust that the collaboration is likely to produce mutual benefits, you will be comfortable with commitment. If not, tread carefully and wear a bulletproof vest. You might still be able to realize some benefit from the collaboration, but not because you believe your collaborator is invested in fostering that outcome.

THE OTHER PIECES

After you've reflected on competence and "benevolent concern," you should address the remaining eight factors. Strong trust builds both on

If	*You should*
The other party feels insecure.	Work to identify options with less apparent risk, and spend more time addressing fear and raising comfort levels.
Similarities are not evident.	Use "we" more than "I," remind the other party of positive results in similar prior situations, and constantly emphasize common goals, interests and styles.
Alignment appears low.	Focus on strategies and interests that the parties clearly share and on developing cultural norms that benefit the whole enterprise; emphasize the big picture.
Integrity and consistency are issues.	Underpromise and overdeliver, and if you can't deliver, explain why not as early as possible; describe to others the values that drive your behavior.
Communication is crucial.	Overcommunicate, particularly in crisis situations: Don't make assumptions.

relational factors (the longstanding styles, interests, biases and expectations of the personalities involved) and on contextual factors (those relating to the characteristics of the specific situation at hand). These eight factors break into two categories: three relational, relating to the personalities of the players, and five situational, relating to the characteristics of the situation at hand.

> If you trust that the collaboration is likely to produce mutual benefits, you will be comfortable with commitment. If not, tread carefully and wear a bulletproof vest.

RELATIONAL FACTORS

1. Optimism and Confidence: Are the parties quick to trust and confident that good things will happen? Or does one or more parties need extra time to size up the situation and overcome pessimistic biases?

2. Personal Tolerance for Risk: How comfortable is each person with risk and uncertainty? How much control over events does each need to feel in order to buy in?

3. Relative Power: How vulnerable does each person feel? Who has the greater power to shape the relationship or drive the interaction? Does one party feel overpowered?

SITUATIONAL FACTORS

4. Stakes and Security: What are the likely upsides and downsides to this interaction? Just how risky is this whole situation? (The higher the stakes, the less likely we are to trust.)

5. Alignment of Interests: Are our interests complementary? Do we face the same risks and rewards, so that we really are in this together? (The more their interests differ, the less likely that people will trust their collaborators.)

6. Similarity: Is the other person basically like me, with the same goals, values and style? And does prior experience with a situation like this help me size up the risks? (The bigger the differences, the less likely we are to trust.)

7. Consistency and Integrity: Is the other person reliable? Can I count on them to keep their promises in this situation? (Evidence of a lack of integrity obviously severely erodes trust.)

8. Communication: Are our words clear and convincing? Is our communication authentic? (People become defensive quickly if they feel communication is not genuine or is incomplete.)

> Over time, teams fed with carrots invariably perform better and more reliably than those prodded with sticks.

A COMPLEX COMBINATION

No single factor is sufficient for building trust. Particularly when meeting and sizing up another party for the first time, we process many different messages to get that sense of rapport or "chemistry." However, a concern about any single factor listed above certainly is enough to impair one's willingness to trust.

While it is difficult to rebuild eroded trust, damage control certainly is possible. If you sense a problem, perhaps with how the other party perceives your own style and intent, deconstructing the situation can help with troubleshooting. The sidebar lists some practical approaches for building greater trust.

All this diagnostic scrutiny can represent a lot of extra managerial effort — particularly burdensome to lawyers, who have competing priorities. However, the benefits of taking a hard look at "the trust issue" are clear: over time, teams fed with carrots invariably perform better and more reliably than those prodded with sticks. Students of effective collaboration know that trust is the best carrot of all. •

Legal leadership and communications

*Over 30 years of coaching and consulting, **Doug Richardson** has helped hundreds of lawyers develop into skilled organizational leaders, powerful collaborators and uncommonly convincing communicators. Doug's experience as a trial lawyer and nationally-recognized architect of innovative leadership programs lends a practical perspective to translating effective communication into superior team performance.*

Email: richardson@edge-international.com
Call: 610.660.9555

Thought Leadership

The partners of Edge International are among the most widely respected writers and analysts in the global legal marketplace. In addition to their own blogs and web periodicals, Edge partners are frequently called upon to contribute articles to or be interviewed by major legal publications worldwide.

Here is a sampling of Edge's published thought leadership over the past few months.

Published Articles

Juhi Garg, Delhi

- "Indian law firms quoting bills in dollars to avoid Euro volatility," *The Economic Times*, March 3, 2011.
- "Marketing a law firm: India's brave new world," *Australian Law Management Journal*, November 2010
- "Managing the business of law," *India Business Law Journal,* September 2010

Pamela H. Woldow, Philadelphia

- "Legal project management: the latest trend to lure clients," By Luis Millan, *The Lawyers Weekly*, February 11, 2011

Pamela H. Woldow and Douglas B. Richardson, Philadelphia

- "A Practical Approach to Legal Project Management," *New York Law Journal*, October 19, 2010

Sean Larkan, Sydney

- "Ah, free banking at last...." *PSF Journal — The Strategy Publication for Professional Service Firms in the Asia Pacific*, September 2010

Ed Wesemann, Savannah, GA

- "Merging into the future," *Canadian Lawyer*, February 2011

Gerry Riskin, Anguilla

- "Conversation with Gerry Riskin, co-founder of Edge International," *Bar & Bench*, November 29, 2010

Jordan Furlong, Ottawa

- "And What About The Next 35 Years?" *Connecticut Law Tribune*, November 29, 2010
- "Breaking the ice," *The Lawyer* (UK), January 31, 2011
- "Vendor or Competitor? Pangea3 Purchase Pleases Some, Worries Others," *ABA Journal*, February 1, 2011

Edge Blogs

Amazing Firms, Amazing Practices — Gerry Riskin's blog:
http://www.gerryriskin.com

- "Recovering from information overload," February 8, 2011
- "Few lawyers have formal negotiation training," January 12, 2011
- "Presentation Calendar: inspiration for each month," January 9, 2011

Ed Wesemann's website:
http://edwesemann.com/articles

- "Ten Ways to Cut Overhead," February 9, 2011
- "New Year's Resolutions for Law Firm Managing Partners," January 11, 2011
- "Finding Tall Guys to Play on Your Team: Five Important Reasons Why Lateral Recruiting Strategies Fail," November 21, 2010

John Plank's website:
http://commandingpresence.wordpress.com

- "Bringing in the business," March 3, 2011
- "Is your speaking style holding you back?" October 6, 2010
- "Fear of speaking," September 20, 2010

At The Intersection: Pam Woldow's blog:
http://pwoldow.wordpress.com/

- "Legal project management: The communications component," March 10, 2011
- "The client's new voice," February 18, 2011
- "The 7 deadly law firm write-off sins," January 7, 2011

Law21: Dispatches from a Legal Profession on the Brink
Jordan Furlong's blog: *http://law21.ca*

- "Are you selling the lawyer or the firm?" February 24, 2011
- "The new price wars," February 11, 2011
- "The year of the free-agent lawyer," February 7, 2011

"We invited a number of selected firms to propose on assisting us with our strategic planning. Initially, we received four proposals, from Hildebrandt, McKinsey, Edge International, and The Zeughauser Group. We had a late entry from the Gallup organization. At the end of the day, Edge presented the most compelling case for our selection. We think they are the hands-down best choice because they have the insight, experience, and process to best support our efforts. Their clients have all confirmed that they bring considerable skill and experience to the event, think differently than other consultants, are very intuitive and adaptable, run good processes, are very proactive, don't tell you what they think you want to hear, and deliver on their promises."

Chief Operating Officer
US-based professional service firm with 29 offices

EDGE INTERNATIONAL REVIEW is published as a courtesy to clients and friends to help to improve the profitability and competitiveness of their businesses and to achieve a higher level of satisfaction in their practices. The views and opinions expressed should not be viewed as advice being rendered professionally by either EDGE INTERNATIONAL or the individual authors. EDGE INTERNATIONAL refers to Edge International Inc. (Anguilla, BWI) and its international operating entities. To contact any author whose work is published in this edition of EDGE INTERNATIONAL REVIEW, please refer to the mini-bio at the end of their article for their email address. To contact EDGE INTERNATIONAL directly, the firm's global telephonic and fax communication system may be accessed at the following numbers:

United States, Canada and Caribbean (North America): 1 800 944-3343

Australia: 1 800 123 366

Germany: 0 800 1017063

United Kingdom: 0 800 964 911

South Africa: 0 800 999 849

India: 0091 11 4654 6760

Anywhere else, via USA: 1 402 398 4969

Email: inquiries@edge-international.com

For any other inquiries regarding EDGE INTERNATIONAL REVIEW specifically, please contact Jordan Furlong at jordan@edge-international.com. Graphic design is by Delitala Design Inc. All images except photographs of authors and where indicated otherwise are sourced from istockphoto.com or dreamstime.com. Feedback and constructive criticism is most gratefully received.