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Law Firm HR Challenges for the Future

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We believe that the HR challenges many law firms are facing outweigh their marketing challenges. The way firms manage human resources will determine their ability to attract, retain and motivate the talent necessary to develop the truly excellent and profitable organisations law firms want to be.



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We have identified eight HR areas that, in our view, need careful consideration.

1. All the wood behind one arrow

The real difference between thriving firms and lagging firms is the degree of adherence and loyalty of all partners, associates and staff to a shared long term vision for the firm and a set of values. Coherent partnerships almost automatically invest their energy in client relationships, business development and service excellence. Disparate partnerships waste their energy in internal politics, protectionism and endless debates on the number of fishes in the sea.

Uniting people around shared values requires leadership in human resources since it can only be achieved through consistent recruitment, focused assessment procedures, thought-over promotions and, when necessary, brave farewell decisions.

2. War for talent, war of talents

War for talents is a well-known challenge: firms are competing to attract and retain the best legal talents. War of talents is an emerging new concept: some of the best legal talents are not interested any more in working for the large corporate law firms. And for the first time, throwing money is not helping.

How do you fit in a generation of lawyers with different values, different driving factors, a different attitude and different skills? Integrating Generation Y will demand adaptation in many areas:

Areas	<i>The new generation of lawyers...</i>
Recruitment communication	Is very no nonsense and is not fooled by publicity. Bragging firms will make them suspicious.
Career path	Knows partnership is not an option for everyone but wants a clear view on the partnership process and alternative career paths.
Personal development opportunities	Sees work as a means to develop personally. Training and on the job coaching will become essential.
Firm culture	Expects life to be fun, exciting and full of learning experiences. So must be the environment they work in.
Internal communication	Accepts no authority without purpose or reason and will challenge inconsistent or unmotivated decisions.
Work organisation	Loathes routine and standardisation. Work must be diverse and inspiring. Technology must deal with routine.
Collaboration between teams and practice groups	Are team players, focused on efficiency, recycling and the path of least resistance. They will challenge inefficient silo-working.
Quality control	Is focused on results but less on perfection or the finishing touch.

3. Developing non-legal talents

Successful lawyers are more than legal experts. Professionals must excel in three areas: client management, people management, and practice management.

- Client management includes challenges like drawing and implementing an individual marketing plan, developing profitable, long-term relationships with key clients, engaging successfully in business development.
- People management covers challenges like coaching, leading, delegating, giving feedback, assessing, and being an effective communicator.
- The challenges of practice management include leading practice groups, client teams and project teams, adopting an effective project management approach to complex assignments, managing time, and enhancing professional excellence in writing skills, counselling skills, etc.

4. Work life balance

Work life balance is not merely a request of the younger lawyers. Attrition of lawyers becomes an acute issue for all generations. Not dealing with it will impact profitability at some point.

The current rigid structures -based on billable hours and turnover targets- law firms use to manage human resources avert them from finding structural solutions. Setting up innovative structures that allow individuals to find the right work life balance and the firm to deal with increasing client requirements, will require minor and substantial changes to systems, processes, attitudes and cultures, both at the individual and the organisational level.

5. Remuneration & bonus schemes

Profit per partner is becoming ever more critical. It even becomes the cornerstone of many strategic challenges such as law firms mergers and the integration of local practices operating in markets with different profitability potential. It will be an enormous challenge to adopt a partner remuneration system so that it balances between the need to achieve the strategic goals, the

need to compensate the high performers and the need to maintain a sense of collective ownership of the firm.

The lock-step compensation system for partners knows many supporters. There's less support for a lock-step compensation system for associates. The war for talent drives more and more firms into the direction of merit-based compensation of associates. But any merit-based system focusing solely on billable hours is doomed to fail. The question remains: which merits to compensate and how to measure them? These are crucial decisions, since the compensation and bonus scheme for associates will determine performance, retention, attraction, and firm culture.

6. Diversity

US corporations and lobby organisations increase the pressure on law firms to employ more women and minorities. The subject is burning in the US and invading European legal markets. It starts to affect law firm brands, relationships with clients, and business opportunities.

The weight of diversity will vary locally, but it is to be expected that diversity will eventually become a challenge for any law firm or alliance that has the ambition to operate at an international level.

7. Outsourcing

Although law firms have traditionally outsourced services like security, travel or mail, the allure of Thomas Friedman's "flat" world has some law firms looking hard at whether to outsource other functions. The options are no longer limited to an outside vendor running a service in-house. Instead, firms face an impressive array of options offered around the globe. Already more and more firms are considering outsourcing to India the coding and organizing of documents for major transactions or litigation cases.

The legal industry is beginning to embrace outsourcing as both a strategic enabler and a means to increase profitability. Outsourcing arrangements are multifaceted processes that require attention to business goals, human resource issues, technology and overall project management.

8. Balancing structural strength and flexibility

As they grow larger and aim at enhancing consistency and coordination, firms must develop policies, rules, systems and business processes, particularly in relation to and for their people. There are two challenges to overcome here:

First, it is easier to motivate lawyers to invest time and energy in business development (this is where the money comes from), than to persuade them to free up time for people issues that do not bring in any money. Convincing the partnership that investing in people is the right thing to do may be a challenge.

Second, setting up rules, systems, and processes may be necessary, but, unless properly done, it can easily turn the firm into a bureaucracy. The challenge is to do what it takes to enhance consistency and coordination, while maintaining (and even improving) a spirit of flexibility, creativity, personal accountability, excitement, and fun. ■

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