

**LEGAL  
TRENDS AND  
PREDICTIONS  
FOR 2018**

**HOW  
CONVENTIONAL  
STRATEGIZING  
CAN BE A WASTE  
OF TIME**

**LEADERSHIP  
TRANSITIONS  
MISFIRES**

**SHOULD YOUR  
LEADERSHIP  
BUILD A BRAND?**

**EVOLUTION OF  
BLOCKCHAIN AND  
ITS IMPACT ON  
YOUR CLIENTS**



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Dear Valued Clients and Friends:

I trust, that like me, you are looking forward to a dynamic spring and summer. I am hopeful that this latest issue of my *International Review* magazine will contribute to your strategic productivity and leadership efforts.

We start with the outcome of my collaboration with a group of colleagues that I greatly admire and the result of an inaugural meeting of our international Legal Think-Tank in New York. I invite you to read *Legal Trends and Predictions For 2018*.

*How Conventional Strategizing Can Be A Waste of Time* is intended to give you a guided tour through the typical strategic planning process with an emphasis on what NOT to do, which is then followed by *Leadership Transition Misfires* which essentially does the same thing with respect to identifying the dysfunctional behavior that some firms experience with their leadership succession efforts.

Once again I am pleased to share the results of a collaboration with my good friend and colleague, David Parnell whose regular Forbes column is avidly read by leaders throughout the legal community. *Should Your Leadership Build A Brand* is the 4th in a series of surveys that David and I have conducted over the past two years.

My final selection, *The Evolution of Blockchain and Its Impact on Your Clients* is a short piece meant to be demonstrative of the tech-driven hybrid, micro-niches that law firms must now contend with figuring out how to best serve.

Please also have a look at the newly revised and expanded second edition of *The Changing of The Guard: Selecting Your New Firm Leader*.

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

Patrick J. McKenna

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# Legal Trends And Predictions For



## Observations of the Legal Institute for Forward Thinking

Last year witnessed the formation of the first International Legal Think-Tank (IIFT—Legal Institute for Forward Thinking) comprised of thought leaders from three countries and an inaugural December meeting in New York City, where the group discussed trends and challenges facing the profession. This is a small excerpt of the day's intense discussions:

### Financial Hygiene

Law firms don't fail for lack of profits, they fail for sufficient cash to operate. Most firms that fail have multiple strong indicators two, three or even more years in advance. Plenty of time to take corrective action, as long as the partners are informed and are prepared to take corrective action. In most instances, the partners never have the chance to make that decision in time to save the firm, even though the firm leadership knows or should know that action is required. Below are but a few of the metrics that CFOs and law firm leadership can apply on a continuing basis to help keep the firm on track for success:

The working capital line of credit – (The ratio of the highest daily balance to the average daily balance -"HDB/ADB"- and their relation to the day each year that the loan balance is paid in full, the "BPF" date). The lower the HDB/ADB ratio falls, and the later in the year the firm reaches BPF, the more brittle the firm's financial position becomes.

The working capital ratio ("WCR") - The WCR is the excess of current assets over current liabilities, typically expressed as the number of times liabilities can be divided into assets. This computation should be made at the close of each month for a dynamic picture of the firm's liquidity position throughout the year, and for comparability from year to year.

Profit margin on operations ("PMO") - PMO is simply the partner profit pool divided by firm revenue, presented as a percentage. The profit margin on operations provides insight into income volatility for partners. Every percentage point of PMO is precious; and the lower it goes, the more brittle the firm's financial position becomes.

Compensation – If a firm's median compensation is moving closer to its average PPP, then all the partners may be benefiting; if not, there is a distribution toward the top of the firm's ranks. If the average PPP is rising, the median point is falling and the compensation spread is widening, the firm may be headed for rough times.

### Increasing Revenue in Tough Markets

Though corporate demand for legal services continues to grow, the share going to law firms keeps shrinking because GCs are hiring internally and sending work to alternative service providers. Consequently, law firms face robust competition and price pressure. As price takers, to thrive, and in some cases, survive, firms must sell smarter, reduce delivery cost and improve quality of service.

Smarter selling means knowing clients, prospects and industries in more depth – an exercise in increasing networking, CRM, business and sales skills and knowledge.

Reducing delivery cost requires better utilization by delegating to lower cost lawyers, developing and sticking to budgets, boosting efficiency with technology, improving law practice process and deploying effective knowledge management.

Better service means shifting to, or further utilizing, an external perspective to develop a keener focus on what clients need, from crisper answers to value-add services such as online offerings.

## Building Business and Differentiation Through Micro-Niches

We remember an incident, in the late 90s, where we were called in to facilitate a partner meeting that was intended to develop a strategic plan, for at that time what was being called a "Technology Group." Shortly into the discussions it was apparent that four of the partners were excited about their work with internet providers, three others focused on cable television, another five were serving software development companies, while the final three were into e-commerce operations. One supposed practice group that in reality was comprised of four sub-groups serving entirely different clients. These partners in their different sub-groups had nothing in common.

Welcome to 2018 and Déjà vu!

Many law firms are recognizing the tremendous growth opportunities available to them in targeting and serving what could be called "Tech-Driven Hybrids." These are not purely substantive legal practices, nor are they correctly categorized as being industry practices, but rather a hybrid of both – in that as a partner or law firm you can choose to serve Artificial Intelligence companies (e.g. Deep Learning) and/or some specific sub-industry niche (e.g. FinTech) that may be dramatically impacted and disrupted by AI.

The challenge for many law firms will be in organizing groups capable of *effectively* serving these hybrids as evidenced by recent announcements from both LeClair Ryan and Clifford Chance. US law firm LeClair Ryan has just launched a "new cross-office, cross-disciplinary Technology & Innovations practice team focused on ramping up service for companies that sell — or are heavily dependent upon — technology." Across-the-pond Clifford Chance

(UK) has pulled together 400 of its lawyers to form a new technology group to be deployed across different practice areas.

This is all about to get very messy with lawyers crawling over each other trying to figure out who should best serve which client.

By way of contrast, if we were to look at the area of Virtual Reality (VR) we could identify 8 significant players located in places like Seattle, Phoenix, Chicago and Silicon Valley; and ranging in size from a sole practitioner to a 1000-lawyer firm with four partners who focus on this niche area.

Here's a NEWS FLASH: From the client's perspective, they don't care whether you have a dedicated Technology practice team of hundreds, they just care whether you can show evidence that you know anything about their particular area and business issues.

In a very similar fashion, a paper entitled *Unlocking The Mystique of Understanding Industry Clients* (Legal Business World Issue No.1) chastised those law firms promoting their one large, homogeneous Health Care Practice, advocating that there is no such thing as a Health Care lawyer. In that article the author identified how the Health Care industry is now divided into well over 40 different sub-segments and from the client's perspective (which should be paramount) if I'm looking for legal counsel in emerging litigation risk assessment with CRIS-PR Genomics Editing, your having hundreds of lawyers in some Health Care Group really has little significance for me . . . unless you have

proven expertise in my area of concern.

So, welcome to 2018 and the age of the Micro-Niche.

Don't tell me you have a Technology Practice Team. Tell me what specific legal experience

*"Many law firms are recognizing the tremendous growth opportunities available to them in targeting and serving what could be called "Tech-Driven Hybrids." These are not purely substantive legal practices, nor are they correctly categorized as being industry practices, but rather a hybrid of both"*

you have and about **the business issues related** to applying 3D printing to the energy management industry; in utilizing AI to develop treatment plans for brain-cancer patients; in using industrial robots for remote construction site surveillance; micro-chipping employees to enhance workplace surveillance, or how synthetic biology is being used to produce wine without grapes – all things that are happening right now, as you read this.

We have heard that one of the very specific strategic goals at both Deloitte and McKinsey is recognizing that within the next three years, by the end of 2020, one-third of firm revenues need to come from services they do NOT now provide. Law firms can achieve that same goal . . . if properly organized and strategically focused.

## Ushering in Change in A Change Resistant Industry

If a successful large law firm faced an "innovator's

dilemma," what would it look like?

On the one hand, the firm has a wonderful set of endowments: (i) longstanding and lucrative relationships with industry-leading clients; (ii) a business that requires very little operating capital yet generates significant cash and profits; and (iii) an established brand that makes it the safe choice against upstart new entrants. On the other hand, when the traditional service offerings hit a plateau that is likely permanent, the firm struggles to use its superior endowments to reinvent itself in a way that locks in another generation of prosperity.

Many law firm leaders understand the innovator's dilemma and worry about the timing and execution of reinvention. Thus, at numerous firms, there are internal innovators, or "intrapreneurs," who are running carefully vetted projects designed to deliver tangible benefits to their firms. In its idealized form, this strategy raises awareness through small wins, which, in turn, create buy-in and momentum for more ambitious change.

### Industry Knowledge and Purchasing/Negotiation Expertise Will Continue to Exert Pressure

Major legal consumers are increasingly leveraging what was formerly a sleeping asset: in-house procurement professionals. Generally reserved for other areas of procurement within an organization, GC's are now utilizing the formalized procurement skill sets to negotiate lower rates, alternative fees and otherwise more predictability from providers in their legal consumption. And as the industry data continues to grow and aggregate, these procurement professionals will have stronger tools by which to shore up their positions.

Law firms can expect: (even) stronger, emboldened clients with the help of legal procurement professionals; substantially more tracking

and measurement of legal services; objective comparisons of work product and time and resource expenditure will become the norm. Perhaps most shocking is that the traditional "trusted advisor" relationship will - for large companies, in particular - be replaced by strategic supplier relationships / partnerships aimed to maintain quality, increase efficiency and increase cost avoidance.

### Leadership Duties

To climb to the top of the legal food chain is a daunting and consuming task; so is becoming a top of the food chain leader. In a market that is already over pressurized, law firm leadership is tasked with the huge effort of not only running their firms but also becoming good at it. When you consider the gravity of steering a \$100M, \$500m, and especially a \$1B+ corporation, its leadership will have often spent decades climbing the ladder and building their skill set. Most law firm leadership does not have that luxury, leaving them in a position of playing catch up, all the while having limited time and resources to do so - particularly when still practicing while leading. There are particular areas where their development should focus:

**Culture** - Culture dictates a whole host of attributes and criteria within a firm, including things such as acceptable behavior, expected workloads, the allocation and implementation of resources and more. As a result, culture and organizational performance directly correlate, with culture often acting as an internal policeman, and sometimes a judge, in lieu of policies and procedures. It is immensely important, and as such, care needs to be taken in understanding what it is - i.e., all of its parts and its origination - how it is fostered and developed, and how it can come apart and fail. As stewards, and in some cases, architects of their firm's culture, it is incumbent upon leaders to become experts on the subject.

**Strategy** - Many firms need effective strategy at this stage of the market's evolution if they are to survive, much less thrive. Even the "Elites" should be investing in strategy - Rome didn't last forever. With that in mind, the creation of a succinct strategy - i.e., (i) a coherent plan of action that is, (ii) composed of sufficiently proximal steps, which (iii) builds off of current strengths, that are (iv) governed by an overlying norm or policy and (v) lead a firm from their current (practical) position to one of measurable competitive advantage - takes significant and deep understanding of the process, the information to be collected, the advisement to seek, the appropriate allocation of resources, market knowledge, one's firm's station in the food chain and so much more. It is not sufficient to read a book or take a class. It needs to be studied and understood at a deeper level if one is to be truly competent with it.

**Competition** - When asked who one's competitors are, the list usually consists of law firms. In this fragmenting and increasing liberalizing market other law firms are just a part of the equation. Truly understanding one's competition requires not only understanding where their firm *actually* sits in the private practice food chain - versus where they would like it to sit - but also understanding *all* of the other drains on revenue and profitability, including technology, off-shoring, outsourcing, the aggregation and leveraging of industry-specific data, consulting firms, in-house departments, procurement professionals, AFAs, attrition and more. This is an entire area that requires significant exploration.

**Technology** - Leadership will likely never be in charge of analyzing, at the deeper levels, the veracity of certain technologies that are under consideration. That said, technology creep is ever-quickenning and will only speed up and grow. It is a hard reality that all firms will

have to embrace, whether sooner or later, and those leaders that truly make the effort to (i) understand the entire technological landscape, (ii) make reasonably sound predictions about what technology(ies) will be important for their firm's adoption in the next 2-5 years, and (iii) understand that technology at a deep enough level that they can effectively and intelligently direct, and work with, the professionals that will be in charge of adopting and implementing it, will have a significant advantage over their peers.

### Client and Provider Alignment

Being that legal services are a credence good, providers have long enjoyed asymmetry of information between themselves and their clients. But with the significant advancement in the sophistication of legal consumers of the past 20 (or so) years, clients have been turning much of the legal industry into a buyer's market. They are largely no longer willing to pay for (i) work that can be performed cost effectively in-house, (ii) certain types of work that associates, particularly junior associates, used to do, and (iii) work that can be done faster and cheaper by technology or non-legal vendors. They are, however, still quite willing to pay for true commercial expertise, including demonstrably superior knowledge of their business and the regions in which they operate, and the convenience of quality service and business solutions beyond traditional legal counsel across multiple jurisdictions. To best provide for this, there are four areas of alignment that firms should focus on:

Price – including that which is aggressive and value-based, alternative fee arrangements, a mix of talent and vendors and pricing models that share risk.

Innovation – including that which gives lawyers the tools to do their jobs and serve clients better, and using technology to deliver service

that is regarded by clients as being better, faster and delivering more value.

Talent – including providing more non-partner track lawyers, contract lawyers and multi-disciplinary teams.

Service – including high end, high-quality legal work that is delivered across multiple jurisdictions and business solutions that are beyond just legal counsel.

### Predictions for the Coming Years

While predictions are difficult to make, the following are four:

AI/Technology is a ticket for admission. Clients expect all their law firms to adopt AI in some form. And as the market evolves, clients will only be able to notice AI through exceptional use or by its absence. AI, in particular, is still very much in its early stages of adoption, but the firms that embrace it and become market leaders in its usage will reap a significant advantage. And those that leverage technology to provide for a better, more predictable and affordable solution will be embraced by clients.

Law firms able to scale their client-facing operations will have a great advantage, as currently, 51% of large clients report their law firm delivers an inconsistent performance across the team serving them, across offices and across practices. These clients say this lack of uniformity stops them from giving these firms any new work or work in a new area. The law firms who learn how to deliver a world-class performance *uniformly* across their firm will have a significant advantage.

Compensation systems will close, but doing so will gut a few firms before open systems completely disappear. Why? Because the firms with flexibility in compensation are slowly picking the best performers out of lockstep firms. Scott Barshay departing Cravath was the glaring example of this in 2017. This trend will accelerate as time passes, forcing firms to develop subject

*“AI/Technology is a ticket for admission. Clients expect all their law firms to adopt AI in some form. And as the market evolves, clients will only be able to notice AI through exceptional use or by its absence.”*

ive systems to keep their top performers and compete for laterals. The Magic Circle firms abandoning their full lockstep models for a modified model in recent years is a good example of “the locksteps” responding to this trend.

A small number of law firms will bet and win big on business development. It is impossible for law firms to operate without clients, yet only a small number of law firms are treating business development as a top strategic priority. Of course, most firms will incentivize business generation accordingly, but formally creating and implementing sales, marketing and cross-practice synergy programs along with allotting significant resources to education and attorney development in all of these areas are a different matter altogether. The firms that have made this a strategic priority are already stealing clients from other law firms and *will* steal more, of course leaving other firms with less profitable clients and a shrinking client base.

*A version of this article originally appeared on Forbes.com*

## LIFT – Legal Institute For Forward Thinking Members *(in alphabetical order)*

LIFT is an international Think-Tank and coalition of recognized thought-leaders that meets to brainstorm, debate and analyze top issues and future trends impacting the legal industry with an objective of “raising the awareness of market disruption.”

With the intent of keeping the group quaint and efficient, we brought together complementary practices that do not overlap, covering areas such as leadership, knowledge management, technology, branding, academia, innovation, firm finance, procurement and employment. The distinguished group includes:

### RONALD FRIEDMANN

Partner and consultant with Fireman & Co., a legal industry-focused management consulting firm. Ron focuses on optimizing law practice and legal business operations with technology, knowledge management and alternative resourcing. One of the first non-practicing lawyers hired by a large law firm, Wilmer, Culter & Pickering (now WilmerHale) to manage practice support.

### PROFESSOR WILLIAM HENDERSON

Professor of law at Indiana University’s Maurer School of Law, a former principal in Lawyer Metrics - a consulting firm that uses evidence-based methods to assist firms with hiring – and business-of-law luminary whose research and writings focus on the diffusion of innovation in the legal industry.

### PATRICK J. MCKENNA

Principal at McKenna Associates Inc. focusing on law firm leadership and strategy consulting; author of eight books, most notably his international bestseller, *First Among Equals*; identified by LawDragon as one of “the most trusted names in legal consulting; and recipient of an “Honorary Fellowship” from Leaders Excellence of Harvard Square.

### DAVID J. PARNELL

Founder and principal of True North Partner Search, a Manhattan NY-based legal recruitment and coaching firm; ABA published author of *In-House: Lawyer’s Guide to Getting A Corporate Legal Position* and *The Failing Law Firm: Symptoms and Remedies*; speaker, and columnist for Forbes & American Lawyer Media.

### EDWIN REESER

A lawyer specializing in structuring, negotiating and documenting complex real estate and business transactions, Ed is also the former managing partner of Sonnenschein Nath & Rosenthal

LLP’s Los Angeles office and an expert on the subject of law firm finances – particularly those that lead to law firm bankruptcy or dissolution.

### MICHAEL B. RYNOWECER

President and founder of client research firm BII Consulting Group, which conducts independent research on how clients acquire, manage and evaluate their professional service providers, benchmarking how Fortune 1000 companies buy, how professional services firms sell and how to manage service provider performance.

### DR. SILVIA HODGES SILVERSTEIN

Executive director of the Buying Legal Council, the international trade organization for professionals tasked with sourcing legal services, author / editor of the Legal Procurement Handbook, adjunct professor of law at Fordham School of Law and lecturer at Columbia Law School.

### PROFESSOR RICHARD SUSSKIND, OBE

Professor, author, speaker and independent adviser to major professional firms and to national governments. His main area of expertise is the future of professional service and, in particular, the way in which the IT and the Internet are changing the work of lawyers. (\*Due to scheduling, Richard was unable to personally attend this meeting.)

Lastly, we invited a special guest speaker to join us for this inaugural gathering - Elliott Portnoy, the Global CEO of Dentons. A Rhodes Scholar and Harvard grad, Elliott joined Sonnenschein Nath & Rosenthal LLP in 2002, founded its public policy practice and later became its youngest chairman. Today, along with his chairman, Joseph Andrew, he has presided over 30 mergers and has grown Dentons into the largest law firm in the World.

# How Conventional Strategizing Can Be a Waste of Time

MANY FIRMS THAT HAVE BEEN INVOLVED IN CONVENTIONAL STRATEGIC PLANNING ARE FAILING TO IMPROVE THEIR ABILITY TO DIFFERENTIATE THEMSELVES, THEIR COMPETITIVENESS OR THEIR RELATIVE GROWTH, IN SPITE OF THE INVESTMENT OF TIME AND EFFORT IN THE PLANNING EXERCISE. HOW MANY FIRMS WITH A BEAUTIFULLY PRESENTED STRATEGIC PLAN HAVE ANYTHING MEANINGFUL TO SHOW FROM THEIR EFFORTS? ONE WOULD THINK THAT THE APPLICATION OF STRATEGIC PLANNING METHODOLOGIES WOULD HAVE ACHIEVED MORE MEASURABLE RESULTS.

One needs to recognize that the typical strategic planning exercise now conducted and infused with massive quantitative data misses the essence of the concept of strategy and what is necessary for being innovative and differentiated. Indeed the word “strategy” has unfortunately become a devalued term, challenged only in the buzzword hall-of-shame by “synergy” or perhaps “out-of-the-box thinking.”

But the problem here for most of us isn't with terminology. When research study after research study now suggests that the only way for your firm to grow is at the expense of competitors, the need for you to craft a truly competitive strategy could not be more acute. The real problem is one of continuing to utilize shop-worn, tired old approaches, which simply don't work anymore.

If you're interested in learning how those firms who produce above-average results are doing it, it may be instructive to become conversant with what doesn't work. Let's delve into the typical strategic planning process as is so often practiced or proposed by outside consultants, and conduct a quick review of some of the most time-worn methodologies that are still so often employed, and explore why they are so often a waste of time.

## • Firm Vision

*“We will commence our work with you by helping to develop and communicate to the partnership, a guiding vision for where your firm is going into the future.”*

Remember mission statements? Mission statements were a single-page document filled with more platitudes than you'd find in the average prayer book, spelling out your firm's business mission. No one remembered the darn things, it was business as usual, and the document didn't have the profound impact on the fortunes of firms that their creators had hoped for. The mission statement exercise was quickly forgotten — except at those few firms who chose to have them laminated as cards for every attorney to keep on their desks.

Then came the hype that every firm needed a vision. It was a new name, but quickly became the same old silly exercise. All your skeptical partners exchange winks and knowing glances. The Executive Committee would have to be indulged one more time. And, unfortunately, in 99% of all cases, the results were the same — having a formal written vision statement . . . changed nothing!

## • Financial Review

*“We will review your financial data and convert it*

*into templates that allow us to advise you on how you compare to similar firms.”*

Some of us are just old enough to remember that in the early days, firms often recruited their first Law Firm Administrator / COO from either the military or the police force. (I guess managing partners needed someone with that kind of background training and clout to help herd the cats!) Today, your typical COO or CFO is a refined administrator with sophisticated financial training and access to reams of comparative statistics. Do we really think that this professional has not been doing their job?

In the course of developing a strategy, we should not forget that financial numbers are an abstraction, and often give the illusion of precision. They are largely historical and can serve to blind leaders to future changes and they rarely get partners too excited. One firm recently related to me how, as part of their strategic plan, they set a numerical target for their RPL performance over the coming three years and then wondered why their fellow partners weren't all that excited or motivated by the goal.

If you have chosen to retain the assistance of a consultant in helping with your strategic planning, then having that individual conduct a financial



**W**hen came the hype that every firm needed a vision. It was a new name, but quickly became the same old silly exercise. All your skeptical partners exchange winks and knowing glances."

review, look at your firm's organizational structure, peruse your partnership agreement, and audit past business development achievements may be legitimate steps — in an "orientation process" that any consultant should just naturally take to get to know your firm. But why would you have your strategy process (that implies looking forward) include a formal step that serves only to focus internally and look backward?

The top performing firms understand that the task at hand is to look outward, not inward; to craft a competitive strategy, not conduct an operational review — and this course of action doesn't exactly set the tone for a process that should be concerned with creating new revenue streams.

**• Partner Interviews**

*"We will conduct one-hour, in-person interviews with the appropriate mix of partners and associates."*

We trust that everyone can fully understand the critical importance of obtaining "buy-in," especially from our partners, to any strategic planning initiative. I learned many years ago, that no partner willingly supports, gets truly enthusiastic about, or eagerly participates in implementing any plan, that they themselves have not had some part in formulating.

But I am also convinced that there are far more effective (and far less time consuming) ways of getting everyone actively involved, then having a team of consultants running around your firm giv-

ing everyone a half-hour to articulate their latest pet peeves.

**• SWOT's Analysis**

*"We will develop our strategic plan in the context of market realities and the firm's strengths and weaknesses, and offer suggestions."*

Almost every firm that goes through the conventional strategic planning process uses some form of SWOT Analysis. To the uninitiated, SWOT is an acronym for "strengths, weaknesses, opportunities, and threats." It means that we will all engage

in an exercise to have a look at what are the various internal strengths and weaknesses of the firm, and then look to what particular threats and opportunities there are that could be exploited. Sounds sensible enough. But the process, as it is currently, most often executed, is a complete waste of time for most firms. In some cases it has probably done more harm than good.

In fact, let me press this point by providing you here, with a rigorous analysis of your firm's current strength and weaknesses.

- Strengths:**
- Many talented attorneys
  - High level of client satisfaction
  - Excellent opportunities for cross-selling
  - Quality of firm's legal work
  - Ability to serve most client needs
  - Strong reputation
  - Collegial culture

- Weaknesses:**
- Insufficient team approach to providing services
  - Trend toward too much me, not enough we
  - Insufficient cross-selling
  - High hourly rates for commodity legal work
  - Unwillingness to make hard decisions like terminating unprofitable work
  - Weak differentiation from competitors

- Unevenness of marketing efforts among partners
- Communication between management and partners

Does any of this sound familiar? So what is the relevance of all this to strategic planning you might ask. Nothing whatsoever. All too often this turns out to be an exercise in identifying the most trite descriptions of firm strengths and weaknesses.

The real question that you need to explore is: are there any attributes, which signify meaningful differentiation, that clients regard as valuable and distinct to our firm?

The proposition that I would proffer is that a SWOT's Analysis (like marketing) is irrelevant at the firm level — other than to perhaps help assess image, geographic aspirations, culture or governance. Any meaningful assessment of strengths and weaknesses is best left to the practice and/or industry group level where we can instinctively understand that it is going to be far different for each group — which leads nicely into my next point and one of the most critical.

**• Practice Group Contribution**

*"We will hold meetings with your practice groups to allow members to voice ideas and opinions about the firm's strategic plan."*

If the only contribution the practice and industry groups are expected to make is to voice opinions about your firm's strategic plan or sit quietly by, waiting patiently, for their marching orders from on-high, then we have effectively short-circuited the audience that could make the most meaningful contribution to your firm's strategy.

It has been long debated as to whether the most effective strategic planning is a top-down process or bottom-up process. My observations and experience convinces me that it is both. The top-down process needs to be concerned with the growth and direction issues that result from looking to where the profession is evolving and

how we might best allocate critical resources to take advantage of the future.

Instead of advocating a top-down approach, strategy should be set in a dialogue involving all levels. The aim is to help firms from the practice group up, create distinctive strategies to keep them ahead of the competition. Staying ahead is easier said than done. It requires a depth of insight that most firms depend on when they are young and entrepreneurial but lose when they age.

The bottom-up process is simply a recognition that the greatest opportunities for truly differentiating your firm, gaining competitive advantage and generating new revenue emanates from individual practice groups. If we recognize that a firm is comprised of discrete business units, we see that the way in which you market an employment practice is likely to be very different from how you might market a health care practice. So too your employment group likely competes with a very different collection of firms than your health care group might compete with. What naturally follows is that the “needs” of employment clients and the emerging opportunities for the practice group to explore requires that the group develop their own strategies interdependent of the firm as a whole.

What we have learned from those firms achieving above-average performance is that they have balanced the need to develop an overall top-down strategic plan for the firm — with having multiple bottom-up plans developed by each practice and industry group — where many of the most important growth opportunities exist.

#### • Client Assessments

*“We will conduct in-person interviews with a number of your most significant clients. These interviews make it possible to assess the service levels your clients perceive as well as identify areas in which you excel or need improvement.”*

How do you argue with motherhood? Yes, yes, it seems that in spite of the numerous articles written in law practice management journals, over the

years, on the extraordinary merits of assessing client satisfaction, there are still those firms that have not made it an operational habit.

But . . . once again, this is an operational issue. Assessing client satisfaction should be an ongoing process and not merely relegated to being part of your (periodic) strategic planning.

AND, most importantly, the strategy issue is not about client satisfaction! The strategy issue is client (and prospective client) “needs” — and the highest performing firms clearly understand that.

I have long advocated that partners should make it their business to understand what it is that is keeping their clients awake at nights (forgive what is now a cliché). But when you are seeking to craft strategy, you have to go even beyond what is keeping them awake, to truly understand their much deeper needs.

Understanding what clients need is a whole different process. There are five levels of client needs that should be explored: explicit needs, observable needs, tacit needs, latent needs, and emerging needs. Many are satisfied if they can get a handle on their clients’ current needs. But, this is not the total answer. You must also think far ahead of the curve. You must lead the pack by anticipating clients’ needs before clients even know those needs exist.

Please don’t misunderstand. Improving client satisfaction is a critically important issue. It’s just should not be the focus for conducting in-person interviews with clients, when seeking to craft strategy.

#### • Implementation.

*“The strategic planning process usually takes six to nine months to complete. We would then be pleased to help you implement your strategic plan.”*

**U**nderstanding what clients need is a whole different process. There are five levels of client needs that should be explored: explicit needs, observable needs, tacit needs, latent needs, and emerging needs.”

I understand that it takes nine months to give birth to a baby, but I also believe that everyone instinctively realizes that a lot can happen in nine months. It took less time for an internet service called Facebook to go from a standing start to millions of users. It’s a brand new, do-more-faster age. Today’s global economic dance is no Strauss waltz. It’s break dancing at break-neck speed. Your success in this competitive marketplace is directly proportional to the competitive growth strategies and management sophistication that your firm can bring to bear, and how *fast* you can do so.

What is difficult to fathom is why implementation cannot be a natural part of any strategic planning process. Why can’t you build ongoing implementation into various steps in the process? Rather than spending time interviewing every partner to build buy-in, why can’t you engage the partners in an exercise that allows them to participate in assessing the firm’s competitive position, identifying growth issues, and setting to work on some initial actions and perhaps, some small limited-risk experiments? Where is it written that you have to wait for the better part of a year, until your plan is finalized?

In light of these glaring shortcomings is it any wonder that some of the best performing firms have concluded that strategic planning, as currently practiced, is obsolete?

And . . . if you begin to play that out, it leads inevitably to a very different kind of strategy process than you may have experienced thus far.



# McKenna's First 100 Days Private

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

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

## Homework and Reflections Assignments

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

## How My Sessions Can Really Make A Difference

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

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

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

## One-On-One Consultations

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

## Document Review

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

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

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

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

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

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

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

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

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

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

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

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

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

##### *Hitting The Ground Listening*

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

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

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

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

##### *Stimulating Change That Sticks*

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

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

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

##### *Securing Early Wins.*

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

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

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

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

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

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

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

# Advisory Sessions

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

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

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

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

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

##### *Understanding Your New Role*

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

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

firm leader needs to manage in order to enhance trust and credibility among their partners.

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

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

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

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

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

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

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

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

##### *Setting Your Strategic Agenda*

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

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

# Leadership Transitions Misfires

*Peter Paul Rubens, copy of DiVinci's Battle of Anghiari*

## 1. Publically Contested Horse-Races Don't Always End Well.

Having a contested election isn't necessarily a negative, it only becomes problematic when it becomes public and political. By way of example, I was struck only last week by the terms used in the legal press as yet another law firm was characterized as: "set for a contested election"; "candidates emerge for contest"; and "hats in the ring." In this case, the Chair's role at the Eversheds Sutherland firm was now in the news as "partners are set to go head-to-head" to succeed Paul Smith the firm's current Chairman. According to (anonymous) partners within the firm – three specific names have already been announced.

And the media are loving it! Here is but one excerpt from some of the legal news coverage of the day:

**When a firm leader's departure is predictable, firms need to take appropriate steps to ensure a controlled and effective succession process that minimizes the inevitable 'disruption' likely to occur.**

The three candidates have been touring the international firm's network of offices in recent weeks, pitching to partners in a series of one-on-one meetings. In addition to visits to the firm's regional offices, they have also met partners in continental Europe and have spoken over video-link to partners in other regions such as Asia. However, it is still unclear which of the three will clinch the role, as they all **command support** from sections of the partnership.

A former partner said: "They are all extremely good candidates, and I think they would have something different to offer. All of them are top drawer with a lot of experience."

When asked this week who he would pick, one partner said he was divided between two of the candidates. "It would be lovely to have Pamela - she is a proper City girl and we have always been run by Northern lads. My gut feeling is that it may go to Rob; there will be a feeling you need a chair who will hold the executive to account and Rob will call a spade a spade - he is not your matey mate."

And here is where it all begins to go off the rails!

■ These campaigns inevitably become bitter. This usually begins as these particular articles did with selected but anonymous partners commenting in flattering terms about the various candidates – "She is well respected, well known in the financial space and the City and well known as a leading woman in the City" and from about another: "He is extremely popular, a great character, very well known and well liked."

We are also told as we were in this case that *“the election process has not yet kicked off, but it is expected to start in the next few weeks.”* This is when things begin to heat up as our various candidates move from subtle campaigning to having their friends and followers become more overt in verbally canvassing for their support. Factions develop, emotional discord creeps in and rivalries become intense.

Here is some excerpted commentary, as reported in the legal media, from yet another contested election. To most readers this would appear to be extracted from a political campaign of some sort, rather than from the activities within a respectable law firm.

*Heavyweights prepare to do battle . . . One partner goes so far as to say it would be “almost impossible” for him to win the vote . . . Sources point to this candidate’s toughness as an “effective task master” and a hard worker, even if he may need to work on staying personable to be successful in the leadership campaign . . . “At the end of the day, real estate is not a very exciting background for a managing partner to come from” . . . It seems that no candidate can yet be called the favorite.*

years that you aspire to be their “trusted advisor” and now all they really care about is who you are intending to pass their important matters over to.

In one instance I will never forget, the obvious choice within the partnership was one outstanding individual who had literally built one of the firm’s most highly profitable groups and was revered by his peers. Before accepting any nomi-

so, in these kinds of contested situations a highly valued partner who looses may ultimately take it very personally and decide to leave your firm. It should not be any secret that legal recruiters and headhunters usually swarm whenever firms go through highly public, contested elections because they know that there will inevitably be fallout.

In one of our First 100 Days Masterclasses that I co-facilitate for new firm leaders we welcomed a Global 20 firm leader as our luncheon guest speaker who admitted that after his election and in spite of his very best efforts, every one of the five other firm leadership contestants left the firm within the following year.

A high profile contested election can also become quite distracting to everyone as it is politicized through continuous hallway speculation and various camps develop. As the competition intensifies, it is not uncommon for partners to take sides for or against particular candidates. This can result in overt behavior that deters teamwork

and knowledge sharing. It is not at all unusual for some of these partners to also leave with the losing candidates, following a contested election.

*In all likelihood most firm clients are first hearing about this development from the media. In all likelihood, the lawyers involved have not deemed it necessary to confer with their clients before any public announcement of their being a potential successor was forthcoming.”*

■ And what do you suppose the clients think of all this?

In all likelihood (and I dare you to prove my extensive experience wrong), most firm clients are first hearing about this development from the media. In all likelihood, the lawyers involved have not deemed it necessary to confer with their clients before any public announcement of their being a potential successor was forthcoming. In all likelihood the lawyers involved will think that their respective clients are going to be thrilled that they are being considered for firm leadership.

News Flash: Best Case is that your clients don’t care. Worst Case: You tried to convince them for

nation, this partner had the good sense to meet with a few of his key clients. He reported how he asked his largest client “What would you think if I were to let my name be put forward as a candidate to become the firm’s next Chairman?” He came back to the nominating committee to report that his client’s response was “Think again!” In other words, this General Counsel was making it very clear to the partner that if he wanted to proceed with becoming the firm’s next leader, he would be moving his legal work to some other firm.

■ Imagine this: Lawyers don’t like to be publicly humiliated.

In looking at who might be best to assume the leadership mantle, most firms will tend to gravitate to those partners who are among their most legally talented and serve a sizable client base. And

Allowing a publicly-contested horse-race can make for a very emotional and expensive leadership succession process. When are we going to learn?

## 2. The Incumbent Doesn’t Pick The Best Successor:

In a very recent announcement that caught my attention, the world’s pre-eminent consultancy firm, McKinsey, announced that the firm was commencing its procedure to “elect a new head.” To that end, over 500 of McKinsey’s partners descended upon the Grosvenor House Hotel in London to begin the process. Firm insiders quietly reported that McKinsey is caught between

pursuing a more entrepreneurial vision that seeks to diversify its business by straying into digital and analytics services, or remain true to its traditional focus on consulting. But, unlike other professional service firms, especially law firms, McKinsey does not allow formal candidates, manifestos, or campaigning for the top role. Instead, partners simply vote for whomever they want to install and names are whittled down in several rounds of voting.

McKinsey's process reminded me that any law firm leadership transition process can also become dysfunctional when either of two specific things are allowed to occur:

In a very recent announcement we read about the notable achievements of a particular AmLaw 50 firm Chair who has announced that he will be stepping down at year's end. This particular individual has served for over 10 years, is 70 years of age and has a distinguished legacy of seeing firm revenues double while opening a half-dozen new offices during his tenure. The particular article is quite lengthy, certainly well deserved and makes mention of how he intends to recommend one particular partner as his successor when the firm's Board meets in December.

Now, firm chairs and managing partners can and should play a very critical role in identifying and developing leadership talent within their firms – most specifically those ready to head up offices, practice groups and industry teams. But in my experience there are a number of reasons why I would caution you about having your current firm leader choose his or her successor. There is experiential evidence to show that allowing a firm leader, even and perhaps especially a very successful leader like this one, to choose their successor can bias the selection dynamic.

When the incumbent has accomplished great

things for a firm or been in the position for an extended period of time (over 10 years) Boards can often be tempted to anoint a clone. No one will admit that your firm may now need someone with very different skills and competencies, and the Board can't imagine insulting their highly accomplished partner by not accepting his or her choice.

Often times these firm leaders (perhaps uncon-

*“For some time now I have been personally appalled at the incredibly short time period that some firms allow for any incoming firm leader to properly orientate themselves to the magnitude of their new role.”*

sciously) are most attracted to that replacement that is a mirror image of themselves. Typically their choice of a successor is some partner (in this case who is also male) who could be within the same age range, and/or who has a leadership style, business philosophy and even personality very similar to the mentor. If the same personality, sensibility and approach that made your firm what it is today, gets to decide who will lead the firm tomorrow, there will be a very natural human tendency to choose . . . “a mini-me” and then tell me please, where will new innovative ideas come from?

When a firm leader steps down it can present a sense of uncertainty, but it can also serve as a valuable reflective time for your Executive Committee / Board to pause, actively listen and ponder the answers to such fundamental questions as:

- “What new developments, trends and changes do we see beginning to affect both our profession and our firm at the moment?”
- “Where does our firm really stand with re-

spect to these changing trends?”

- “Where is our firm heading and is our strategic plan and desired direction still realistic?”
- “What skills and traits will any new firm leader need to have to effectively guide us into the future?”

Finally, if your next firm leader feels in any way that they owe their position or are obligated in

some way to their predecessor, the predecessor's influence could constrain that new leader from making needed changes. Many observers have been witness to the “meddling syndrome,” an affliction that occurs when the former leader stays too close to the circle of power and interferes with the incoming leader's ideas and initiatives, which consciously or subconsciously undermines all progress. I've known smart departing firm leaders (like Bob Dell at Lathams) who have taken a long holiday or sabbatical immediately after stepping down, in order to give their successor some much-needed maneuvering room.

Allowing an incumbent to pick their successor can make for a very dysfunctional leadership succession process. When are we going to learn?

### **3. The Folly of Immediate Succession or Waiting Far Too Long**

Taking the reins of leadership from a long-serving law firm leader can present an enormous challenge. In some firms it gets ridiculously difficult when the new leader has been given only a few weeks or even days to prepare themselves to step into their new role; or when the outgoing, incumbent leader is not fully supportive of the transition.

For some time now I have been personally appalled at the incredibly short time period that some firms allow for any incoming firm leader to properly orientate themselves to the magni-

tude of their new role. There is a very old joke that goes, "I have met some managing partners who were just unfortunate to be out of the room when the position was filled." All too often it is as though we met on Saturday to discuss the ongoing management of our firm (perhaps as part of an annual partner retreat), voted for a new leader and then informed that lucky individual that they should expect to start in their new role on Monday.

I further believe some of that behavior is stimulated by an expectation that the successor will likely be someone who has some prior experience and so getting themselves prepared to make the shift should be no big deal. Unfortunately, it is a far bigger deal than most might imagine, or acknowledge. As one distinguished firm leader candidly admitted, "New firm leaders mistakenly believe that because they have served as a practice group leader, office managing partner, or on the firm's elected board, they have the necessary background and experience for taking on the role of leading the ENTIRE firm . . . Not even close!"

There are numerous activities that need your attention during the period from when you are first elected (or selected) to your first official day in office – from preparing your family for the huge time sacrifice that you are about to encounter, to determining how you are going to transition some (or most) of your personal practice and the inherent client relationships and risks.

In my experience most new firm leaders want to receive guidance and instruction 'before' they assume office, not after they've been dropped into a quick sink-or-swim situation. And the kinds of questions that new leaders are often most concerned about include:

- *Am I really clear on the reasons why I accepted this position?*
- *How can I be sure that I have correctly understood what is expected of me?*
- *Which tasks should be a priority and which can be put on hold?*

- *Who am I going to meet with first and what am I going to say?*
- *Have I defined the challenges facing my firm and determined an approach to dealing with them?*
- *When can I begin to introduce change and what is my initial plan of action?*
- *How do I make sure that I have the support I need from the partnership?*

From everything I've observed and learned, as well as what I have repeatedly been told by those who have successfully transitioned into a law firm leadership role, and in spite of the size of firm and whether it is a full-time position or not – the ideal preparation time frame should be no less and rarely much more than about three months. I remember Carl Leonard, former Chair of Morrison & Foerster commenting that following his announced intention to step down he thought he was doing his firm and his successor a favor by allowing a four-month transition of leadership. He explains, "I could not have been more wrong. The firm drifted. A leadership vacuum ensued. I had the power of the office but, being a lame duck, no one paid any attention to me."

Meanwhile, at the other end of the time spectrum, I continue to be surprised by firms who embrace overly long transition periods. Have they never heard of the "lame duck" syndrome and the kind of internal confusion it creates? Just this past year I was struck by one 500-lawyer firm who announce in June of 2017 the name of their new Chair-Elect, who will finally be allowed to take the reins on January 1, 2019 (a full 18 months). That example was only to be surpassed a few months later by a 1000-lawyer firm announcing in November of 2017 their new Chair, who will assume the position in January 2020!

A successful leadership transition requires a clear definition of roles and the predecessor's willingness to let his or her successor lead the firm unimpeded. The primary role for outgoing leaders in the final days is not to become obsessed with

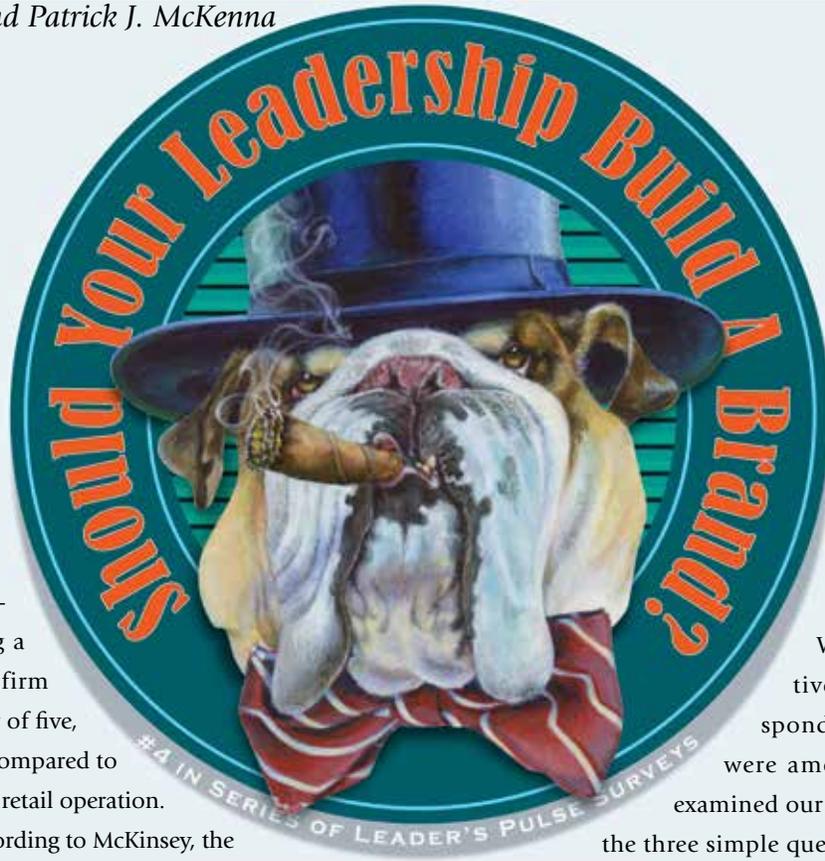
micro-managing their successor, becoming preoccupied with how colleagues see them or what they think their legacy will be — their primary role now is to help the new leader succeed.

Outgoing firm leaders play an important role in building the foundation upon which their successor can begin their tenure. For example:

- A leadership transition is a good time for the incumbent to deal with those long delayed but annoying operational problems or troublesome personalities, so the new leader can come in and immediately begin to address the more important and strategic issues.
- Securing early wins to build momentum is important. As the outgoing leader, you can help your successor identify areas that offer the best opportunity for quick success and highlight potential pitfalls or areas of partner contention.
- I've counseled those retiring from the position to "think about what information you would want at close proximity, if you were now about to embark on accepting this leadership position. You owe it to the next leader to provide detailed information about critical tasks and deadlines. And, your potential for being of immeasurable assistance goes well beyond just administrative minutia."

Accordingly, the outgoing leader must agree to allow the incoming leader to run things, even when they might be in stark contrast with one of his or her previous initiatives, or convey a complete change in the firm's strategic direction. Outgoing leaders need to be highly sensitive to the influence they still have and the ways they can inadvertently undermine their successors' efforts.

Allowing either grossly inadequate or far too much time for a leadership transition can contribute to unproductive internal confusion. When are we going to learn?



Some years back, global management consultants at McKinsey & Co. proposed that the complexity and intricacy of managing a professional service firm deserved a multiplier of five, in terms of revenue, compared to any manufacturing or retail operation. That is to say that according to McKinsey, the management effort required to manage a \$500-million law firm is equal in complexity to managing a \$2.5-billion manufacturing or retail operation.

We all know that the law firm leader's job is unlike any other in the law firm. One way of envisioning its multiple responsibilities is to map them by the constituencies one must address. Today's leader must be an ambassador to the outside world as well as chief cheerleader, challenger of the status quo, and a translator of other partners' dreams inside the firm. Exactly 10 years ago, in March 2007, at a time when most firms were doing very well economically, a survey was conducted of the profession to determine how certain firm leaders were perceived. A lot has happened since 2007. So, for the fourth in our series of Leader's Pulse Surveys, in October we repeated that same survey. We asked lawyers, specifically those in some form of leadership position (firm leaders, office heads, practice group leaders, elected board members), to reflect upon the various firm leaders that they have met, observed and/or read about across the country and respond to three specific questions.

**1. Our first question was: Aside from your own law firm, please tell us the name of that law firm**

**Managing Partner / Chair / CEO you most admire for their management / leadership competence.**

We received substantive input from 92 respondents. And those 92 were among some 885 who examined our survey, read through the three simple questions we posed, but then for whatever reason, decided not to participate.

One of the key reasons we suspect that caused them not to continue with our survey was articulated by a few who offered comments such as, "I have no way of knowing" and "I'm not aware of any." We also received specific names for consideration that may be well remembered but have already retired some time back from their leadership positions, including Ralph Baxter from Orrick, Peter Kalis from K&L Gates and a few others.

That said, our 92 respondents, represent the following demographics:

|                           |     |
|---------------------------|-----|
| Less than 200 Attorneys - | 51% |
| 201 to 500 Attorneys -    | 16% |
| 501 to 800 Attorneys -    | 6%  |
| More than 800 Attorneys - | 27% |

Back in 2007, according to those who responded with a specific firm leader's name, far and away the most admired law firm leader, receiving 13% of the total votes cast at that time, was Bob Dell from Latham; he was followed by Regina Pisa from Goodwin Procter and Lee Miller from DLA Piper, each with 6.5% of the total votes.

This year, surprisingly, not a single name managed to capture more than 3% of the respondents with a couple of mentions

going to Ken Doran at Gibson Dunn; Brad Karp from Paul Weiss and Elliott Portnoy at Dentons. This result provokes an interesting question for today's law firm leaders to consider: **Is there value in developing a leadership brand?**

Many firm leaders may be content to be perceived as just "your regular managing partner." They attend to their management and leadership responsibilities without much concern for their own public perception, so long as it isn't negative. That viewpoint, however, may result in keeping both the leader and his or her firm out of the public eye, missing important growth opportunities. Our observations and experience would suggest that those firm leaders with strong reputations and the know-how to promote their accomplishments — that is, those with strong brands — can gain a noticeable advantage over competitors.

Having a recognized firm leader can put your firm in front of its target audience in a very favorable way. In one recent instance, when a prominent regional legal publication selected a particular law firm chair as "Law Firm Leader of the Year" the individual related to us how those accolades contributed significantly to his being able to successfully recruit a few very attractive laterals to the firm.

For many firm leaders, the thought of focusing on personal branding may seem uncomfortable. It doesn't mean that you have to suddenly invent an oversized personality and contrary to any misconceptions, leadership branding is not about becoming a celebrity. It does mean that you need to think about an approach that works with your existing persona. The good news is that any firm chair or managing partner can create a perception of confidence, competence and success.

**2. The second question, the obvious follow up to "who," we then asked of respondents, "why:" Please now identify what specific leadership and management qualities come to mind that most influenced your leadership selection.**

Here we elicited responses that fell into a number of categories:

#### COMMITTED TO MAKING CHANGE

We were constantly reminded that successful firm leaders engender hope in their partners and appeal to their desire to create a better future. Responses included:

- Change leadership, thoughtful, follow through.
- He demonstrated decisiveness in organizing his firm, resizing it for its business and within a year or two driving it to record profits.
- Driving modernization of the overall business model and effectively achieving adoption and compliance with process improvement initiatives.
- Understanding of the changing environment and ability to maneuver on the level of strategic choices.
- Ability to make a decision and stick with it.

#### HAS AN AMBITIOUS AGENDA

An admired firm leader must dare to fail. Any leader who plays it safe all the time isn't setting goals that are high enough. Responses included:

- Nimble in management to seize opportunities while looking for ways to deliver value to clients at a reasonable cost.
- Focus on distinctive practice areas, areas of real market advantage.
- Strategic thinker with a solid grasp of what his partners want to accomplish.
- Entrepreneurial, embracing the use of technology to enable the provision of

efficient and rapid service.

- Relentless commitment to client service over a global footprint that covers real client needs.
- Laser focus on building practice areas that are preeminent.

#### HANDLES TOUGH ISSUES

An important mark of an admired leader is knowing that their actions impact not only their role but the effective functioning of the firm as a whole. Responses included:

- Instills accountability in a collegial manner.
- Strong communicator and connector, very disciplined.
- Laser focus; benevolent dictator; acknowledges efforts and contributions even from junior associates; manages with careful deliberation.
- Admire his communications skills and the general air of confidence without pretense that he carries with him.
- She is decisive, genuine, willing to take risks and make hard choices while considering all sides.

#### GETS PEOPLE ALIGNED

The best leaders understand how to get other partners to buy into ideas and expand on them through their own intelligence and drive. Responses included:

- Enthusiasm, understands people, smart.
- Makes his partners, associates and staff all feel part of a single team that works hard together and has fun times together.
- She strikes me as an effective leader and a great role model for other women leaders – coming across as decisive and confident yet accessible and warm.
- Calm, contemplative, compassionate, careful.

- Understands that being chosen for leadership is not evidence of his superiority but a mandate to be of service to his colleagues for the success of the firm.
- Truthful, trusted and inspiring both to those who have a nice, but small book and to the big hitters.

#### MAINTAINS CORE VALUES

Who you are as a firm leader, what your values are, what you stand for . . . great values never go out of style. Responses included:

- Runs a top tier firm that is highly focused on quality with a sense of pride in the firm and strong culture.
- He is willing to share insights and offer mentorship to others in ways that most likely personally benefit him very little.
- Has led the growth of the firm with a strong commitment to maintaining firm culture.
- Prudent in partnership promotions and lateral additions.

**3. Our final question was intended to serve as a caution for law firm leaders: Please identify what one attribute you would see as most indicative of an ineffective firm leader, someone who was floundering.**

Here, once again, we elicited responses that fell into a number of categories, but two, in particular, were the favorites of all firms regardless of size.

The number one issue that firms cited as indicative of ineffective leadership was where there existed a “strategic vacuum” of some kind. In other words, your partners feel as though there is no real sense of direction as to where the firm is going; no real strategic plan and no priorities. This

was the response from 36% of all firms and overwhelmingly the most important issue identified by those respondents from firms of over 800 attorneys (43%). One of the respondents articulated it as “a failure to consider the strategic issues facing attorneys in a very difficult and competitive marketplace.”

The number two issue identified by 33% of all participating firms could best be categorized as a “lack of cohesion” – an inability to bring the firm together as a team. This particular shortcoming, while pervading firms of all sizes, was most pronounced amongst the smaller, less than 200 attorney firms. As one leader described it when there exists “a lack of inspiration and rule by fear.” Yet another talked about ineffective leaders allowing or promoting a “law firm variety of crony capitalism, where the distribution of business opportunities across the partnership favor some partners while disfavoring others.”

The two other categories that are worth noting for the number of times that respondents raised them were “lack of communication” wherein respondents warn that a leader is floundering when there is little transparency of information attached to what is going on within the firm; and “change leadership” which transpires when a firm leader fails to motivate people to execute on some important course of action. A number of the responses made reference to too much talk and not enough action; some leaders that “give good meetings but there is no follow through.”

These responses reminded us that sometimes, firm leaders may be completely unaware they exhibit such behavior. During their own study, leadership researchers, Jack Zenger and Joseph Folkman were curious as to why leaders fail or derail – and found that

behavior had a large role to play.

Zenger and Folkman conducted two tests, one looking at the shared traits of Fortune 500 executives that had been fired over the span of three years. The other compared 11,000 leaders to find out which ten per cent had the least effective management style. “We compared the ineffective leaders with the fired ones to come up with the most common shortcomings,” the pair explained. “Every bad leader had at least one, and most had several.” Lack of clear vision, poor judgment, little enthusiasm, and an unwillingness to talk are among fatally deemed traits. Perhaps more surprising, Zenger and Folkman claimed that “those who were rated most negatively rated themselves substantially more positively.”

This can have significant consequences. If anything, research has concluded that some behavior, especially those with negative associations, can be passed down from the top like a common cold. No one said running a law firm was going to be easy, and the stresses of the day-day can easily make anyone agitated. But when you’re the firm leader, the pressure is on for you to set the stage for your people.

Finally, one of our respondents summarized all of this beautifully with this point: “Virtually all of any leader’s ineffectiveness happens when that firm leader confuses himself or herself with the firm. It can’t be ‘all about me.’”

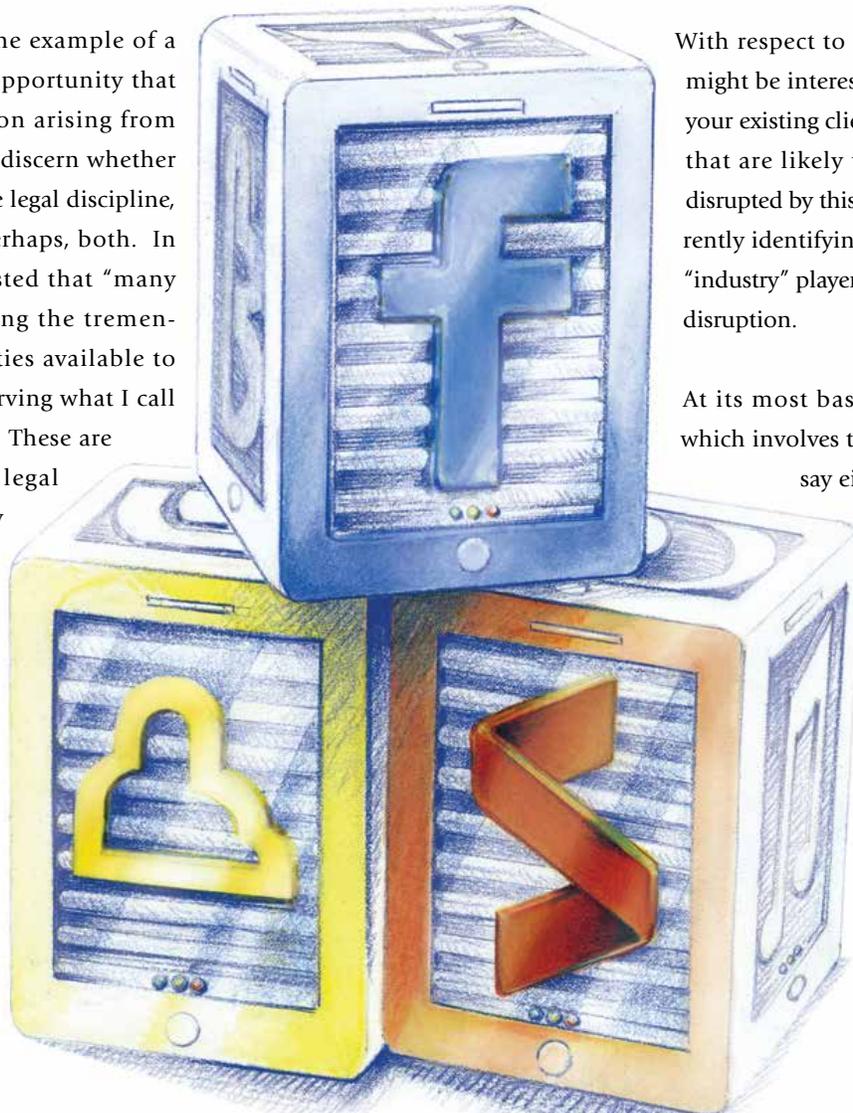
*This article is an excerpt from the original published by David J. Parnell at [www.forbes.com/sites/david-parnell](http://www.forbes.com/sites/david-parnell)*

# Evolution of Blockchain

## and Its Impact on Your Clients

It was only back in mid-2015, while speaking at a couple of legal conferences (one on Client Growth Strategies) to audiences of firm leaders and CMOs, that I would ask, “Show of hands, how many of you have heard of blockchain?” only to confront an audience that had no idea what I was talking about. Fortunately, I would speculate that most of these same folks have now heard of blockchain and have some notion of what the label refers to . . . but do they really?

Blockchain is but one example of a new area of legal opportunity that can create confusion arising from having us trying to discern whether it is an area of substantive legal discipline, a specific industry, or perhaps, both. In a recent article, I suggested that “many law firms are recognizing the tremendous growth opportunities available to them in targeting and serving what I call **“Tech-Driven Hybrids.”** These are not purely substantive legal practices, nor are they correctly categorized as being industry practices. Rather a hybrid can be both – in that as a partner or law firm you can choose to serve Artificial Intelligence companies (e.g. Deep Learning) and/or some specific sub-industry niche (e.g. FinTech) that may be dramatically impacted and disrupted by AI.”



With respect to Blockchain, I thought it might be interesting to highlight a few of your existing clients (industries) out there that are likely to be impacted, or even disrupted by this technology while concurrently identifying a few of the blockchain “industry” players involved in creating this disruption.

At its most basic level, any legal work which involves the transfer of ownership, say either intellectual property or real estate deeds, will be made enormously more efficient through the application of blockchain and its system of distributed ledgers and “smart contracts.” The concept behind smart contracts is that once agreed-upon conditions are met, the contract will execute automatically when conditions are

*"Blockchain is but one example of a new area of legal opportunity that can create confusion arising from having us trying to discern whether it is an area of substantive legal discipline, a specific industry, or perhaps, both."*

filled – meaning payments will be forthcoming, deliveries dispatched, or anything else executed as defined by the contract.

Here are but a few of the industries and industry players where blockchain is beginning to have an impact:

**Entertainment:** Founded by a singer-songwriter, Ujmusic tracks musician royalties as well as allowing them to create evidence of ownership of their work.

**Insurance:** AIG is piloting a smart contract system to oversee the creation of complex policies requiring international cooperation.

**Real Estate:** A relatively new company, Ubiquity, is creating a blockchain driven system for tracking the process that creates friction and expenses when legally transferring real estate.

**CyberSecurity:** GuardTime is a company creating “keyless” signature systems to secure the health records of one million citizens, using blockchain

**Health Care:** SimplyVital Health has reported two different health-related blockchain products in development. ConnectingCare tracks the progress of patients after leaving the hospital while Health Nexus provides decentralized patient records.

**Recruitment:** Blockchain CVs have now been developed which will streamline the selection process by verifying candidates’ qualifications and relevant experience.

**Media:** Kodak recently announced that it is developing a blockchain system for tracking intellectual property rights and payments to photographers.

**Manufacturing:** BlockVerify is a special blockchain platform focusing on anti-counterfeit measures for

diamond, pharmaceutical and luxury good producers.

**Non-Profits:** A business-led community project called Transactivgrid based on Brooklyn allows members to locally produce and sell energy with a goal of reducing costs involved in distribution.

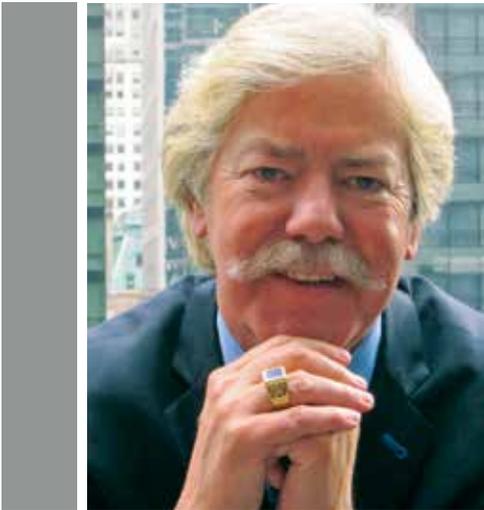
**Retail:** OpenBazaar is an attempt to build a decentralized market where goods and services can be traded – with no intermediary or middle-man.

**Travel:** An online travel portal, Webject developed a track and trade solution to fill last-minute vacancies of empty hotel rooms.

And finally, according to one report I read, **Global Banking** is currently a \$134 trillion industry. Banks help intermediate payments, make loans, and provide credit. Blockchain as a trustless, disintermediated technology may disrupt all of that, including:

- **Payments:** By eliminating the need to rely on intermediaries to approve transactions between consumers, blockchain could facilitate faster payments at lower fees than banks.
- **Clearance and Settlement Systems:** Blockchain and distributed ledgers can reduce costs and bring us closer to real-time transactions between financial institutions.
- **Securities:** By tokenizing traditional securities such as stocks, bonds, and alternative assets, the blockchain is upending the structure of capital markets.
- **Loans and Credit:** By removing the need for gatekeepers in the loan and credit industry, blockchain can make it more secure to borrow money and provide lower interest rates.

These should serve to evidence just a few of the vast potential of opportunities that blockchain technology can offer, how your clients may be affected, and the need to enhance your legal knowledge of this tech-driven hybrid.



## PATRICK J. MCKENNA

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

An internationally recognized author, lecturer, strategist and seasoned advisor to the leaders of premier law firms, Patrick has had the honor of working with at least one of the largest firms in over a dozen different countries.

Patrick authored a pioneering text on law firm marketing, *Practice Development: Creating a Marketing Mindset* (Butterworths, 1989) recognized by an international journal as being "among the top ten books any professional services marketer should have." His subsequent works include *Herding Cats: A Handbook for Managing Partners and Practice Leaders* (IBMP, 1995); and *Beyond Knowing: 16 Cage-Rattling Questions To Jump-Start Your Practice Team* (IBMP, 2000).

A prolific writer on the challenges of firm leadership, his book (co-authored with David Maister), *First Among Equals: How to Manage a Group of Professionals*, (The Free Press, 2002) topped business bestseller lists in the United States, Canada and Australia; was translated into nine languages; is currently in its seventh printing; and received a best business books of 2002 award. In 2006, his e-book *First 100 Days: Transitioning A New Managing Partner* (NXTBook) earned glowing reviews being read by leaders in 63 countries and culminated in Patrick being asked to conduct a one-day masterclass for new firm leaders. Over 80 leaders from AmLaw 100, AmLaw 200, accounting and consulting firms, hailing from four countries have graduated from the program. According to Hugh Verrier, Chairman of White & Case, "I was struck by the synthesis of the issues you

presented. It was amazingly clear and comprehensive, given the breadth of the topic and the short time available. I was delighted to attend the event and I learned a lot from it."

Patrick's most recent book, *The Changing of the Guard, Second Revised Edition* (Ark Group, 2017), provides in-depth guidance on the leadership selection process in professional firms and resulted in his being acknowledged in *American Lawyer* as "a long time succession consultant and coach to new firm leaders."

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

McKenna's decades of experience led to his being the subject of a Harvard Law School Case Study entitled: *Innovations In Legal Consulting* (2011). He was the first "expert" in professional service firms admitted to the Association of Corporate Executive Coaches, the #1 US group for senior-level CEO coaches; was the recipient of an Honorary Fellowship from Leaders Excellence of Harvard Square (2015); and voted by the readers of *Legal Business World* as one of only seven international Thought Leaders (2017).

Most recently Patrick helped launch the first International Legal Think-Tank (LIFT: Legal Institute For Forward Thinking) comprised of distinguished thought leaders from three countries.

# THE CHANGING OF THE GUARD: SELECTING YOUR NEXT FIRM LEADER

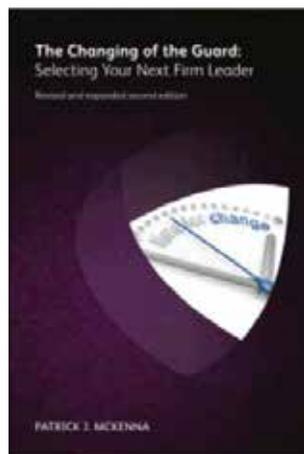
Revised & expanded second edition



When the time comes, how is your firm going to navigate the intricate process of selecting your next leader?

Every firm eventually finds itself in need of a new leader. The executive committee or board must seek to replace the current incumbent as that individual comes to the end of their term of office, announces a return to their practice or, perhaps, is contemplating retirement. Every year firm leaders also step down because of a loss of partner confidence, an unexpected disability, a tempting career offer from a prestigious corporate client, or even on occasion being laterally recruited by a competing firm!

When this change takes place in your firm, will you know what to do? This report is designed as your guidebook to take you step by step through the process of electing or selecting your next firm leader.



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## Features:

Fully revised and updated in 2017, with exclusive NEW content and even more contributions from current firm leaders, the second edition of The Changing of the Guard includes:

- 15 pragmatic “how-to” chapters;
- 12 useful appendices covering topics as diverse as understanding what it takes to become a firm leader, to the delicate dynamics involved if you select co-managing partners, and advice from new firm leaders; and
- 20 key exhibits that can be tailored to your own firm, including nominating committee terms of reference, various sample internal memoranda, examples of firm leader evaluation criteria, and sample candidate interview questions.

## New material includes:

- Self-evident truths about relinquishing leadership
- What a successful firm leader is not – advice from Dom Esposito, CPA, CEO of ESPOSITO CEO2CEO, LLC
- Why nice leaders are not necessarily effective leaders
- Why “visionary leadership” is a myth (and a shared vision is the way forward)
- Lessons learned from new firm leaders
- How new firm leaders can avoid being blindsided

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