

Incorporate **Business Principles** Into **Law Firm Management**

BY BARRY WOLF

It is no secret that we have been and continue to operate in a hyper-competitive legal market and that firms need to adapt in order to thrive in this “new normal.” The financial crisis of 2008 brought about seismic changes in the legal landscape, resulting in a premier legal services market that is smaller and more competitive than ever. As the years have passed, the pressures have only continued to intensify.

How can firms respond to this? One answer is to introduce business principles to law firm management. As we all know, though, this is much easier said than done. Law firms are different places, primarily because they are not just businesses, they

BARRY WOLF is executive partner of Weil, Gotshal & Manges and chair of the firm's management committee.



are partnerships, each with its own culture. Nevertheless, this does not change the reality that firms must become more business-oriented in order to succeed. No longer can

even the most historically successful partnerships cautiously “wait and see” what clients need and simply respond to the market. It is essential to be proactive and

strategic in business planning. The good news is that this is achievable while maintaining, and even enhancing, culture, if done in the right way.

At Weil, Gotshal & Manges, we have had great financial success in recent years by being disciplined in following a business plan tailored to who we are as a firm. We have focused on our geographic and practice balance, particularly the strength of our Corporate, Litigation and Bankruptcy departments. By embracing our culture of entrepreneurialism, meritocracy, teamwork and corporate social responsibility, we have been able to drive growth while living and breathing our culture.

Getting Started

First, as with any business plan, it is critical to define who you are and in what practices your firm can supply value-added legal service. This may sound simple and obvious, but it is challenging, especially in a partnership environment. Engaging an outside party to assist you in this examination is one way to accomplish this. The bottom line is, if you are in a competitive marketplace, you must make a detailed and honest assessment of where

and how you can deliver value to clients.

At Weil, we went through such an assessment with the help of an outside consultant several years ago. Upon completing this, we set our focus on targeting matters that involve the C-Suite and boards of directors, whether that be in share-

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holder activism, M&A, complex bankruptcy or distressed situations, messy government or internal investigations, or hairy litigation. Other firms may find their focus should be more on a niche legal area or a specific industry or geography. Without this focus, you cannot achieve success today.

Drilling Down

Once you have defined your focus, you must drill down on core business issues while, at the same time, engaging your partners to work toward achieving the firm's overall strategic goals. You must develop an approach to achieve buy-in from the partners. In addition to open communication, one way to help achieve this is to involve partners

in different geographies and practice areas to examine these issues, including business planning, succession planning, and specific office and practice area planning, while keeping a keen and constant examination of operational expenses and efficiencies.

Some of you may now be rolling your eyes, griping, "The answer is more committees?" In our experience, it is part of the answer, as long as the committees are made up of the "right" partners, focused, held accountable, and work to engage partners across offices.

Financial Targeting

In approaching business planning at Weil, we took a fresh look at the manner in which firm revenue and profits were projected, and—for the first time—each practice area was tasked with setting specific budgets and financial goals on an annual basis. These metrics are based upon marketplace conditions and tied to an analysis of existing client matters, pipeline work and business development targets/prospecting. This laser-focused approach to financials has helped Weil see where revenue streams are coming from (and in which direction they are going), allowing us to

readjust if financial targets are not being met.

Succession Planning

Another fact of today's hyper-competitive legal market that we must accept is that clients, more and more, are hiring individuals, not firms, for their most significant and sensitive matters. Clearly, the strength and reputation of the firm are important to provide the support needed for these complicated matters. Therefore, it is necessary to think through succession planning and firm leadership with this in mind. This requires more than selecting individuals who have great legal talent. Of course, great intellect must be a given, but being well situated to thrive in the "new normal" also requires lawyers who understand their clients' businesses, are commercially savvy, practice with passion and are avid about business development.

Succession planning was a key part of our strategic plan and we have now phased in a new generation of leaders that are passionate about helping Weil achieve even greater heights. They embody the energy and business know-how that distinguishes Weil, and were selected for these reasons. As firms

begin to comport themselves more as businesses, they will need to cultivate, promote and reward new client business development and expansion of existing client relationships.

Preserving Culture

What about firm culture? How do you make sure you don't forsake culture in this new business-oriented approach? The key is communication. Firm leaders today must be hands-on and have a true open-door policy. It is amazing what sort of practical and actionable feedback you can receive simply by asking people. Transparency engenders trust and goodwill, generally, in all areas of firm management.

On an annual basis, I travel to all of our offices and meet with our partners either individually or in small groups to discuss their concerns, ideas and business plans. I also address associates and staff in an interactive Town Hall format. The benefits these personal meetings yield far outweigh the significant travel and time they require. In addition to talking about business plans, I have the chance to introduce new programs undertaken by the firm that support other facets of our firm culture, such as our longstanding

commitment to diversity and corporate social responsibility.

Clarity. Confidence. Control.

While none of us went to law school to learn how to manage a business, we need to embrace new marketplace realities. The good news is that once you examine your business and engage in candid conversations with partners, some key issues and opportunities will emerge.

And making important business decisions proactively and offensively will give you clarity, confidence and a feeling of control about your firm's future. It will also give you a greater appreciation for what all our corporate clients face on a day-to-day basis, which can only help in our client relationship management.