

Law Firm Strategist Pulls Back Curtain on Trends, Drivers Impacting the Industry Today

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Consultant Kent Zimmermann discusses the business of law

Kent Zimmermann is one of the leading strategy advisors to law firms in the United States. Last year, he advised on each of the three largest law firm mergers to close worldwide. He is currently advising multiple firms on active merger discussions, and he is also advising three Am Law 25 firms on firmwide strategy.

Given that the industry is in flux, we wanted to pull back the curtain to get some perspective from Kent, who in addition to being a strategic advisor to law firm chairs and managing partners, is also a former general counsel and frequent legal analyst on national television.

Q: How have law firms changed since you began consulting on strategy?

A: The biggest changes in the market have everything to do with a dramatic increase in competitive pressure that most firms are under to attract and retain sought-after lawyers in their areas of focus. Building high-quality depth in chosen areas is necessary to become more preeminent in those areas, which is necessary to command higher rates in those areas, which is necessary to outperform peers financially, which provides a recruiting advantage in attracting

and retaining sought-after lawyers. These factors cause most firms to revisit their strategy regularly. Many conduct a strategic review at least every three to five years to address changes within and outside the firm with respect to talent, clients, segments of the economy that are relevant to the firm's areas of focus, and other factors.

Q: What are law firms most focused on now?

A: Most firms are focused on balancing scale, quality and profitability relative to the firm's chosen markets, markets defined broadly to mean geographies, industries and practices, or a combination of those things. A successful balance usually requires developing an effective strategy, making choices and coming to consensus among partners about in what areas the firm aspires to be the best or among the best, and then prioritizing time and money to achieve the partners' aspirations in a way that distinguishes the firm from others with which it is likely to be compared by talent and clients the firm wants to keep and attract over time. As part of this process, high-performing firms increasingly focus on aligning governance, management, compensation, capital, and everything else about the firm with fast-forwarding the achievement of its strategy.

Q: We have seen a huge number of mergers and alliances over the last five years. Do you see this continuing?

A: I do. The market for legal services remains highly fragmented. No one firm in the Am Law 200 or Global 100 accounts for more than 3% market share. The drivers of consolidation are powerful. They are tied to the fact that, for most firms, it is a slow, error-prone, expensive and uncertain path to try to achieve their aspirations through organic and lateral growth alone. In addition, the benefits of growing scale and profitability relative to markets of choice are become clearer and more compelling. In summary, larger firms tend to have higher profiles and are better known, driving brand strength, which often drives higher rates in areas of focus, which drives profitability, which creates a recruiting advantage and the ability to invest more in attracting and retaining lawyers, which creates a deeper bench of high-quality talent, which causes firms that most successfully recruit and retain the most sought-after talent in their chosen areas of focus to outperform the pack.

Q: What is the most important administrative position in a law firm today and how has that changed?

A: In many firms, the COO/Executive Director (ED) role has evolved significantly over the past 20 years to include far broader responsibilities, accountabilities and influence than the same role had in the past. Gone are the days when long-serving CFOs were regularly promoted to COO or ED by virtue of the length of their tenure. In many firms, the COO or ED is expected to lighten the load of the chair and other senior attorney leaders by taking charge of overseeing much of the business on a day-to-day basis. As a result, the skill set required for success of COOs and EDs has grown considerably and is far broader than it used to be. Today, the COO and ED portfolio usually includes key expense drivers such as compensation and real estate, in addition to functions such as finance, strategy, technology, cyber security, data privacy, cyber and other forms of security, talent, market and business development, client service, and others.

Q: What position will we be talking about three years from now that every law firm will hire?

A: Chief Data Officer or an equivalent who will be responsible for what data to capture across the firm's platform and how best to use data and other information as an asset. This will be particularly important to inform strategy, including choosing clients and matters to prioritize for pursuit, RFP responses and other growth efforts; prioritizing overall marketing and BD resources; pricing decisions, which will help firms continue to move away from selling time exclusively to selling a mix of time, value, opportunity cost and results; matter staffing, which will enhance leverage to decrease service delivery and overall fixed costs; quality control and consistency across the firm's offices, practices and sector teams; profiling high-performing lawyers of various types in the firm to inform retention and recruiting efforts; and other decisions of strategic importance.