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Law Firm Administration A Special Report

What Is 'Quality of Life'?

Does it come at the expense of hard work and profitability? Not always.

By Kent A. Gardiner

It is almost a mixed blessing when a law firm wins a "quality of life" award. On the one hand, Crowell & Moring's recent win of the Constance L. Belfiore Quality of Life Award for large firms, given by the Bar Association of the District of Columbia, reinforces what we already knew: The firm provides a fulfilling working environment in which we don't take ourselves too seriously. But from management's perspective, there's also the obvious question: Did the award come at the expense of hard work, long hours, client service, and profitability (all the things that constitute business success for a law firm)?

Our answer is that there is no tension between these goals. Quality of life contributes substantially to producing these measurable business successes. The quality of the lawyers we attract and the quality of the legal services they deliver are integrally related to their quality of life at the firm.

That said, quality of life, as we define it, is not just about perks and benefits packages. Yes, personnel benefits such as emergency day care, employee lunches, sports teams, and counseling services are investments that have a proven track record for increasing morale, collegiality, entrepreneurial energy, and commitment to the firm and its long-term success. But these programs are not the true measurement of quality of life. If a law firm's quality of life depends on or is measured solely by perks, then the happiness and ultimate loyalty of its work force would be forever held captive to every newer, bigger, and better offer found between Pennsylvania Avenue and K Street.

Thus, we look at both quality of life and business success from the standpoint of a more fundamental issue: how people interact in the process of delivering top-notch service. We believe most law firms can measure their true nature—including, in particular, whether the firm's culture is producing business success—by posing the following three basic questions:

1. How do the partners interact with one another?

One of the most effective ways to measure how partners truly interact with one another is to examine business development success via cross-selling. In many law firms the traditional business development model involves individual partners building their client bases over their careers, acting as the primary contact people with those clients, and reaping most of the "client credit" in terms of compensation.

In those firms the compensation systems are heavily weighted in favor of "origination" credits, such that partners "claim" client-revenue credit years, if not decades, after the business was generated. This system naturally leads to client "hoarding" and is, in our view, an enemy of teamwork.

Over the years we have steadily increased management focus on maximizing partner incentives to cross-sell and integrate their fellow partners into client relationships. Our partner evaluation process involves specific attention to cross-selling and cross-working efforts and successes, and compensation decisions are significantly influenced by partner performance in those areas. The phrase "my client" is encouraged here from the standpoint of client service; however, the concept is aggressively discouraged by management—including through compensation—when it comes to taking too much individual credit for client business.

This is not to say, of course, that successful business development is not rewarded. It is. A significant amount of credit must always go to those who bring in the business. But doing the clients' day-to-day work must be rewarded as well, along with the originating partner's active delegation of the work and the relationship to other and more junior partners.

An important goal for our firm is to ensure that our younger partners are developing relationships with our most important institutional clients and are well positioned to fully inherit those relationships in an orderly fashion. In the same vein, management aggressively rewards partners who introduce their clients to other practices and attorneys within the firm.

This practice improves the quality of life for our partners, as they are able to work with one another more closely and serve their clients in a more meaningful and comprehensive way. The business results are tangible. A couple of recent examples follow:

• As part of our strategy to expand our corporate practice group, we brought in a young, ambitious partner from another firm. His experience there was one of "silos," in which partners never shared client relationships or client business absent some pre-negotiated split of credit. The result was almost no cross-selling. Here, in contrast, more than 150 firm client matters have been cross-sold to the corporate group in the less than four years since he joined us.

• Another principle involves rallying around partners with new business opportunities in order to help those partners win the business as well as introduce the client to a broader array of firm expertise. Yet another new lateral partner reaped the benefits of this teamwork approach when he arrived with a lot of energy and client prospects. In his first two months here he was joined by a half-dozen partners, including members of the firm's management board, in conducting seven client-relations meetings across the country. No negotiations about "credit," and no time wasted debating the right kind of expertise to display to each of the prospects. This new partner is now off and running in our firm, with a newfound network of partner relationships.

Like many things at our firm, maximizing partner interaction in pursuit of legal matters from the most impressive clients is a work in progress. But the recipe seems to be working. Over the past three years the firm's revenue has grown by 38 percent, and profits per equity partner have grown by 44 percent. Overall, the number of our clients generating annual revenues of more than $1 million rose from 11 to 31 since 2000.

2. How do partners interact with counsel and associates?

All law firms struggle with a hierarchical structure that segregates partners, counsel, and associates. To try to overcome this mind-set, management here relies on the same principles of professional respect and interaction to guide our mentoring and training of counsel and associates.

The focus is to maximize the delegation of client matters and client relationships consistent, of course, with the quality and commitment of the younger lawyer. Our goals are to ensure continuity of our client relationships, to provide cost-effective legal services, and to enhance our ability to retain the best and the brightest young lawyers by giving them increasingly challenging work.

The message at Crowell & Moring about how hard counsel and associates need to work is born of a "professionalism" philosophy: We have an 1,800-billable-hour-per-year minimum requirement. Beyond that, our lawyers are simply expected to work as hard as they need to work to deliver successful results. It is no secret that clients involved in high-profile or complex matters demand a work ethic and level of accessibility from their counsel that can often translate to around-the-clock service. When associate salaries were raised dramatically several years ago, many firms also raised their billable-hour requirements to 1,950 hours.

While we kept pace with the salary increases, we also made the deliberate decision not to impose a higher, artificial target. The absence of a "stick," in the form of required-hours targets in exchange for compensation, provides a major quality-of-life upgrade for our associates. And like the professionals they are, they have responded by working harder and harder in the service of our clients.

We focus, like all firms, on the goal of retaining highly qualified young lawyers. To that end, we created a new program several years ago in which we promoted our best associates to counsel after their fifth year, which for them means greater responsibilities as well as salaries. The goal was to focus the counsel group not only on their continued development as lawyers but on their client-relations skills.

By enhancing the direct client contacts of these counsel in an increasingly systematic way, we have begun to see real benefits in terms of business development. It is exciting and energizing to watch the firm's counsel begin to interact with clients, develop their own business, and teach partners a thing or two along the way. These initial lessons in "ownership" will substantially strengthen the partnership, and thereby the business, over time.

3. How do the lawyers interact with the professional staff?

The interaction between lawyers and staff is critical here, and access and collaboration are key measurements. Our firm has the furthest to go on this objective, which we feel is vital to our delivery of high-quality, profitable legal services.

Lawyers are notoriously bad at capitalizing on the expertise of nonlawyer professionals, and our firm, over the years, has been no exception. But to change the "us vs. them" division present in so many law firms first requires lawyers to view their professional staff as true counselors and collaborators.

Only now are we beginning to fully appreciate all that our administrative, information technology, financial, and marketing professionals have to offer the lawyers. Our near-term goal is to make our lawyers more sophisticated consumers of these professional services at the practice-group and individual-practitioner levels. A collateral benefit of this, of course, is that our professional staff will feel more challenged and more engaged as our lawyers better appreciate how to use their expertise.

For example, it is clear that clients want innovative and creative solutions in the form of alternative fee arrangements. To meet that challenge, we turned to our in-house financial experts to help us create performance-based billing models, such as fee holdbacks and success bonuses, flat-fee arrangements, and task-based fee arrangements. They participated in management meetings and decision-making that previously had been reserved only for lawyers. Their advice was instrumental in the decision-making process, and, as a result, our lawyers and our clients benefited.

In short, measuring quality of life at a law firm is a multifaceted task, but we believe it is one that only modestly relates to a firm's benefits and perks. True quality of life is most accurately reflected in the fundamental policies that guide and facilitate the interaction of the firm's professionals. And those policies—a strong work ethic built on quality, professional respect, and teamwork—are the principal drivers of the kind of hard work (and long hours), client service, and profitability that constitute business success.

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