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Talent is Your Biggest Asset – All of the Talent

Law firm leaders that value people as the ultimate asset will optimize a rich, and largely untapped, opportunity to drive sustainable growth.

By Jennifer Scalzi, CEO, Calibrate Legal, Inc.

In a market as competitive as ours, law firms and their ambassadors know to be prepared for the inevitable question: "What makes your firm special or different?" Regardless of firm size, footprint or practice, most responses follow a predictable path: *"It's our people; they're our biggest asset."* Yet, answering the question and living it are two different things. The statement itself is all-encompassing, but often leans in favor of lawyers, or those that generate revenue, and rarely includes those on the business services side of the firm or support staff.

Typically, "talent" most often references lawyers. Firms contemplate hiring from prestigious schools, offering compensation and benefits that match peer firms, and providing regular training and development opportunities. In most cases, that same level of investment does not apply to the people behind the scenes who indirectly assist in revenue generation. Even more rare is the law firm that correlates the work of that talent to actual business performance. This oversight is a glaring one, particularly at a time when adaptation is more critical than ever. Firms are trying to squeeze more money, innovation and competitive advantage out of every corner of their organizations except for, perhaps, the single most promising one: their business services professionals.

A recent Hunt Scanlon Media conference explored the role of professional services firms are playing as companies are rapidly ramping up their people analytics programs. Attended by 250 Fortune 100 recruiters, HR leaders and talent analytics professionals, the event offered some vivid insights. One particular session led by McKinsey and Co. floated a profound observation: **"Talent is the only sustainable source of competitive advantage."** This observation is both an organizational philosophy and a business strategy. It challenges law firms to expand their definition of "people" and commit to investing in rigorous methodologies to attract and retain talent on an enterprise level.

Humans as an Asset

When law firm leaders refer to their "assets," they almost invariably mean their "hard" possessions, or fixed assets listed on a balance sheet such as buildings, computers, and furniture. Alternatively, those in a firm who are non-billable are most often viewed in softer terms (or worse, as overhead)— as if human attributes such as creativity, drive and intellectual curiosity do not have an equal or greater financial impact on an organization than say, a photocopier. So, what may appear to be a question of semantics on the surface ultimately comes down to *value*. This poses a larger business issue because perceived value often determines a firm's willingness to invest. For your non-billable human capital, that lack of investment can manifest in different and costly ways throughout the talent lifecycle, namely a haphazard approach to interviewing, onboarding, performance reviews, compensation, training and firm culture.

In reality, hard assets depreciate while, if properly selected and nurtured, human assets only *appreciate* over time. They are constantly learning, adapting and growing, bringing greater value to the firm. According to research conducted by the Federal Reserve Bank of St. Louis, when quantified as a hard asset, similar to a share of stock, the market for human capital (comprising total wages and salaries) equates to a staggering $8.5 trillion – more than six times the value of the finance and insurance markets combined, and more than four times as much as the healthcare industry market. **Law firm leaders that value people as the ultimate asset will optimize a rich, and largely untapped, opportunity to drive sustainable growth.**

Here's the Problem

The history of the profession reveals the root cause. When ancient Romans needed advice, they often relied on highly educated orators to advise and advocate for them. Over time, these advocates became lawyers, started to specialize their services, and attained an even loftier status.

Fast forward 1500 years or so, and lawyers began to band together. The first law firm – and those that followed – were exclusively Caucasian, male and, most often, already wealthy. It remained this way until well into the 1900s. While the industry has been evolving for thousands of years, it is only in the past 100+ years that we have seen progress in changing the lawyer demographics. And only in the past 50 years that business services professionals have started to run law firms – resulting in an "old dog, new trick" scenario.

Consider also that both lawyers and clients tend to consider the output of service – legal advice – as purely the product of the lawyer's mind. This has amplified the importance of lawyers, even as subject matter experts and other non-legal consultants have joined their practices to provide vital, behind-the-scenes assistance. These newcomers were comparatively more diverse, less educated and less wealthy than the lawyers they supported. They did not attract much attention despite the deep and enduring significance of what they made possible: freeing up lawyers to focus on what they did best for the benefit of their clients.

Although other factors are involved, the weight of this history has obscured the increasingly crucial role business services professionals play in delivering the firm's offerings: making them more efficient and more profitable. Many lawyers fail to appreciate what the "staff people" in their midst are really doing to keep the firm running, much less realize their tremendous value to the business.

Consider that most large firms still have partner-only retreats and spend generously on training and professional development programs geared toward their lawyers, professionals who are "judged" by their academic achievements, their alma maters and, most importantly, their ability to bill large numbers of hours. Those billable hours – and any new work they bring to the firm – *directly* generates revenue, unlike the efforts of non-billable professionals, who are classified as "cost centers."

Of course, measures of rainmaking and billable hours are completely unsuitable for most business services professionals, who are better evaluated by other yardsticks. Given this disconnect, and ever-present time pressures, firms struggle to formulate viable, consistent and fair evaluation criteria for these professionals. Doing so nearly always falls off the priority list. As a result, most firms perform poorly in assessing, managing, and providing feedback on the performance of their business services professionals. This creates bitterness, reinforces divisions and severely impacts retention. This is how people become marginalized.

The sad reality is that today's business services professionals have few opportunities to gain a complete understanding of the firm's commercial proposition and how they can contribute to it. Any training they are given tends to be skills-based, at best, and often underfunded. Opportunities for advancement are rare and the criteria for obtaining promotions opaque and arbitrary. Succession planning for the business services professionals in a law firm is nearly unheard of. They often get very different messages about their value in contributing to the firm's mission when compared to lawyers, law students, lateral recruits, and alumni. This breeds further bitterness and resentment, leading to an "us versus them" mentality that inevitably results in decreased performance.

While the sentiment that "non-lawyers" are replaceable may be shifting, it is still an obstacle to law firms investing in their people processes. Fortunately, perceptions can be updated on both sides, yet history shows that it will take time, especially in the legal industry. But the savvy firms that leverage the expertise of business services professionals will win handsomely in terms of overall performance and, ultimately, profits.

Realize—and Cultivate—What You Have

Your professionals expect to earn your respect and, in turn, wish to be viewed as talented and valuable. And law firm leaders are franticly striving to put their organizations on a path to truly sustainable growth. The two are not mutually exclusive, but mutually beneficial. You really can safeguard the interests of the firm *and* its people by identifying business services professionals as a valuable asset, but also by treating them as such and explicitly linking talent to firm value. It's a true win-win.

How do law firm leaders who are fixated on the bottom line find common ground with professionals who seek to be valued in their jobs and perform at their best and highest level? They can use disciplined methodologies to operationalize human capital as an asset. To begin, law firms are wise to consider making real, strategic investments aimed at the following areas.

• **Truly know your people.** Start by taking a "forensic look" at your business services professionals, their capabilities, interests and locations. Conduct skill assessments and gauge development potential. Compile all of this data, which can help to identify and address existing gaps, deploy the people you have more effectively, prepare them for future needs, and reduce the costs of duplicating talent. You can use predictive analytics to better understand who you have, where they are, what they are good at and the work they aspire to do. Then you can harness the power of the data to reconfigure and significantly improve how your organization handles each phase of the talent life cycle.

• **Use technology to enhance your talent strategies.** It is exciting to think that new technologies can help you make smarter hires using insights on the kinds of people who will succeed in your organization and culture. You can increase retention by using insights from employee surveys to help you understand the drivers of employee engagement. Technology can help improve ongoing training and development by aligning people's skillsets with the tasks needed to achieve organizational goals now and in the future; it can also optimize performance management if you incorporate metrics into employee reviews. Moreover, technology can guide succession planning by ensuring the next generation of leaders is motivated and equipped to succeed.

• **Embrace networked organizational models.** A senior people analytics leader at Capital One suggested that many ultra- productive organizations are moving away from traditional models, with their rigid reliance on reporting relationships and boundaries, and tapping "invisible networks" based on how work typically gets (and should be) done. These new models also use technologically yielded insights to help people slide in and out of projects based on their skill sets, interest levels, and geographic locations. As consultants at Deloitte suggest, you can maintain and refer to a "human capital balance sheet" based on your current needs and assemble a team best suited to carry out specific projects. For example, a project to define a law firm's culture would involve not only attorneys but also pull the right people from human resources, information technology, finance, marketing and business development, and more. One prominent International law firm just adopted an organizational model within their marketing and business development team that customizes and deploys multi-skilled groups to execute on projects for its client response teams. Among other benefits, models such as this help efficiently corral enterprise-wide knowledge of all kinds, eliminate duplicative work, reduce costs associated with external providers who would perform tasks that could be done by existing staff, and imbue the formerly overlooked business services teams – and the broader firm itself – with a sense of shared ownership. And the individual connections thus established will be more likely to endure, continue to bear fruit and improve future results than if everyone had remained in their individual silos.

A Worthy Endeavor

All of this will take time and a sizeable commitment of resources. Change can be unsettling, but less so when viewed as a growth opportunity, a factor in sustainability, a competitive advantage or simply an effort to evolve in a rapidly changing industry. The potential upside is enormous.

Would the "up-front costs" involved – such as billable hours "lost" to creating the initiative, enlisting expert consultants and formulating supporting procedures and documentation – be worth it? Data suggests they would. One estimate concludes that companies that excel at people analytics are three times more likely to financially outperform their peers (DDI, The Conference Board & EY, 2018). Yet law firms are doing little to avoid losing the very people who could be most instrumental in driving greater efficiency, productivity and success.

By taking tangible steps now and investing wisely, law firms can explicitly employ a people- and data-oriented approach to drive bottom line results and empower business services professionals to be ever more essential contributors to growth and sustainability. Those firms who get it right just may win awards for true, measurable innovation.

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