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MANAGEMENT

Why It Pays To Collaborate

Here's proof that firms whose lawyers learn to work together are far more successful with clients than lone-wolf shops. They make more money, too.

BY HEIDI K. GARDNER

AFTER SPENDING VAST SUMS TO BUILD and buy stables of thoroughbreds and extend their geographic reach and practice breadth, today's law firms have come to a sobering conclusion: Accumulating stars is no longer enough. All that talent cannot be harnessed for competitive advantage or profit growth unless they find a way to get partners to collaborate. Specifically, lawyers with highly specialized expertise must work across silos to tackle clients' most sophisticated problems.

When firms get collaboration right—that is, when they do complex work for clients that spans practices and offices within the firm—they earn higher margins, inspire greater client loyalty, gain access to more lucrative clients, and attract more cutting-edge work. Sharing work actually boosts the practices of individual partners, too—even rainmakers.

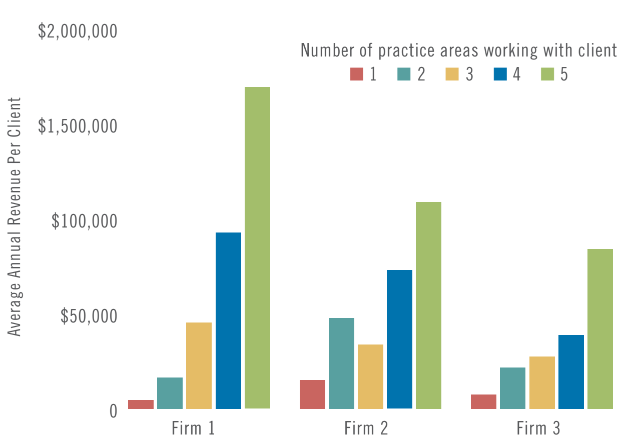
Collaboration is the intellectual property lawyer who identifies an opportunity to work with regulatory, real estate and tax lawyers on a retail client's mobile commerce concerns. Don't confuse it with cross-selling. Firm leaders often push partners to "cross-sell," but lawyers have surely heard what general counsel uniformly report to me: Clients hate to be cross-sold. They hate when their lawyer who handles one domain offers introductions to other partners in other narrow domains: the tax lawyer who proposes his real estate colleague to do strictly real estate work. It's the legal equivalent of "Do you want fries with that?" Instead, what clients want is for their lawyers to understand their issues deeply enough to offer sophisticated advice and to line up the right legal team to deliver it.

We all know that lawyers are generally skeptical, but they do respond to evidence. I've amassed a research base that draws on decades of time sheets and personnel records across multiple law firms to study collaboration patterns and outcomes, including millions of data points that allow for statistical analyses. I also use hundreds of interviews and surveys across dozens of law firms to enrich my empirical findings. Here are five reasons to make collaboration work for you:

1. Your firm makes more money and has stickier clients. The more practices that serve a client, the more revenue the client generates for the firm each year. Moving from one to two practices serving a client triples the revenues from that client, and the addition of each subsequent practice continues to generate fees. Clearly, if 1+1=3, then the lawyers involved in cross-practice service are doing more than just referring their colleagues to provide their own siloed work.

STRONG CLIENT TIES GET RESULTS

Average annual revenue per client triples when two practice areas are involved with a client instead of just one. And that's just the beginning.



Cross-practice collaboration is more valuable than mere cross-selling for several reasons. First, more involved practices encourage more lawyers to develop a web of relationships and spot more opportunities to provide service. The number of matters climbs when more practices are involved.

Furthermore, cross-practice collaboration allows lawyers to "move up the food chain" with their client—gain access to more senior executives who have broader responsibilities, larger budgets and more sophisticated needs. This complex work commands higher margins, as one partner said: "The clients are much more generous on fees because if it's so big, the deal's got to get done, and they cannot waste time negotiating or nitpicking." Overall, cross-practice work is less subject to price-based competition. Whereas clients view an engagement involving single-specialty expertise as a commodity that can be awarded to the lowest bidder, they know that cross-specialty work is complex and harder to pull off. As the general counsel of one Fortune 100 company explained, "Despite what they think, most individual lawyers are actually quite replaceable. I mean, I could find a decent tax lawyer in most firms. But when that lawyer teamed up with colleagues from IP, regulatory and ultimately litigation, I couldn't find a whole-team substitute in another firm."

ILLUSTRATIONS BY JON RIENFURT

Of course, no GC is willing to pay for inefficient lawyers handing off work among themselves; they expect their legal teams to control quality and avoid billing for unnecessary work, poor work and rework. Does this mean that partners may have to eat some of the time it takes to collaborate? Probably so, but those costs decline over time as lawyers learn to collaborate, and the returns justify the investment.

A pattern similar to cross-practice work holds across geographic boundaries, too: The more jurisdictions involved in serving a client, the more valuable that client is to the firm.

Cross-practice collaboration can make partners more loyal, too. It's harder for a defector to walk out the door with a client if that client is served by multiple practices.

2. Even rainmakers profit. For some of the most talented rainmakers, collaboration is a natural way of working: The more work they can hand off to others, the more time they can devote to client development and selling projects.

If they give work to a "service partner" in their own practice, then it's essentially substitution, but it still adds value: The more a partner hands off client work to colleagues in her practice, the greater her own book of business grows in subsequent years, even controlling for factors likely to affect origination values, such as one's practice group, my research shows.

The far more difficult and prized task involves integrating others' specialized expertise into one's own client work. Professionals who work this way benefit significantly: The more colleagues in other practices that a partner involves with his own clients, the more the rainmaker's origination revenues grow in subsequent years from existing clients. Once partners learn how to sell the more complex, multiexpert work, they are better equipped to repeat and enhance their later success. Plus, as one partner said, "The more brains we have inside the client, the more we can spot opportunities to sell additional work."

But cross-practice collaboration also increases revenues from new clients. Overall, the greater the proportion of work being done for a partner's clients from outside her own practice, the more revenue she originates in subsequent years from brand-new clients or those that had been dormant for years. One explanation for this effect is that rainmakers used collaboration on existing client work to develop a cadre of colleagues whose competence and character they trusted; in effect, they "auditioned" partners from another practice on their most loyal clients where doing so was least risky. Once they had this circle in place, they were more confident taking those colleagues on pitches for new client work.

It's not just the number of partners that a rainmaker involves, but also the number of cross-practice projects he sells in a year that significantly predicts his following year's origination revenues. This shows that rainmakers benefit not just by selling huge projects that involve dozens of colleagues, such as major M&A deals or postmerger integration projects; partners can build up their practice by selling additional smaller, multipractice projects.

3. You benefit even if it's "someone else's" client. Of course, a rainmaker's ability to hand off work depends on finding a trustworthy colleague who's willing to join the team, and sometimes that's the rub: Nobody accepts the offer. One partner bluntly stated, "Every minute I spend helping them build their business is time I could have invested in building my own franchise. In this business, nobody gets an Oscar for a supporting role."

The rewards of building "someone else's client" might not be obvious. But my analysis shows that the more a lawyer collaborates on client work that others generated, the more his own revenues grow in later years, regardless of his office, practice group, tenure and present-year revenues.

The benefits start to flow through multiple channels. Working on others' matters helps them appreciate what you offer and how good you are at delivering, and they're more likely to refer work next time: On average, one in six partners you work with for the first time will refer you more work in the next year. Even appreciative rainmakers can't always send more work if their clients don't need your expertise again soon, but my data shows how they spread word of your expertise to colleagues who need it. At one firm, it took working with just two extra partners to generate a referral from a new contact who had presumably learned about the partner's expertise through word of mouth. Extra referrals were worth upward of $40,000 in incremental billed revenue the following year among firms I researched.

Clever partners can boost collaboration's reputation by strategically choosing whom to work with, because some partners' opinions carry a lot more weight than others.

4. Service work leads to business development. Working as someone else's "grinder" allows a lawyer to become a better "finder," too. I've surveyed partners across a half dozen law firms about why they don't collaborate more in their client work, and one of the top reasons is always that they lack the capabilities and confidence to pursue cross-practice matters. (Actually, only some partners admit their deficiencies. Many blame the client for not appreciating their attempts, but I code those as not doing it well enough.)

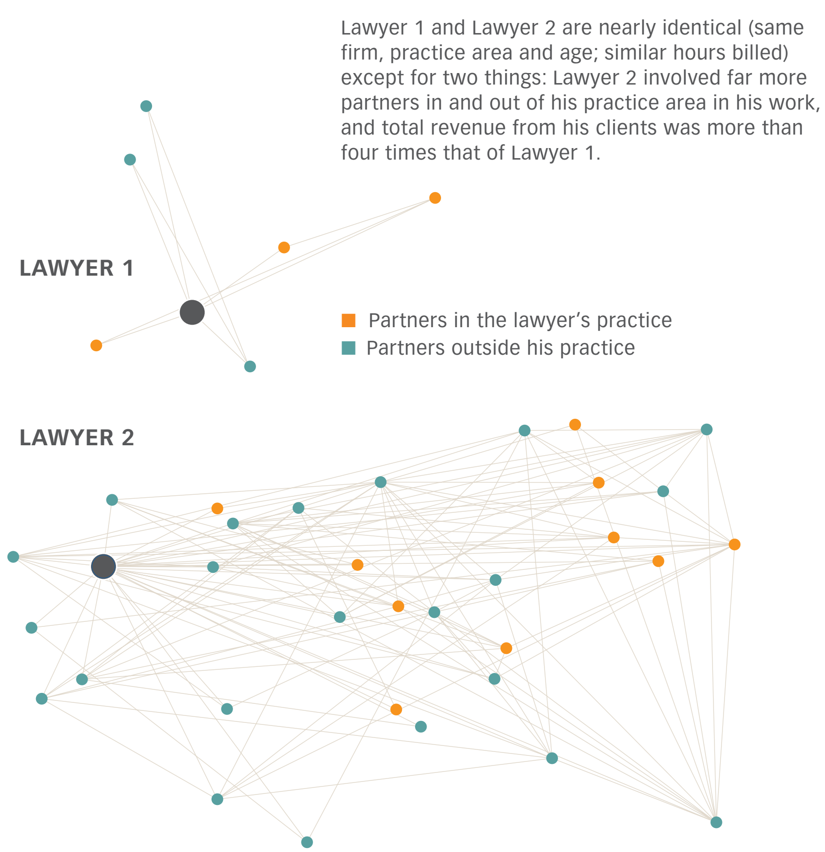
My data shows that working on cross-practice matters significantly predicts a lawyer's rainmaking. The average attorney grew his book of business with current clients by tens of thousands of dollars just by working on a few extra multipractice matters in a year.

Interviews with partners and clients suggest that those results occur because working on multidisciplinary projects helps lawyers learn how to sell sophisticated work to their clients. They've also developed internal relationships that allow them to sell complex matters to new clients with the confidence that their partners will help deliver high-quality work.

Up to a point, the more cross-practice matters a partner works on in a year, the more success she has the next year selling work to new clients. But preliminary results suggest that partners who spend more than about two-thirds of their time servicing others' clients may fall into a "service partner trap" where they fail to spend enough time prospecting new clients.

5. Collaboration means higher rates. When partners develop a reputation for doing sophisticated, high-quality, multipractice work, it raises their profile not only with colleagues but also with clients. Despite the uptick in clients' use of metrics to parse and analyze legal spending, clients who hire lawyers rely heavily on a professional's reputation, gleaned from word-of-mouth recommendations. Obviously, strong marketplace reputation allows lawyers to charge more. But I found that the more cross-discipline projects partners worked on, and the more complex each one was, the more their hourly rate increases outpaced those of colleagues in their firm who stuck more to single-practice or solo work. For example, the average big-firm lawyer who billed $500 in 2008

CASE STUDY: A TALE OF TWO RAINMAKERS



would bill about $600 now, according to statistics in The American Lawyer's November 2014 issue. But if that same lawyer had performed significant complex, cross-practice work in the interim, her rates would now be well over $750, my analysis shows.

Even in the short term, collaboration helps boost rates. In one firm, professionals who worked on a project originated by a partner in a different practice typically charge rates about 8 to 10 percent higher than for in-practice work. Part of this discrepancy comes from clients' inclination not to push back on smaller components of the bill, but GCs tell me that they're willing to pay for specialist expertise when it clearly enhances the outcome. This propensity is consistent with my finding across firms that the greater the proportion of a partner's billed hours spent working outside his practice, the higher his rates relative to average colleagues that year.

WHY LAWYERS DON'T PLAY NICE

If working together is so beneficial, why do smart lawyers resist it? Many partners are just not used to working in teams. As one lawyer said, "I've always won on my own: My college grades and LSAT scores got me into law school, my law school grades got me hired here, my associate review score got me to partner. I haven't played on a team since high school lacrosse. Why would I be a team player now?"

A lack of trust among partners can be common in newly merged or expanded firms, where no one's sure of each other's competencies.

Distrust of other partners is often a root cause, including concerns about quality and responsiveness. Every law firm seems to have a doomsday story: "I spent decades building a deep client relationship, but the first time I took Joe along, he screwed up, and we were kicked out for good." In some firms, partners are worried that colleagues might abscond with the client when they jump ship to a new firm, or deliberately undermine the originating partner's relationship, or take undue credit for success.

Interestingly, every time I present those results at a firm's partner retreat, someone pushes back, refusing to believe that their own partners felt that way. I recall the dustup that occurred at one meeting when I revealed their colleagues' anonymous survey data, including these quotes: "Collaboration is only for partners who are more interested in exerting power over others than in serving the clients" and "Partners are only 'collaborating' for personal gain, willing to steamroller anyone in their path" and "I can't depend on anyone. It's every man for himself. They won't have my back."

Another hurdle is that collaboration takes time. Most of the costs and risks are borne right away, though, such as the hassle of finding an expert on a certain topic, then figuring out whether she's trustworthy, available and conflict-free.

The good news is that as professionals gain more experience with collaboration, the costs tend to fall, because people discover how to collaborate more efficiently and effectively, and they've built up a set of reliable collaborators. What I find, however, is that many lawyers give up before they reach the point where the investment pays off. Their tendency to return to their more individualistic ways of working creates a feedback loop that reinforces the negative perceptions about collaboration's costs and risks.

WHAT FIRM LEADERS MUST DO

Leaders must target the pinch points to get partners to work more collaboratively. That includes finding a catalyst to compel partners to collaborate and motivate them until the benefits outweigh its costs. Here's how to do that:

Stop hiring jerks. As long as you compromise on a candidate's character to get one with the biggest book of business, you can't build a firm where people trust other partners enough to invite them along on client work. Face-to-face meetings and events such as partner retreats and practice group off-sites allow people to develop interpersonal connections. Many firms find that when events include families or spouses, they help lawyers develop stronger bonds because people glimpse warmer aspects of their colleagues' personalities. Ancillary bonds such as friendships between spouses foster trust among partners because those webs of relationships make people behave better toward each other.

Manage talent at all levels. Especially in firms that have grown through mergers or international expansion, partners may not be convinced that others have the same levels of competence. I've heard both sides of the story: the hard-charging New York lawyer's complaints about the Riyadh-based partner who drags his feet on a client development opportunity, and the Riyadh lawyer's frustration with the crass American who doesn't appreciate the importance of building relationships before trying to sell more work.

A robust, firmwide talent management system offers reliable indicators of what partners can expect from lawyers at all levels and thus fosters trust. Secondment programs between offices, especially when they involve senior associates or junior partners, are some of the best ways to build bridges and establish networks of trust. And consider devoting part of your annual partners' retreat to a series of 20-minute "road show" presentations, where lawyers highlight their work and focus on growth opportunities for lawyers in other practices.

Firms must invest in developing senior partners through formal programs and informal coaching, so they can understand their clients' larger business needs and offer services that go broad and deep.

The best development equips partners with fundamental business knowledge, communication and listening skills, plus the mindset to probe for opportunities for clients—even if they're not in the lawyer's own specialty and may not lead to immediate fees. One firm set up an internal "SWAT team" of experienced rainmakers to provide business development advice. Members of that team accompanied other partners on client lunches to help them probe for opportunities, with the understanding that team members wouldn't fill the openings they helped to unearth.

Reduce coordination costs. Take advantage of practice group meetings and phone calls to underscore roles for practice managers to broker relationships. Invest in systems such as virtual workspaces that allow far-flung colleagues to organize projects and create content together in real time.

Showcase collaboration. Distribute periodic "Latest Wins" updates via email bursts or newsletters that showcase big and little cross-practice successes to sustain momentum.

Hold partners accountable. Practice leaders must work together to develop a client-focused approach to collaboration. Then partners responsible for those relationships must identify specific multipractice opportunities valuable to the client. The firm should encourage collaborative activities like mentoring and recruiting.

Resist changing the firm's compensation system to foster collaboration. Any system that rewards specific actions such as the number of multipractice pitches is subject to being gamed.

Inside every law firm, a huge variation exists in the extent of partners' collaboration. The fiercest tigers may never change their stripes. But how much could you gain by transforming even average performers into star collaborators?

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WHAT YOU CAN DO

Even if you're not the managing partner, you can spark collaboration and change in your firm.

■ Get yourself on the radar of partners who can benefit from your expertise. Chris, a partner in the New York office of a global firm, uses this tactic: From discussions with colleagues or articles in the legal press, she gleans ideas for how her expertise in data privacy might be used in a corporate client's strategy. She then researches companies that her firm already serves, and writes a one-page memo to the client relationship partner outlining what she can offer to that client and how her expertise solves a particular problem. The effort takes time, and not all of her colleagues are receptive to what they see as self-promotion, she says. But some are grateful, and enough of them welcome the offer that the tactic has resulted in multiple joint pitches for new work, and a few ongoing relationships.

■ Acquaint power players with your clients. This shows you have class and integrity, especially key if you're a lateral. Kevin, a veteran lawyer, transferred from a boutique IP firm to a broader corporate firm so he could apply his expertise to a wider array of more global clients. Soon after joining, Kevin identified three partners who were prime players in other practice groups. He invited each to lunch, but before dining spent hours studying their published papers, reading up on their clients, and talking to partners in his own practice who'd worked with them. Kevin found an opening to hold meetings at his clients' offices with each of those partners; one developed into a small but promising stream of work. The partners grew to appreciate Kevin's expertise and client-handling skills. And they learned of his intention to stay at the firm and build a thriving business. They began telling others of their impressions of him, and his prospects began to develop for work on others' clients. The initial trick, Kevin explained, was to learn enough of others' domain expertise to identify specific opportunities for them with his own clients and credibly discuss those opportunities.

■ Don't be a jerk, not even to associates. Develop a loyal cadre by helping colleagues shine. If partners at your firm negotiate fees or rates, bend over backward to be fair to partners whom you invite onto your team. Even if your client is more important to the firm than theirs, don't expect them to drop everything to handle your matter. Some of the worst complaints concern partners who entice others onto a project but then fail to give them face time with clients, pigeonhole them into areas where their expertise can't shine, fail to acknowledge their contributions or take credit for their ideas.

■ Turn the people around you into better collaborators. If they screw up, resist the impulse to chew them out or carp about them behind their backs. Give people constructive, honest and timely comments. You'll build a team of people competent to handle your future engagements. And you'll sell future work with the assurance that you have capable, loyal colleagues to help deliver it. —*H.K.G.*