

# California Law Business

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Closing Argument Sandford Lechtick

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## The Art of the Hustle

In the next millennium, law firms will have to reach beyond merely doing good work.  
Lawyers with initiative will prevail

The aspect of law that attorneys probably dislike the most, and are generally weakest in, is marketing - selling themselves, their services and their firm. In fact, to many the marketing stuff receives about as much enthusiasm as a trip to the dentist for a root canal. Increasingly though, and in virtually all professional services, whether it be accounting, banking, health care, or law, the art of hustling is becoming more important. Today it is simply not good enough to be an excellent technician, to be a highly credentialed, highly skilled litigator or terrific securities lawyer, obvious to client development. In academia, it was publish or perish. In today's legal market, companies will stagnate and die if they don't promote, encourage and reward business development, revenue generation and an entrepreneurial style.

Certainly much has been written about the demise of big New York firms in Los Angeles, billing rates, high overhead, turnover, etc. However, high overhead doesn't explain why Skadden, Arps and Milbank, Tweed, as New York as they come - with among the highest rates around, continue to do quite well in L.A. with growing profits. In fact, Milbank's L.A. office is the most profitable of all its offices. Eric Schunk, a corporate finance specialist and chair of Milbank's corporate department is only in his mid-40s but generates revenue exceeding \$10 million. Skadden too has a number of hustlers in their 40s who generate several million dollars a year.

Clearly one of the most overlooked ingredients - impacting law firms of all stripes and colors - is the role of the hustler. If you look at almost every firm that dissolved, fragmented, disintegrated or imploded, you will see and with few exceptions, a firm that grew complacent, timid, and one which lost its gusto. They lost the spark - what Rocky Balboa called, the "Eye of the Tiger."

Many firms suffer from a leadership vacuum between the hustlers who started or built the firm and the second and third generation of leadership that never fully developed business finesse. Clearly, passing the torch is one of the toughest things for senior partners to do. Irell & Manella, a firm noted for first class work, has successfully handled the leadership succession by promoting as co-managing partners 48 year old Morgan Chu, an outstanding litigator and multi-million dollar revenue producer, and 50 year old Ken Heitz, a corporate and securities expert.

Most lawyers, risk averse by nature and training, don't undertake marketing initiatives and business development activities until they have to because of crisis or necessity - a big client goes belly-up, two large litigation matters settle, a significant rainmaker leaves the firm.

Today, the economy is doing well and most California firms are having a good year. But while the rising tide is lifting all boats, I believe some firms will crash when the water level drops - simply because many partners who feel they've paid their dues, have grown complacent and stopped doing the things that earned them their success in the first place. Too many lawyers' idea of marketing is waiting for the phone to ring.

Even mighty Latham & Watkins had to get back to basics when they lost two huge sources of revenue in the early '90s - New York junk bond giant Drexel Burnham Lambert Inc. and investment firm Kohlberg, Kravis, Roberts & Co. Former managing partner Jack Walker said in last April's American Lawyer, "We were in great danger of becoming self-reverential, unduly inbred, self-congratulatory." The firm's leaders, especially those with a marketing focus, effectively executed a game plan to broaden their client base, hustle new business, cross-sell, reward hustlers and capture strategic laterals. Today, roughly 45 partners are reported to generate more \$2 million per year and approximately 100 of the firm's 241 partners generate more than \$1 million a year. Partner profits at \$450,000 in 1992 not exceed \$770,000. The firm is a textbook example of one that made tough business decisions without corrupting the fabric of the firm.

Most professionals stop hustling when they're busy or when things seem to be going fine. The way I see it, that is exactly the time to hustle, when things are going great. Expanding your client base and going after new business is best done when you don't have to. When you're busy is the best time to plant seeds - even if the harvest won't be gathered for a few seasons.

Law firm leaders and partners will make their firms and their practices stronger by considering the following:

- Focus on maintaining a strong cohesive firm culture, but realize that without generating new business and clients, there won't be any culture to maintain.
- Give business-finders incentives to increase their practice, but also reward those who are strong minders - those who cement and expand the firm's relationship with the client. While finders get the glory and big bucks, good minders help keep clients happy.
- Consider eliminating nonproductive partners after first giving them an opportunity to increase their hours and business. Cutting compensation is in some instances better than cutting long-time loyal firm members. However, putting off tough decisions sends two messages to the rest of the firm: indecisiveness and a willingness to carry dead wood.
- Associates showing ambition and initiative should be mentored in the art of building relationships and interacting with clients. Too many firms unrealistically

expect their associates, upon making partner, to flip a switch and make business appear.

- Diversify your client base rather than depending on the work from two or three big clients. Get closer to your clients to determine how you can be more responsive and give them more bang for the buck. Remember, your existing client base is the best source of new business.
- Pick leaders who have vision and are not afraid to make tough decisions. Running a firm effectively is not about winning popularity contests, but as University of Southern California Business Professor Warren Bennis said, doing the right things, more than simply doing things right.” Strong leadership today is essential.
- Your partners must think and act like owners, not employees. They must take responsibility for the firm and see client building, relationship retention and expansion and revenue generation as that which goes with the territory of ownership.
- Each partner must have a written business plan (short and long term goals), specific strategies to reach those goals and a reasonable time frame for achievement.

There is no secret to hustling. It is hard work and doesn't happen overnight. In fact, business development often takes years. There is no one magical formula. Some people are “naturals” others have to work at it. But, more top rainmakers have created their success from perspiration rather than inspiration. While doing good work and establishing a strong reputation is important, it is recommended to spend 300-plus non-billable hours per year getting involved in business and Bar leadership activities, writing papers, schmoozing, meeting clients for lunch and dinners, putting on seminars, networking - in short, hustling.

As the next millennia approaches and competition intensifies, the role of the hustler will take over and entrepreneurial energy will be the firms that not only survive but prosper.

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