

EDGE International Review

W I N T E R 2 0 0 7



ALUMNI AS A COMPETITIVE WEAPON

by Michael J. Anderson

THE CUBAN BOY &



W I N T E R 2 0 0 7



ALUMNI AS A COMPETITIVE WEAPON

by Michael J. Anderson

*by David H. Maister
Patrick J. McKenna*

LATEST MARKET RESEARCH



STRATEGY IN A WEB 2.0 WORLD

by Robert Millard

WHAT'S ON MANAGING PARTNER AGENDAS IN 2007?



A L

When partners leave a firm, the firm spokesperson traditionally trots out a "we wish them well" - whether through gritted teeth or not. But tradition is now making way for a wince-making new policy of depreciating departing partners. This usually takes the form of a statement along the lines of "Bothered? Do we look bothered?"

A L U M N I



AS A COMPETITIVE WEAPON

U M

Up until now the best quote we ever saw was from a London firm who commented, "We have one of the biggest banking and finance practices in the City, with more than 30 partners working across 10 practice areas. We act for nine of the world's top 10 banks, and two partners leaving aren't going to have any meaningful impact on our business."

This doesn't exactly endear one to former partners, many of whom may be in a position to provide less than complimentary commentary to the legal press about your firm; may one day want to come back; or end up in an in-house counsel position and able to determine where massive legal dollars will be spent; or may be able to refer conflicts to your firm; or not!

N I

by Michael Anderson, **EDGE INTERNATIONAL**

As law firms, we often look at our brethren in the accounting field for ideas on how to better optimize our businesses. After all, the accountants were the first to develop practice groups which most law firms have now emulated. They were the first to develop client teams, which many of us now also imitate. That raises the question: Why have we been so slow to create alumni groups which the accountants have used for years?

There are a couple of reasons why we have hesitated. Firstly, for some strange reason that defies logic, most firms take the attitude that, if you are not with us, you are the enemy. This seems to apply even when one of our people goes to a position that is in no way at odds with what we are doing. They are still considered a deserter and treated as such. In fact, they often go to companies that we would like to represent but we ignore them anyway, as if they had the plague. It is simply easier to stay friends and it is much more satisfying to work in a place where people are respected, even if they leave.

A second reason why accountants develop alumni organizations is because they actually want some of their people to leave and join corporations that are either currently clients or who they may wish to make clients. Given the pyramid structure of promotion within accounting

firms, wherein only ten percent of the recruits actually stay with the firm until making partner, they need to have a system whereby those professionals who fall by the wayside as they progress from Staff Assistant to Staff Accountant to Senior Accountant to Supervisor to Manager to Partner have to find a place in the business community/public practice. Since they don't intend for all recruits to eventually become partners, why not help them find positions that are suitable for the individual accountant and also provide a benefit for the firm. This is, more often than not, also beneficial to the accounting firm's clients who often hire these people because they have already worked for the company and usually have a good understanding of the corporation and its goals as well as know their way around the accounting firm.

Most accounting firms extend their alumni associations beyond the professionals. My better half who, at one point in her career, worked in the Human Resources area of international accounting firm, still attends their semi annual alumni functions. She is still in contact with many friends who she worked with at that firm. Even now, ten years later she still holds them in very high regard and is even a referral source for individuals within that accounting firm.

In this day and age, turnover has become a fact of life in almost all law firms. Some people are just not appropriate to make the next step up the ladder to partner, some are lured away by the competition, some determine that their future is better served in a corporate or governmental environment, some choose to raise families, some seek a better life/work balance and some leave law altogether. If we treated these people with respect while they were at our firm, they can become very powerful advocates for us as they continue their careers.

Jack Walker, the former Managing Partner at Latham & Watkins (an International firm based in Los Angeles) recounts their alumni story in the article he co-wrote with David Maister "*The One-Firm Firm Revisited*". This is a fresh look, at what is arguably David's most famous article first published in 1985 in the *Sloan Management Review*. In this article Jack-talks about his experience in having the light go on, regarding alumni management.

Former partners, may want to come back, be in an in-house counsel position and able to determine where massive legal dollars will be spent; or may be able to refer conflicts to your firm; or not!

Up to that point in time, Latham had ferociously concentrated on hiring, training, indoctrinating, and holding on to talent. In that environment, when a lawyer left the firm to do something else, it was regarded as a failure rather than an opportunity. The pejorative term "attrition" was applied to these sad events. As a result, the firm often treated the departing lawyer neglectfully or even badly, as

if he or she was a defector. This is an example of a one-firm firm principle run wild.

In retrospect, the firm lost millions of dollars in potential business because it mis-managed relationships with those who left. As Latham matured as an organization, it changed its practices to honor people who leave the firm and to cultivate their friendship.

In the mid-1990s, Latham made a calculation about how much of then current business came directly or indirectly from alums. The figure was approaching 50 percent. And it was great business — name-brand clients, often premium rates, quicker bill collection, pleasant dealings, and so on. Moreover, the clients benefited because the alums had a special feel for the firm, including knowledge of strengths and weaknesses. In some cases, alternative risk/reward billing arrangements could be worked out because of the built-in trust factor.

At all of the one-firm firms, the loyalty of alumni is a key competitive weapon. A one-firm firm leader told us, "One of the managing partners of a competing firm once told me, 'The thing that strikes fear in our hearts is when one of your alums ends up at one of our clients — the loyalty is beyond our understanding and usually means it's just a matter of time before you guys have your nose under the tent.'" Doesn't it seem obvious that there are great advantages to setting up and maintaining an alumni organization within your firm? There are huge rewards available and the costs are really quite minimal in the greater

scheme of things. Just think back to the costs of landing that last big client. Was it worth it? And how about the costs of trying to land that big client that eventually chose another firm? That money is gone while what you spend on an alumni association keeps working for you.

You must stop thinking that their leaving is a failure, thinking of them as defectors and you must start showing them the respect they deserve.

lives of these former and current firm members. Have they switched jobs, have they been promoted, have they moved to other cities, have they had children, have they obtained further education, have they been appointed to boards etc. Most of these newsletters have an interview with an alum extolling

So what is an alumni organization and how do we go about creating one?

Change Your Mindset. First (and toughest) you must change your attitude towards people who are leaving, firm wide. You must stop thinking that their leaving is a failure, thinking of them as defectors and you must start showing them the respect they deserve. After all, they were a part of your firm and whatever you saw in them when you hired them is a worthy trait. We don't disrespect neighbors who move off of the block, we just have a slightly different and less frequent contact with them. They do not become the enemy. Also, the way we treat our alumni has a very positive effect on our hiring and sends a positive message to anyone we are trying to recruit that we are a firm that cares and takes care of our people, even after they have left us.

We should also be encouraging some of our people to become members of the alumni association by helping them move to another firm, company or situation if it is the right thing for both them and ourselves. The accountants have taught us another thing in this regard. Secondments, temporary or permanent, can often be a win-win strategy. Our client gets someone they need who knows their business and who can help them in their dealings with us and we get a happier client, a better trained lawyer (if they come back to us) or an advocate for us if they stay with the client on an ongoing basis.

Choose someone to be responsible. In most firms the responsibility is given to someone (not necessarily a lawyer and usually a member of the marketing group who is conversant in organizing get-togethers and writing newsletters etc.).

Create Your List of Alumni. The first task of that person responsible is to create a listing of all of the people who would make up such a group. We respectfully suggest that the group include more than just lawyers as all former employees can also be excellent referral sources.

Communicate. A newsletter, either electronic or hard copy, should be started and distributed to all former members of the firm (as well as all current members of the firm) – remember, we want to change our firm attitude towards people who have left the firm. The newsletter should contain ongoing information regarding whatever is new in the

the firm's role in preparing for their current situation.

Set up an Alumni Section on Your Web Site. Your newsletter should be placed in a special secure section of the firm's web site along with current contact information for each of the alumni and perhaps even a short biography of their current work situation. Photos are also helpful in jogging our memories.

Host a Special Alumni Event. The firm should throw at least one annual alumni party and one alumni special event each year. A gathering need not be elaborate. It can be a simple cocktail party with hors d'oeuvres but attendance by current firm members is mandatory so that they can stay current on the happenings of these people and the companies that they work for. This is a whole lot easier than making cold calls or entertaining potential clients that you know very little about. A special event might be something like a golf day, a theatre evening, a picnic, a baseball game, a croquet tournament or whatever else you can come up with. An obvious goal behind these get-togethers is networking. Both our former colleagues and our firm members use these occasions to build their own networks.

The accountants have got it right and we, as law firms, have some serious catching up to do. If you still have some doubts about the value of setting up an alumni group, I suggest you call a large and successful accounting firm and ask them what they do, how it works for them and what value they derive from this initiative.

An alumni association will give your firm a distinct competitive advantage over other firms in your market(s) in terms of professional satisfaction, marketing and recruiting.



Michael J. Anderson is a partner in EDGE INTERNATIONAL and consults to law firms in the areas of practice, industry and client team management, compensation issues, marketing and strategy.