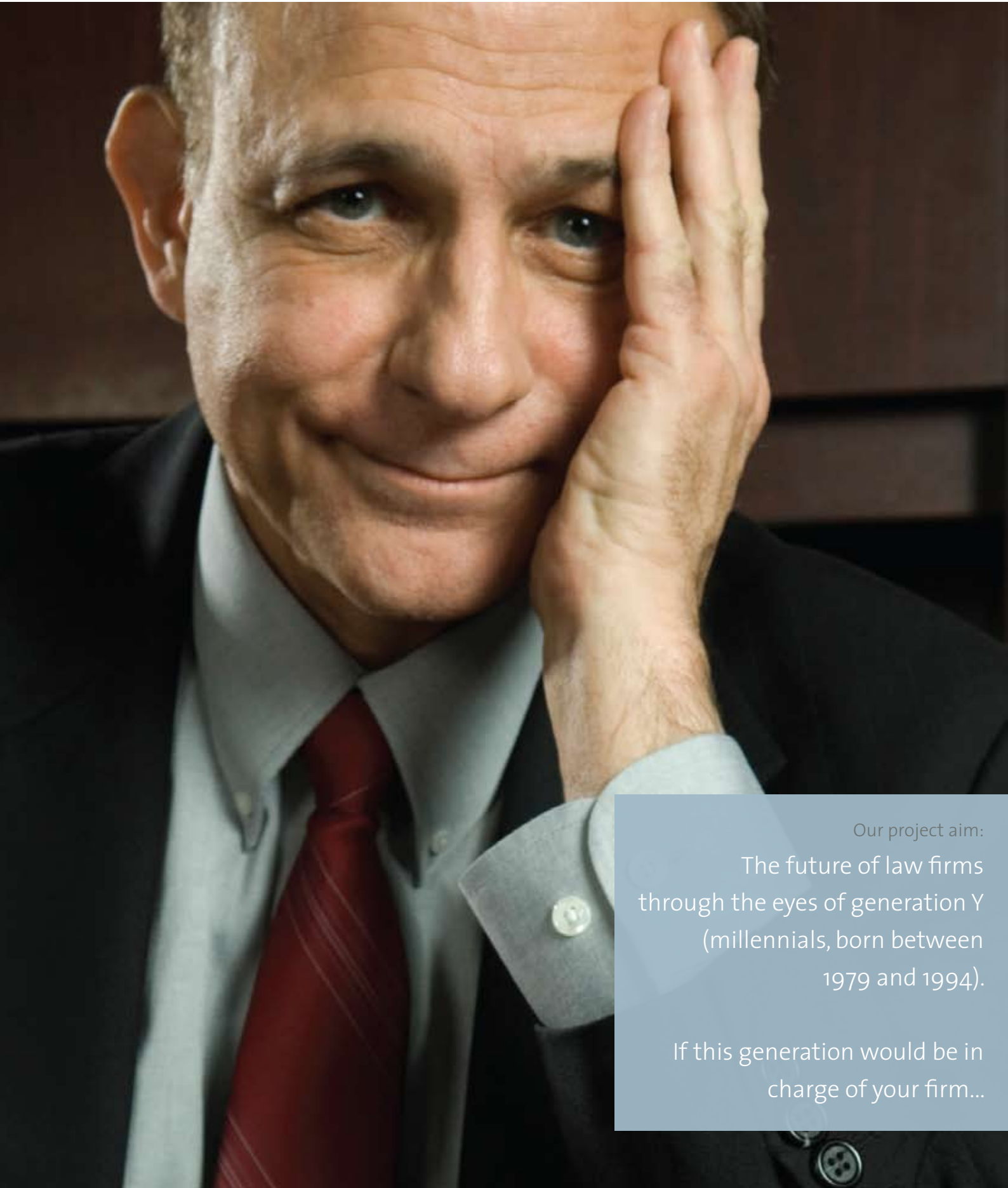


The Next Generation Law Firm



Our project aim:
The future of law firms
through the eyes of generation Y
(millennials, born between
1979 and 1994).

If this generation would be in
charge of your firm...

As strategic advisors and management consultants to the legal sector we continually explore and research the key challenges to be addressed by the major law firms. 'The next generation law firm' is a research initiative of Temporal Tanja Consulting to gather insight into the expectations, wishes and desires of generation Y professionals in law firms. We asked German top 50 law firms to send young lawyers belonging to generation Y to our brainstorm sessions. At these sessions, the participants had to perform our futuring exercise. This exercise is a structured brainstorm; participants were asked to describe the ideal law firm of 2020. We focused the discussions on four dimensions: the market requirements, HRM, operational excellence and governance models.

The research was previously carried out in the Netherlands and for the German sessions Taylor Wessing acted as a sponsor to the project. We would like to thank Taylor Wessing for supporting our efforts to bring the initiative to Germany.

TaylorWessing

Different times...

Lawyers belonging to generation Y, the so-called millennials (born between 1979 and 1994) started to enter the workplace during the course of the last few years. Millennials learn differently, want to work in a different way and have an altered view on what life is all about. Loyalties, priorities, aspirations and interests seem fundamentally different from those of the current partner generations which belong to the baby boomers and generation X. By organizing brainstorm sessions with young lawyers of top 50 law firms we were able to gather their insights, wishes and desires in four key areas:

- Market & client service delivery
- HR
- Operational Excellence
- the Governance Model

We also defined three key HR questions which we addressed during the sessions:

- How to attract and retain millennial high potentials?
- How are expectations between partners and millennials best managed and matched?
- How to manage millennial professionals best?

One, rather general conclusion stands out: Law firms which take generation Y serious, listen to and act upon their wishes and “requirements”, will be able to beat competitors in the ‘Struggle for Talent’. It is key that law firms ensure that the millennials want to work for the firm in the future as a shortage of top talent will have direct consequences for market positioning, competitiveness and quality of service delivery.

The German brainstorm sessions show, similar to the results in Netherlands, that this generation of young lawyers shares very different drivers of motivation, needs, wishes and ideas about how they would like to work and how they see the future of the firm, compared to how things are currently managed and perceived within law firms. This is in line with findings in the literature that predict drastic managerial changes that need to be implemented in order to be able to attract and retain young talented professionals which belong to generation Y (Cole, Smith, Lucas, 2002). On the basis of the brainstorm sessions and the outcomes of the questionnaire research, we can confirm that these warnings should not be ignored. The results of the sessions show that the millennials would like to see different approaches in a number of areas, especially in relation to the “burning” HR questions defined above. Research further indicates that generation Y is not easy to retain when dissatisfied (Sujanski, 2002).

The question is then, indeed, whether the older generations need to change and adjust to current realities. Or, alternatively, should the young generation take an example to the older generations and just accept that things are undertaken in a certain way? The demographic reality however is that in the course of the next few years, the millennials will have the upper hand on the work floor (Sessa, Kabacoff, Deal, & Brown, 2007). If the millennials have the future, shouldn't they get the freedom to (partly) shape it themselves?

On the other hand, generations might differ on issues, but the values which motivate different types of individuals could be clustered within and therefore, throughout generations. Preliminary research shows indeed that within each generation, several “clusters of values” can be identified. If the firm is able to identify and understand such cluster values that are shared between generations, it can attract and motivate different groups of professionals regardless of their generation and improve the cohesion within the firm.


Rik W. Vodeb
Consultant
Millennial





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A blonde woman with wavy hair, wearing a black blazer over a white shirt and a black necklace, stands with her arms crossed and a friendly smile. The background is a bright, out-of-focus office interior.

*What can
your firm
do for me?*

"What can your firm do for me?" can be heard quite often during recruitment interviews. The millennial is willing to use his talents to the benefit of an employer, but expects an investment in further developing that talent.

Introduction

The generation gap between older partners and young millennial high potentials has become a reality which can no longer be ignored. The young generation legal professionals is taking a stand on the work floor. They are often perceived as spoiled, arrogant and seem to lack ambition, but is this reality?

Partners should find out how they can motivate and “trigger” this generation. Motivation is essential in retaining millennials as they will indeed walk away, if dissatisfied (Sujanski, 2002). To oppose the differences, perceived or real, between the respective generations will turn out to be counterproductive. Accepting that millennials are different is key. Starting a dialogue is most probably the better approach. Law firms should be encouraged to find where our mutual aspirations, ambitions and motivations lie across all generations of employees, rather than focussing upon the differences.

The more senior generation of partners will have to be prepared to accept a culture shift in order to give the millennials the space and flexibility they wish and require. Millennials need to be motivated and inspired before they are willing to commit themselves to an employer. Flexibility, appreciation, challenging work and ownership are examples of factors which millennials deem extremely important. If law firms do not succeed in capturing the imagination (and therefore loyalty) of the millennials, firms will lose high potentials to competitors who are willing to invest time and effort in the millennial generation.

“Never was a generation so highly educated, well travelled and developed as generation Y”

“Assets on Legs (AOL’s): Professionals are the largest asset of a law firm but also the largest liability. Legal professionals, now more than ever, are very aware of their market value and can actually choose where they want to work. If dissatisfied, this generation may opt for the competition.

The market and clients

Clients of law firms have become more demanding, more discriminating and less loyal. They purchase legal services in a different way and are, increasingly, staffed by generation Y lawyers themselves. Moreover, the generation of in-house lawyers are often educated and trained by law firms and know the changing rules of the game. Legal departments are demanding transparency about issues like diversity and sustainability. The client prefers legal opinions which are readable, demands top quality, expects a law firm to act proactively and to really know the client's business. Clients prefer to avoid problems rather than have them solved impeccably. The general pricing pressure which is experienced in the legal sector is likely to sustain for some time. Especially the more routine like legal services are sensitive to pricing pressures. It can take years before this pressure on the hourly rates for the more standard legal services has subsided. It is however questionable if the client is willing to accept higher fees in the future for this type of work altogether.

How do Millennials want to respond to those market challenges?

Millennials perceive that in-house counsels have become more educated and demanding. They also believe that the role of a lawyer will broaden to more strategic issues and that a good lawyer should act as a trusted advisor. Diversity and sustainability are important issues that millennials share with their clients. Millennials feel that law firms could gain higher client loyalty and intimacy if firms would be willing to invest in deeper and more strategic client relationships. Not only in identifying which key clients should receive maximum attention but also to choose the lawyer best suited for that particular client (not being the lawyer with necessarily the best technical skills). Lawyers as account managers might be a good additional asset to the firm. Alternative fee arrangements should be considered as the hourly rates no longer make legal services comparable. Millennials feel that clients will demand a law firm to predict the pricing of a particular service or legal product in future.

Some results from the questionnaire:

- Green > "Agree"
- Orange > "Disagree"

I believe that the customer will demand different pricing methods as opposed to the hourly rates



I believe that sustainability is very important for our office



The customer will become increasingly demanding



The client would like to have one person as a first contact for all Legal issues



Optimizing the service delivery

Cross selling and sharing contacts must be part of every firm's DNA. On average, 80% of revenue is generated by approximately 20% of the clients. In order to fully harvest the potential of your client base, new work is best and fastest generated by focussing on existing clients as this type of "warm acquisition" can build on an already existing relationship and track record. If members of different practice areas team up in order to strengthen the relationships with their clients and deliver several different specialized legal services, cross selling and teaming will be an important contributing factor affecting the overall profitability of the firm.

Millennials, in general, are very willing and open to work in groups and sharing their knowledge. The popularity of the social networks such as MySpace, Facebook and LinkedIn are good examples of this group behaviour and the willingness to share knowledge and contacts. There is a desire to shape groups and to brainstorm on ideas as the output of such processes is often better and, not unimportant, makes work more fun. However, law firms use, in many instances, performance systems which do not necessarily stimulate team orientation. Quite often firms have insufficient management information available to measure team work and the sharing of clients. Such systems lack real incentives to truly stimulate teaming.

If customers are really less loyal, working in teams and focus on cross sell might be one of the tools to strengthen the relationship to minimise the chance that the customer starts shopping around. Furthermore, if 80% of revenue is generated by 20% of the client base, small accounts which take up valuable time and show little potential for growth, should perhaps be rejected and focus should be given to the top clients of the firm where the potential for expansion is larger and where the effort in acquiring the work is less time consuming and therefore, less expensive. Millennials of the larger firms in Germany tend to agree.

By working together with colleagues, we deliver a much better service to the client than if I would work alone

100%

What was said by the millennials in bullet points:

- Lawyers as account managers could be introduced
- Say goodbye to the traditional lawyer-client relationship
- The lawyer will be transformed into a more "strategic trusted advisor"
- Specialised lawyers on high end projects; a firm can't be excellent on all areas of the law, so special expertise can be insourced when needed
- Single point of entry for the client
- We should be selling a service, not just hours
- Millennials want to really understand the business sector of the client
- Fixed fees will become standard
- Rankings on websites similar to the Facebook "like" "dislike"
- Transparency of fees is required

A young man with light brown hair, smiling broadly, wearing a dark suit, light blue shirt, and dark tie. He is standing in front of a modern building with glass and steel. The text "I want to shape my own development!" is written in a white, handwritten-style font across his chest.

*I want to shape my
own development!*

Millennials perceive themselves as talented and are convinced that a good salary is a prerequisite to even show up on the interview. However, meeting demands for development and flexibility are more important in retaining them.

HRM/HRD

Millennials prefer clear and transparent career paths. The millennial is aware of his market value and the reality that real top talent is rather scarce. Law firms will have to accept this situation. Flexibility, work life balance and development are the key issues in motivating and thereby retaining young legal professionals. More flexible and “normal” working hours are high on their agenda. The wish for a healthy work life balance does not necessarily imply that millennials lack ambition. Of the participants in the brainstorm sessions, 83% indicated that they would gladly trade salary for a more healthy work life balance provided there would not be negative consequences for their further careers. Working from home should be seen as a real alternative to working in the office and with new technologies at hand, millennials feel that it is. This new way of working will require partners to manage performance results (output) rather than presence in the office.

Firms should also think about their recruitment policies. Instead of hiring lawyers with similar competency profiles, one may consider hiring lawyers with complementary profiles. Millennials would love it! In fact this is diversity in its true meaning. Belbin showed us that within a well performing team, different roles can be identified, requiring employees with different, but complementary competences and skills. Managing this complementarity may well become the main HR challenge for law firms in the coming decade.

Millennials find it important that they actually like what they do and they are willing to try different jobs to find out what they like most. This will have large implications for the selection and recruitment processes as well as the design of career paths within the organisation. The “up or out” system, does not seem to motivate the millennial. By giving millennials ownership and responsibilities and by motivating them and “thanking” them for their efforts, a millennial may become more loyal. However, the lawyer that will become a partner at the firm where he started his career, will become extremely scarce. Focussing recruitment of lateral talents for the senior positions within your firm could become another recruitment priority.

Millennials also believe that skills training and personal development are important. They expect law firms to invest in state-of-the-art education and development opportunities. Furthermore, the millennial would like to have more face-to-face time with partners in order to learn, develop and receive (constructive) feedback.

The millennial is allergic to “Just do as you’re told!”. When you give feedback, be well prepared; give clear examples of perceived and desired behaviour. Don’t forget to give the feedback in a constructive way and don’t forget to say “thank you” every now and then.

Rik Vodeb, Millennial

I would like to have more flexibility to carry out my work



I find work/life balance very important



Burning questions

1. How to attract and retain millennial high potentials?

Millennials would like to be developed in both legal and non legal skills. Many millennials professionals also mentioned that they would like to decide for themselves which training and development actions would be suitable. The career paths should therefore be individually tailored. Millennials are demanding an investment in their talents and in the time that is needed to do so. This holds equally true for the “soft” investments partners should make to give guidance, instructions and, yes, show that the work is appreciated and valued.

Work life balance and flexibility are not only deemed very important, 96% of the participants also agreed that a demand for normal working hours does not necessarily imply that they lack ambition. Millennials are willing to trade salary for “normal” working hours in order to facilitate the law firms to hire more people to deal with the existing workload. Law firms should accept and respect that having a career and a family is important for both men and women. Millennials understand that under certain circumstances or in particular practice areas, sometimes the workload takes precedence. What most millennials are unwilling to accept is that this is regularly the case and that the firm just does not have enough resources to handle the workload. Weekends and late nights should be private time for as long as possible.

To retain millennials, the partners will have to invest time in giving feedback, provide coaching and be transparent about the career opportunities of the professional within the firm. Expectation management is crucial for the millennial. Millennials are loyal and willing to commit to a firm but ... they expect loyalty in return and are not willing to join the “rat race for high profit margins for partners” blindly. Millennials want to be part of a team and would like to be involved and informed about decisions regarding the firm’s strategy and client contacts.

Clear motivating factors for millennials are development, appreciation, hearing “thank you” once in a while, being respected, receiving feedback and good team spirit. Lack of personal relationships with partners, too long working hours, uninteresting clients and work, bad working climate and “not being treated as human beings or adults” will make millennials walk. If one looks at these answers, it is hard to disagree with the millennials. But don’t these answers motivate and demotivate older generations as well? We think yes! However, the dialogue between generations is quite often lacking in law firms. If facilitated well, the alignment between people, generations, processes, strategy and clients could be improved dramatically which can lead to higher and better performance. Management will have a crucial role in this process and should find the binding motivating factors between generations. Clear and honest communication is key.

*I would accept lower wages if I could (really)
work less hours per week*



Working less does not imply lack of ambition



2. Managing and matching expectations between partners and millennials

There is a clear need for honest and respectful communication between the generations. Regular evaluation or feedback sessions are good moments to sit down with one another. Millennials don't blame the partners but the whole system. This generation is willing to take risks and try other jobs. This may threaten the stability of the firm and the return on investment made in associate development. Starting a dialogue to manage expectations is therefore considered key.

I am currently looking at other legal professions as a possible option for my further career



Work to live; not live to work



3. How to manage millennial professionals best?

According to the millennials, the partnership model has still the future; there does not seem to be an alternative available. Being a partner is not for everyone, the millennials would primarily like to be an outstanding legal professional.

The millennial is not charmed by the hierarchical "power play" and directive leadership style which, in essence, is synonym for "just do as you're told and how I used to do it!" The millennial expects to be motivated, coached, respected and yes, thanked for their efforts. Millennials want to be managed in a transparent way, with respect and guidance for optimal career development. Coaching and feedback, next to external training, play a crucial role in achieving this. Feedback should be given as often as possible and honesty is very important. Millennials also feel that saying "thank you" is highly motivating and not hearing it, is disappointing after putting in the good work. This does not mean that millennials are unwilling to hear negative feedback, when it is given in an honest and constructive way, this is an important part of learning on the job. Feedback therefore needs to be very precise, well prepared and contain real examples of perceived behaviour and tips on how to improve it. Hearing "thank you" is just receiving appreciation for a job well done and millennials feel that they deserve to hear it.

I receive sufficient feedback and coaching to fully develop myself



I believe that my work takes up too much of my time



A full-page photograph of a young woman with long brown hair, smiling warmly at the camera. She is wearing a white button-down shirt under a light-colored blazer. She is holding a black strap, likely from a bag, over her shoulder. The background is a soft, out-of-focus grey.

*Corporate sustainability
is our responsibility!*

Competency models

Competency models should provide clarity about what can be expected from anyone at any level in an organisation. However, simultaneously, these models are in practice and at an individual level very hard to work with. To rate someone's behaviour and performance on the basis of one's observations is a time-consuming, difficult and not always pure process. Not all people possess the same talents, yet once arrived in the legal workspace, everyone is measured on the basis of the same skills, requirements and competences: the lawyer who has brilliant legal knowledge, is the perfect manager and rainmaker as well. We all know that that person is hard to find so why not give people different roles in the organisation by creating a complementary workforce? This way people do what they do best and become even better at it. When, especially with this generation, motivation and "fun at your job" seems very important, we should perhaps revise the use of competency models.

Send 'rainmakers' to your (potential) clients, keep professionals who do not want to see clients in your building with high billable targets and let the "people manager" motivate and inspire your fee earners. There will be different groups of fee earners in your office but together they will contribute to a complementary work force. If you invest in strengthening their talents even further, it is our educated guess that law firms might probably perform better on all competences.

Every legal professional has to be measured against the same competency model



People should be used only for their strengths, let others do the rest



What was said by the millennials in bullet points:

- Diversity is important/complementary teams
- Work life balance is key
- Flexibility required to have both work and live
- Tailor made career paths, focus on the individual
- We need business skills
- Look for our talents, we can't do everything
- Up or out is outdated
- Freedom to develop in non legal areas
- Good leave culture is important

Operational Excellence

Business processes need to be optimised according to the millennials. They require state of the art IT applications. Internal know how accessibility was high on the agenda. Outsourcing and offshoring are possibilities to save costs but there needs to be an assurance that the quality is nothing less than perfect if it concerns document production and due diligence. To improve the quality and saving costs at the same time is a good idea but the end goal has to be improved service delivery to the clients of the firm.

The millennial is not too interested in secondary and tertiary processes but demands that these processes deliver the same high quality as they are expected to deliver. These processes need to facilitate and enable them to perform on the highest level. Digital available know how is high on their wish list and the IT infrastructure should enable the millennial professional to work flexible. This means that working from home should be made possible. The main priority for law firms is to improve service delivery and stay on top of the game. Business development and marketing are areas where other professionals should focus on.

Marketing and business development are areas of business where other professionals should focus on



By sharing knowledge, our firm will become a better organisation



Document production by legal professionals in India is a good way to optimize our business



What was said by the millennials in bullet points:

- Open know how systems
- No more time recording, product pricing has the future
- Research lawyers
- PC-laptop-blackberry-iphone-ipad should fully be integrated into the work environment
- Carbon footprint should be as low as possible
- Outsourcing whenever achievable and feasible

Governance model

Most millennials feel that the partnership model still has the future but they feel it should be updated as different roles and career paths will implicate that not all lawyers should become a partner or manager. Of the millennials, 67% wanted to keep on working at the firm without having the pressure to become a partner. Sure, the system is an up or out pyramid in most cases, but the implication lies in the motivational area. Many millennial lawyers would just like to be excellent legal professionals. Becoming a partner and the workload and responsibilities that come with it, are not the main motivating factor for many millennials to put in the long hours.

It should be possible for a law firm to go public (accept foreign investment)



Non legal managers would bring innovation



I would like to be able to keep on working at my firm without the pressure of becoming a partner



*Amuse me
or lose me!*

Concluding remarks

The millennial legal professional is aware of his talents and market value. He is well-educated, determined to structurally achieve a healthy work-life balance, assured about his abilities and competences and has a pretty focused picture about how he wants to work, develop and in which environment.

To think that this generation will generally follow the career paths of the current, more senior partner generation seems a mistake. If law firms fail to inspire, develop and motivate talented millennials, they will opt for competitors who do take them serious or may decide not to pursue a legal career at all. Combined with the increasing 'Struggle for Talent' in the legal employment markets it's easy to see why law firms have to invest energy and effort into this generation.

For legal HR and law firm management the challenges are substantial. Law firms may be forced to redesign their recruitment and talent development policies, may have to consider changes to their performance management and remuneration systems and may have to introduce alternative and flexible career paths and opportunities. This will require fundamental discussions among the various generations fee earners and stakeholders within law firms touching upon issues like organisational culture, strategic direction and competitiveness.

At the same time, these 'assets on legal legs' will also determine which firms will be winning the battle for mind (and German market share) in the very near future. In the end, the millennial generation of fee-earners will, within approximately 5 years, become largely responsible for the life cycle of the client-firm relationship. This then touches upon aspects like the values a firm represents, its promises to clients, the perception of capabilities and competences of the firm and how the lawyers of the firm define themselves as professionals. How firms deal with the millennial generation will, ultimately, affect the brand of the firm and the image and reputation that goes with it. A rather decisive and important strategic matter that firms cannot ignore! It will require strong and determined leadership.

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Some results from the questionnaire:

- Green > “Agree”
- Orange > “Disagree”

Market and clients

When I am with a client, I find it more important to strengthen the relationship than to immediately sell a Legal service



Clients are always able to reach us



Clients will insist on the “renaissance of the commercial lawyer” (generalist rather than specialist)



Legal departments are becoming more and more educated



I share my contacts with others to improve cross selling possibilities



I notice the pricing pressure with my clients



The customer demands invoices with clear descriptions of the tasks carried out



I believe that the competition on the Legal market has grown because of the crisis



The customer will become more business minded



Customers will become less loyal



I always evaluate my Legal services with the customer



HRM/HRD

In our office, diversity is on the rise



A high diversity rate will contribute to a better organisation



The “up or out” system is outdated



I like to manage people



I do not receive enough time to manage others



During my evaluation, billable hours appear to be the most important factor



I would like to get more freedom to fill in my role



I believe that working at home is a good alternative to working at the office



My salary meets my expectations



Due to a individual bonus system, I will work harder



I would like to receive more guidance in setting up my own practice



I encounter too much stress during my work



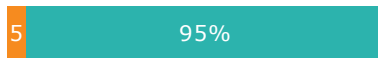
I love a competitive workplace



I expect my salary to increase every year



My weekend is my spare time



Vacation days should be used



The reputation of my employer is very important to me



Operational Excellence

At our firm we are currently cutting back on expenses



We invoice our clients within 30 days



We try to ensure that customers pay swiftly after receiving the invoice



We have digital files (customers and cases)



Our firm should make it possible to provide online legal advice for our customers



From home, I can access all my digital files



Employing a marketing firm is a better way to gain access to potential clients



HR tasks such as paying out wages, can better be outsourced



Departing the lock step system is a good idea



Our leverage is optimal



Our firm has a strict policy regarding time writing



I fill out my billable hours every day



1500 billable hours per year is normal



Customers are able to get access to our online know how management system



To participate in our know how system/ portal is actively stimulated



It is easy to find the relevant information in our know how system



Governance model

A multidisciplinary practice with for example accountants or strategy consultants, will lead to a better service to our clients



In the future there will be less equity partners



I hope that alternative governance models will be introduced in the legal market



The partnership model is essential for a law firm



Colophon

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