

## Secrets of the Successful Survivors

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**Special to *Latin Lawyer***

*Latin American legal markets have been dominated for many years by a relatively small number of local large and midsize law firms. Despite economic, political, and social shifts, they demonstrate remarkable business stability, year after year. How do these successful survivors do it?*

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### The institutional law firm

These firms are often described as "institutions." They display a sense of permanence that most other law firms lack. Some of them can trace their organisational origins back into the early 20<sup>th</sup> century or even earlier. Many of these institutional firms have been traditionally led by one or two families.

Not surprisingly, an institutional law firm is often one of the largest in its market. Size varies, however, from country to country; and there does not appear to be any particular size – whether in terms of number of lawyers or annual fee receipts – that is the critical mass needed to become an institutional firm. In some countries, such as those in Central America, an institutional law firm might be tiny, compared to the largest firms in Brazil or Argentina, for example.

Although institutional law firms in Latin America share general characteristics of longevity and relative size in their respective markets, the defining characteristic is that the firm is recognized as an institution in the business community and legal profession of its home country. Both externally and internally, the institutional law firm in Latin America is viewed as more than a group of lawyers. It is even more than the legacy of its distinguished founder or founding family.

Research conducted by Walker Clark, LLC, has identified several signal characteristics of these long-term successful survivors. For purposes of this discussion, an "institutional" firm is one that has been continually in business for at least 40 years. As noted below, there are many law firms who display all the basic characteristics of an institutional law firm, except longevity. However, at least two "generations" of partners, *i.e.*, approximately 40 years, is necessary to accomplish two critical achievements that demonstrate that a professional services firm is truly a business institution, and not just a short-lived phenomenon.

First, it takes at least 40 years for a law firm to demonstrate its ability to transition leadership and management of the firm from one generation of partners to the next. This is evidenced by the second defining achievement of an institutional firm, demonstrated sustained long-term financial performance at levels superior to the rest of the legal services market in which the firm competes.

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## **Institutionalisation and business performance**

The long-term superior business performance of institutional law firms in Latin America is demonstrated in at least five clear, observable, and measurable results.

### **1. Consistently higher revenue per lawyer**

Revenue per lawyer, i.e., a firm's total fee collections divided by the number of lawyers in the firm, is one of the strongest, most reliable measurements of a law firm's business vitality. Because they can usually command the highest fees, and have the internal structures needed to support higher levels of productivity, institutional law firms in Latin America typically have revenue per lawyer performance that is consistently much higher than that of their local competitors.

### **2. Stable growth**

Stable growth is most noticeable in two areas: economic performance and law firm size. Like any firm anywhere, institutional law firms in Latin America are affected by economic conditions and business cycles. Institutional law firms, however, appear to be more economically resilient. They seem to be able to dampen the effects of business cycles on their financial performance. They also appear to manage growth and change much more effectively than do other firms in their markets.

Many institutional firms, especially in Argentina, Brazil, Chile, and Mexico, have undergone a sudden and dramatic increase in number of fee earners, especially in the 1990s. So have firms that have not achieved institutional status. Rapid growth is never easy; but the institutional firms, as a group, appear to have managed growth more efficiently, with less impact on operating costs and productivity.

### **3. Commanding presence in the market**

Newer firms can compete successfully against their longer established institutional rivals. Brazil provides one example. However, institutional law firms continue to get most of the best legal work from most of the best clients.

### **4. Greater name recognition outside the jurisdiction**

Commanding presence in the market usually translates to greater name recognition outside. The institutional firm is one of the first firms --- and sometime the only one -- that foreign clients consider.

### **5. Compelling competitive advantages in the market for legal talent**

Institutional law firms in Latin America are able to attract and retain the best graduates from law schools, as well as talented associates and partners from other firms. The competitive strength of institutional law firms is not due to prestige or higher salaries alone. Instead, it is because they can usually present a more compelling case for professional development, challenging and rewarding work, and long-term financial success.

## Seven strategies for long-term success

Every law firm is unique. Each firm succeeds or fails based to some extent on its own client base, governance and administration practices, professional culture, and the talents and preferences of its lawyers. There are, however, common strategies and practices that produce the long-term business results that are characteristic of the most successful institutional law firms in Latin America.

Walker Clark's research has identified seven strategies that appear to explain this long-term business success. In some institutional firms, these approaches result from an organised strategic effort by the firm's leaders, supported by close attention to the day-to-day management practices of the firm. Other institutional Latin American firms appear to pursue these strategies almost instinctively, but supported by deep traditions of professional excellence and client service.

### 1. Long-range strategic focus

Partners consider business success as a multi-year result, not the profits they pocket at the end of the year. They are willing to invest in planning, professional development, and growth. Leaders see themselves as temporary stewards of the firm's business, with an obligation to the partners of the future.

Somewhat surprisingly, most of the thoughtful discussion among partners is about the future, not the past. The values and traditions of the firm are important; but the current group of partners understand that they must continue to build upon and improve the business foundation that they inherited. Past success guarantees nothing.

### 2. Understanding of the client's business

Lawyers in an institutional firm are able to maintain long-term client relationships because they demonstrate a broad, deep understanding of the business issues inherent in the legal work they perform. Superior knowledge of the client's business, accompanied by consistent quality in substantive legal results and service delivery, create an almost insurmountable barrier to rival firms hoping to capture work from the same client. Understanding of the client's business also makes it easier for partners to cross-sell work, making the long-term client relationship even stronger.

These are client relations fundamentals for any law firm; but they also present a crossroads, where many firms turn the wrong way. Close client relationships also pose a grave strategic risk if the relationship is with essentially one partner. When the partner departs, through retirement or otherwise, there is a very high probability that the client will go elsewhere.

Institutional firms in Latin America ensure that they have multiple contacts with major clients, and are not dependent on just one partner for continuation of a long-term relationship. This enables the firm to continue to serve the client, year after year and generation after generation. The client's relationship is not with a partner, but with the firm itself.

### 3. Leadership in the legal and business communities

Institutional law firms invest significant resources in law societies and bar associations, as well as in the business communities they serve. Partners perform leadership roles in

these organizations; and the firm frequently sponsors events aimed at the client sectors that the firm wants to serve. Leadership in the professional community also supports referrals from other law firms and builds the firm's reputation among prospective clients.

#### **4. Relentless commitment to quality**

"High quality" is by far the most common phrase that one hears describing institutional law firms in Latin America. Quality operates along two dimensions.

First, the institutional firms are known for producing consistently excellent results for clients. Some have formal quality assurance programmes; others are more informal. However, professional excellence, as defined by the best possible legal results for the client, is a fundamental value of every institutional firm.

The second aspect of quality involves service delivery. Institutional law firms in Latin America place a very high value on service characteristics such as availability, responsiveness, reducing errors, and consistently meeting or exceeding client expectations. They often apply a "personal touch" to service that their competitors often incorrectly view as unnecessary.

#### **5. Investment in people**

Partners in institutional law firms are willing to make substantial investments of time and resources in the professional development of everyone in the firm, not just junior lawyers. Individual and group business performance are clearly superior, as measured by almost any metric, to that found in firms unwilling to make serious investments in its own people. They also prepare young lawyers for partnership, almost from the first day they enter the firm.

The specific programmes and approaches vary widely among the firms in Latin America, but there are several common features of the most successful ones:

- Individual performance goals for all fee earners, including partners
- Frequent informal feedback and mentoring from partners
- Professional coaching for senior associates and partners
- Leadership development programmes to support individual and group business performance
- Career advancement systems that allow every fee earner to know what he or she needs to do to advance.

Many law firms have programmes like these; but institutional law firms consistently measure and monitor the business results they produce. Professional development programs are not considered as just "nice to have" or "employee benefits." Instead, they are a fundamental component of the firm's business planning and financial performance.

#### **6. Productive roles for senior and retired partners**

Institutional law firms in Latin America provide meaningful and productive roles for their senior lawyers, even after retirement. They realize that much of their current strength is

based on the contributions, both internally and externally, of their older partners; and that these contributions can continue after retirement. Retired partners continue to enhance the firm's reputation through their leadership in professional organizations and the business community. Some firms encourage retired partners to serve advisory roles on the firm's management committee or in strategic planning projects.

## 7. Transition management

Finally, institutional firms work hard to provide for their own long-term success through a systematic, ongoing commitment to manage the transition of leadership and management from one generation of partners to the next. Transition plans, whether formal or informal, focus on the transfer of legal expertise and client relationships, with specific steps, action items, and measurable results. The ability to plan for and to manage the transition from one generation to the next – rather than improvise in response to events – may be the most important survival secret of all.

## Open secrets

There are many new firms throughout Latin America who appear to have the potential to join the ranks of institutional firms in their markets before the end of this decade. Some of them, both in large markets like Brazil and small ones in Central America, pose definite and substantial competitive threats to the institutional law firms of today.

These strategies and these results are clearly within the reach of any law firm, regardless of how big it is and how long it has been in business. Not all firms aspire to, or can achieve, institutional status in their markets. The survival secrets of the institutional firms, however, are based on fundamentals of good law firm leadership and management. Any law firm anywhere in the world can benefit from them.

## The Authors



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