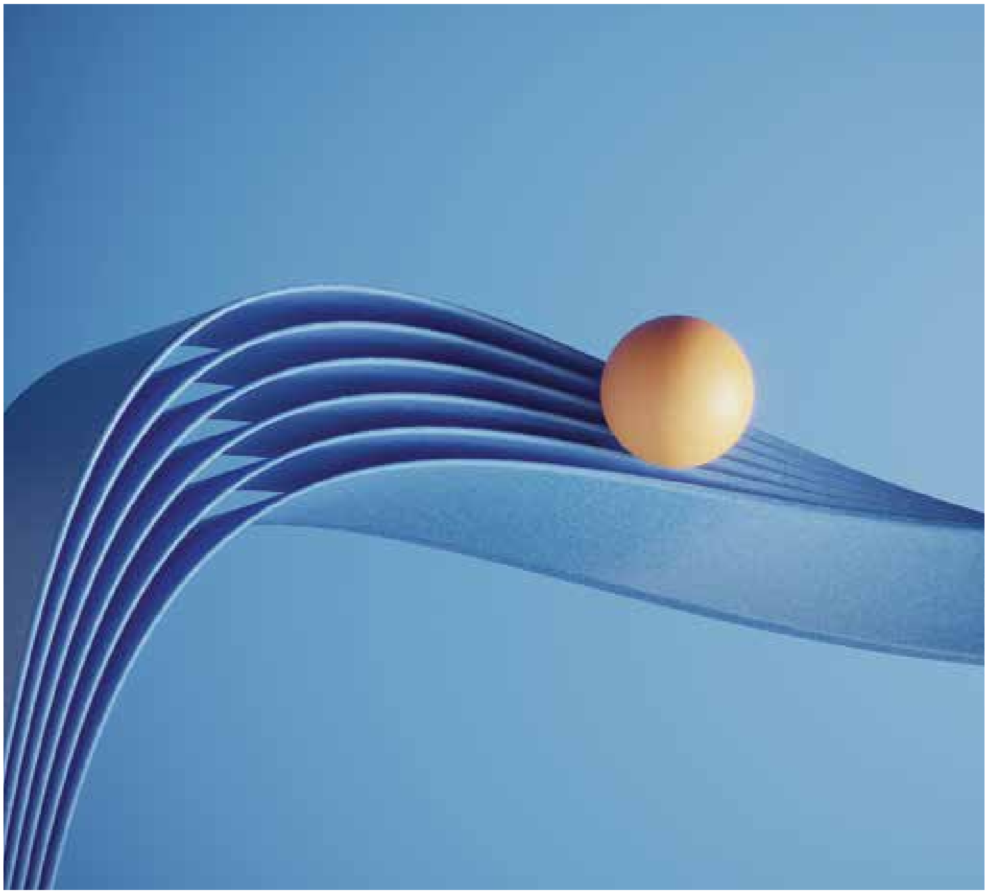

Staying Ahead of the Talent Curve—Part 2

Talent Solutions for Colorado Law Firms

BY GENE COMMANDER

This two-part article explores sustainable law firm business growth strategies to counter the troubling shortage of affordable and productive talent that is jeopardizing Colorado law firms' continued prosperity. Part 1 showed that economic, demographic, and professional trends are contributing to a shrinking supply of talent, and traditional law firm business models are inadequate to address these challenges.[1] This part 2 shows how small and midsize Colorado law firms can gain a competitive edge by building forward-looking business models and magnetic law firm cultures that enable these firms to successfully attract and retain highly productive talent.

Adapting to a New Era

Colorado law firms have entered a new era of uncertainty,[2] in which attracting and retaining affordable, productive talent is among their toughest challenges.[3] As explained in part 1, firms are facing economic uncertainty, a shrinking supply of talent, and volatile demand for legal services. This new era could represent a tipping point for business operations in law firms of all sizes.[4]

Meanwhile, a nationwide price war for talent[5] is driving up the cost of doing business for Colorado law firms, as Denver-area firms are increasingly integrated into the national legal economy. Many small and midsize firms in the state are suffering from the rippling effects of the price war for associates, paralegals, and business management staff that has been sparked by the Denver branch offices of national law firms.

Baby boomers (ages 59 to 77) are rapidly exiting the labor market, and younger talent is embracing career opportunities other than law firm jobs.[6] Within the next two generations—Gen X (ages 44 to 58) and millennials (ages 27 to 42)—there is an insufficient supply of talent in the pipeline with a strong grasp of the business of law to fill the baby boomers' shoes. And slumping undergraduate and law school enrollment[7] suggests that too few Gen Zers (26 years old and younger) will attend law school and commit to a lifelong career in private practice to fill the ballooning talent gap. With diminished bench strength, Colorado law firms will struggle to navigate the financial and professional challenges they will face in the next three to five years.

This collision course between supply, demand, and the cost of doing business shows signs of producing a more lasting brand of disruption to the business of Colorado law than firms have experienced during prior volatile business cycles. And traditional law firm talent strategies are ill-equipped to manage the challenges of this new era for three reasons.

First, the organic growth strategies that served law firms well for decades—hiring rookie lawyers and making significant training investments while expecting this talent to devote their careers to the firm—are incompatible with today's labor market, unless coupled with new talent strategies. Indeed, 15 out of every 20 newly hired associates leave their firm.[8] Second, the lateral hiring—poaching—strategies that have proliferated in recent years often fail to meet one or both sides' expectations and raise serious financial and professional risks for firms. For example, nearly half of partner-level lateral hires depart within just five years.[9] Third, outdated law firm compensation strategies that fail to recognize firms' shifting business needs, vision, and cultural values can break down quickly when firm finances get tight.

The leaders of Colorado's law firms should instead embrace innovative smart growth strategies. Doing so certainly will not be easy or inexpensive in this new era. But firms that adopt this forward-thinking perspective will be better positioned to level the playing field with national firms, preserve their investments in human capital, and sustain the prosperity they have enjoyed during the past decade.

Smart Growth Strategies: An Overview

Smart growth: This simple term describes a game-changing form of business growth that is repeatable, ethical, responsible, and rewarding to all law firm human capital while also serving the best interests of firms' clients, the legal profession, and the communities in which firms do business.[10]

When measuring the financial strength and sustainability of a law firm, the number of attorneys, their hourly rates, and the firm's total gross revenue do not tell the whole story. These raw numbers are merely a snapshot of the business enterprise at a single point in time (e.g., fiscal year end). The long-term economic viability of Colorado law firms of every size will boil down to their ability to generate sufficient profits per equity partner (PPEP). It is the key ingredient that keeps talent together year after year.

Economic growth—not austerity—is usually the most effective way to counter inflationary trends like those buffeting the US economy and the legal profession.[11] Law firms, for their part, cannot hope to sustain and grow their PPEP by slashing expenses. Human capital, facilities, and technology costs are found at the top of the law firm expense column for a reason.

Unfortunately, law firms routinely settle—often by default—for short-sighted talent recruitment and retention strategies. Any perceived benefits from those flawed practices are often wiped out by the lost opportunity costs, wasted time, and reputational damage law firms experience when their human capital walks out the door. When law firms stop making the right investments to attract, develop, reward, and retain productive talent, they will cease to thrive because firms that lack the bench strength necessary to consistently meet their clients' expectations will struggle to retain the high-quality legal work that generates sufficient PPEP. And without sufficient PPEP at their disposal year after year, law firms occupy a precarious financial and professional position indeed.

Drilling Down on Smart Growth Investments

As part of long-range planning efforts, future-focused law firm business leaders should explore the opportunities presented by three practical smart growth strategies when their current means and methods fail to solve their human capital problems:

- establishing nontraditional staffing relationships
- exploring strategic mergers and acquisitions (M&As)
- fostering a magnetic workplace culture.

As a brief preface, all of these strategies will require Colorado law firms to take an honest inventory of their vulnerabilities and explore transformative changes to law firm business operations. Such inquiries are unappealing to attorneys who hold fast to traditional mindsets. Certainly, it will require courage, time, and expense—along with some personal sacrifice—to fashion law firm business strategies that will consistently produce operational excellence in this new era. But doing so can make the difference between mere survival and lasting prosperity for the firm. The biggest question: Are Colorado law firm leaders ready, willing, and able to be the catalysts for change?

Nontraditional Staffing

Law firms generally do not have the luxury of maintaining a bullpen of talent to field unanticipated client projects. But it is standard for law firms—like companies in other industries—to staff up temporarily to meet client needs when large, profitable opportunities arise. Law firm business leaders recognized long ago the cost effectiveness of hiring short-term and even quasi-permanent part-time employees and independent contractors to perform both legal and business management projects.

Yet most law firms stop short of making the additional investments that would truly integrate the talent into the firm and ensure the talent becomes a valuable part of the business enterprise and workplace culture. Instead, firms skimp on the level of respect and reward that should be provided to this vital piece of the human capital puzzle and, predictably, the value of these relationships is short-lived. Going forward, these one-off staffing strategies may not be scalable due to the shifting labor market and shrinking talent pool.

Future-focused law firm leaders should supplement their organic growth strategies by adding productive talent to their bench strength through sustainable part-time, shared time, and work-to-hire roles for experienced associates, special counsel, paralegals, and business management staff. These commonsense employment strategies, if managed appropriately, do not require significantly more onboarding or professional development efforts than the investments law firms normally make when they hire new talent to fill traditional full-time roles. Moreover, compensation levels in nontraditional staffing relationships are often less than levels for similarly qualified traditional hires.

According to McKinsey & Company, one of the by-products of the Great Resignation is a growing supply of capable human capital that is willing to reboot their careers and reenter private practice in a hybrid career capacity, given the right incentives.[12] This talent pool includes caregivers (such as Gen X and millennial parents) and "do-it-yourselfers" who thrive on autonomy (professionals who value meaningful jobs and fair compensation but prioritize flexibility).[13] Nontraditional staffing strategies will enable firms to tap into a large cadre of female talent who prize flexibility[14] and to provide the type of family-friendly workplace that is often attractive to parents and caregivers.

Creative staffing strategies allow law firms to not only reach alternative pools of affordable and productive talent but also bring in talent with specific expertise that can help firms improve their competitiveness, or talent with advanced technology skills that can enhance firms' project management and business operations.[15] Moreover, nontraditional staffing arrangements allow law firms and temporary or part-time talent to "test drive" the relationship before either side makes a more durable commitment. This experience will benefit both sides and increase retention, with less wasted time and other opportunity costs for all concerned.

Where to begin? Colorado firms should offer more flexible career paths for capable talent who are willing to devote their entrepreneurial spirit and professional skills to their job but neither seek nor can maintain a 50-plus-hour in-person workweek. Options can range from part-time, project-to-project work assignments with comfortable billable hour requirements to full-time, work-from-anywhere remote opportunities, in exchange for appropriate compensation and other rewards. In fact, nonmonetary rewards—including simply recognizing and treating all talent as valuable members of the firm's culture—may turn out to be the key ingredients that allow these relationships to succeed.

Colorado law firms will miss a cost-effective opportunity to supplement their bench strength if they overlook the valuable talent that is currently on the sidelines waiting for the right opportunity to reengage professionally.

Mergers and Acquisitions

In contrast to the often-disappointing results of a speculative lateral hiring strategy, merging the assets of two future-focused law firms into one enterprise can provide each of the firms a transformational business growth opportunity—one that puts the combined firm in a better position to counter the shrinking talent supply that both firms are nearly certain to encounter in the coming years.[16] Law firm mergers slowed during the pandemic, but the pace has since picked up, including for mergers involving small firms.[17] In the third quarter of 2022, 67% of mergers reported nationwide involved firms with between five and 20 attorneys.[18]

In the law firm context, M&As should essentially work as follows: An acquiring firm (buyer) decides to invest in the assets of the merging firm (seller) based on the buyer's trust and confidence in the value, transferability, and sustainability of the seller's human capital, book of business (established client relationships), revenue stream (PPEP), and all the other valuable traits (law firm and personal goodwill) the seller will bring to the closing table. Likewise, the seller elects to invest in the buyer's human capital based on the seller's confidence in the value, transferability, and sustainability of the same or similar assets the buyer will bring to the deal.

A combined business enterprise can gain immense value in several ways. First, merger negotiations will require both sides, regardless of firm size, to carefully examine sensitive individual performance and practice group profitability issues as they blend the professional experience and business acumen of their respective human capital. This healthy assessment process offers the combined firm a unique opportunity to boost bench strength and versatility throughout its practice groups and business operations, which will allow it to better and more cost effectively serve client needs. More specifically, it should enable the new enterprise to adopt a lean business model that eliminates redundant overhead expenses (e.g., upgrading obsolete technology tools, reducing facilities costs, and cutting administrative positions).

Second, M&As should enhance the combined firm's leadership continuity and ownership transition plans. Merger negotiations provide an appropriate and comfortable venue in which to implement improved policies that can address sensitive leadership, governance, equity ownership, and mandatory retirement issues in a graceful manner.[19] A healthy and respectful evaluation process should help the combined firm strike the proper balance between the personal interests of its talent—especially the baby boomers and the next generation of business leaders—and the mutual best interests of the firm and its clients.

Third, M&As should open doors for the combined firm to undertake larger, more sophisticated, and more profitable legal assignments through a broader mix of practice specialties, greater bench strength, and extended geographic reach.

Finally, the fresh start and exciting new financial and professional opportunities that are spawned by a successful M&A should reenergize the talent of the combined firm and promote the investments of time and other resources that will be required to establish a magnetic workplace culture.

Law firm business leaders should design M&A transactions to leverage the shared values of compatible talent with a common vision for the new firm's lasting prosperity. Finding the right M&A match is crucial. It takes considerable time and unwavering discipline by the firm leaders for both sides to thoroughly vet potential merger partners and reach a durable consensus on how best to overcome firm integration challenges. For an M&A to achieve its intended return on investment, it should be based on verifiable financial metrics and reliable professional assurances that are validated in a comprehensive, open-book due diligence process, with the protection of a mutual nondisclosure agreement. Furthermore, ongoing post-closing efforts are needed to integrate and optimize the human capital and resources of the combined firm—especially to nurture the new relationships and evolving workplace culture.

Certainly, a successful M&A transaction is no simple feat.[20] M&As are much more complex than individual and small group lateral moves because of the additional financial, professional, and ethical issues that come into play. But properly managed, talent-driven mergers between like-minded firms can play a vital and practical role in filling the talent gap that is threatening Colorado law firms and ensure the continued prosperity of the combined firm.

Magnetic Workplace Culture

To compete with national firms as the demand for legal services fluctuates, future-focused Colorado law firms should create and monetize a magnetic workplace culture that enables them to attract, develop, reward, and retain human capital in a cost-effective manner.[21] A magnetic culture is one that provides all talent the tools they need to be competitive and the support that will encourage them to reach for the personal, financial, and professional success and well-being they desire. Fostering a magnetic culture will not only attract new talent and stem attrition but also reengage the so-called "quiet quitters" who are doing only the minimum.[22] Indeed, it is much less expensive to develop and generously reward existing talent than to start from scratch with new talent.

As a first step, firms should jettison obsolete partner compensation plans, moving instead toward value-based compensation strategies that pay all talent at competitive rates. But compensation is only one part of building the right culture: recent McKinsey and American Bar Association (ABA) survey results make clear that today's professionals expect more from their jobs than just money.[23] To outmaneuver their competitors who may try to win the talent war by offering handsome pay but little else, leaders of Colorado firms should embrace a total rewards philosophy with an attractive combination of monetary and nonmonetary offerings.

Six smart growth strategies are key to monetizing a holistic, magnetic workplace culture: (1) adopting value-based partner compensation plans; (2) offering competitive associate pay; (3) prioritizing diversity, equity, and inclusion (DEI); (4) enhancing professional growth; (5) employing advanced technology; and (6) supporting personal well-being.

Value-Based Partner Compensation

A review of the shortcomings of typical partner compensation plans is beyond the scope of this article, but in brief, old-fashioned models are not tenable in the eyes of the next generation of law firm leaders. Plans that overpay certain lawyers and do not achieve a fair equilibrium among talent at all levels of the enterprise risk draining the human capital the firm needs to thrive. Transparent, value-based compensation strategies that reward all valuable individual contributions to law firm smart growth, by contrast, will motivate everyone to contribute to the firm's bottom line,[24] promoting an equitable and resilient business environment.

The incentives under value-based plans can be based on the same types of objective performance criteria and formulaic approaches that firms rely on when PPEP is distributed via either equal shares or individual, performance-driven shares. Value-based plans can also weight well-defined subjective criteria that have meaningful impacts on PPEP, such as exceptional (1) business acumen, vision, and leadership; (2) oversight of practice group development and profitability; (3) stature in the firm's professional and civic community; (4) legal expertise; and (5) contributions to the cultural fabric of the firm's workplace. Value-based plans should be designed to discourage unacceptable behavior while rewarding all those who make important monetary and nonmonetary contributions to PPEP and the overall value of the business enterprise, including by nurturing the lasting, collegial relationships within law firms that are key to retaining talent—and clients.

To create and sustain the right plan, law firm leaders and their colleagues should strive to reach a fair and durable consensus on the parameters for a firm-wide compensation strategy. The strategy should be reexamined periodically and finetuned when appropriate. Less purposeful, ad hoc attempts to overhaul a partner compensation plan can result in arbitrary adjustments in reaction to the selfish demands of a small group of vocal colleagues, potentially upsetting morale in the firm and irreparably damaging the firm's values and culture.

Significant changes to partner compensation are seldom easy, but graceful transitions can be healthy for the firm when part of an effective smart growth planning process.

Competitive Associate Pay

Talent everywhere feels—with good reason—that they still have the upper hand in this labor market, and they are not shy about demanding raises and other generous benefits.[25] And given the escalating price war and historic rate of inflation, Colorado law firms will need to increase base compensation for top prospects and give their proven talent higher-than-normal raises, bonuses, and/or market adjustments, just to stay competitive, when they are lucky enough to find talent with the right combination of intelligence, ambition, work ethic, and integrity.[26] That is the reality of the current labor market.

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Law firm leaders may question the starting salaries the national firms and larger Denver-area firms are offering first-year associates. But, for instance, if 1,600 to 1,800 billable hours multiplied by an appropriate hourly rate covers the firm's annual monetary investment in an associate (base compensation + their nominal allocable overhead expenses) and produces significant PPEP for the firm, then the associate would appear to be worth the investment, especially if that associate helps the firm grow repeat business from satisfied clients.

Law firm leaders may argue they simply cannot afford to pay today's going rates to associates. But in truth, it will be difficult for them to justify the loss of productive talent over a matter of tens of thousands of dollars in compensation. Why? The unanticipated lost opportunity costs a firm incurs when talent chooses to walk out the door often exceed the additional base compensation the firm would need to pay to retain highly productive talent when they are otherwise happy with their career circumstances. When adding up (1) the lost cash receipts from the departing associate's lost billable hours during a minimum replacement period of 60 to 90 days; (2) additional out-of-pocket recruiting and replacement costs; and (3) lost billable hours and management time from firm leaders while recruiting, onboarding, and developing new human capital, the lost opportunity costs will almost always justify the talent's asking price, and firms should make the best offer they can. Again, that is the labor market reality.

Colorado law firms, then, should be prepared to meet the minimum table stakes for productive associates or provide other appealing rewards, while also offering performance bonuses to recognize exceptional achievements.

Diversity, Equity, and Inclusion

The glaring underrepresentation of women and people of color in law firm leadership and ownership roles[27] and influential judicial appointments[28] over the years is symptomatic of both conscious and unconscious bias among firms.

Although female law school enrollment in recent years has surpassed that of male students, and the enrollment of other underrepresented groups is also increasing, women and people of color continue to leave their law firm jobs at disproportionately high rates.[29] Furthermore, the ABA reports that while the number of attorneys of color has risen over the past decade, the number of Black attorneys has not been growing.[30]

The law firm turnover rate for associates from underrepresented backgrounds is remarkably high. The Thomson Reuters Institute notes four common reasons why these associates say they decided to leave: (1) they felt undercompensated; (2) they felt underappreciated; (3) they saw no clear path for career progression; and (4) they sensed a lack of interest in their personal well-being.[31]

Female attorneys and attorneys of color also report disproportionately high rates of demeaning comments, harassment, and micro-aggressions (such as suggestions that they are not qualified for their positions), contributing to their high attrition rate.[32] Furthermore, female attorneys are often overlooked for promising business origination opportunities and experience pay disparities, earning 20% less than male attorneys on average; in addition, women routinely face systemic career bias when they have children.[33]

A full discussion of solutions to these troubling patterns is beyond the scope of this article,[34] but some of the investments open-minded law firm leaders should seriously consider include:[35]

- closely tracking equity and inclusivity metrics (including compensation and professional development opportunities);
- instituting and rigorously adhering to strong policies and procedures to eliminate

harassment, discrimination, favoritism, hostile work environments, and retaliation;

- providing workplace training to prevent discrimination and to build cultural competence throughout the firm;
- offering targeted professional training, mentoring, and career progression programs;
- expanding career progression options beyond the traditional partnership track;
- ensuring that firm policies, values, and culture support working families; and
- creating and empowering a diversity task force to generate transparent accountability.

McKinsey has found that companies with high numbers of women and women of color are more likely than other businesses to have in place key policies that support equity and inclusion, including personal leave for mental health care, emergency backup child care services, the ability for parents and other caregivers to take extended time off and return to the same role, and diversity metrics that are publicly shared.[36] Firms should also recognize that many underrepresented employees prefer hybrid work options, and they should avoid hybrid work policies and practices that ignore these individuals' career development needs or unfairly tilt the playing field in favor of those working in traditional roles.[37]

In Colorado, the five largest Denver-based law firms formed the Denver Law Firm Coalition for Racial Equity in 2020.[38] The firms have committed to share best practices and to track and measure diversity outcomes, in partnership with the Institute for the Advancement of the American Legal System.[39] Colorado firms should also consider participating in initiatives such as Law School . . . Yes We Can, which provides opportunities for experienced attorneys to mentor college students from diverse backgrounds to improve these students' access to the legal profession.[40]

Sustained investments of time and money in effective DEI initiatives are not just the right thing to do—they also help firms retain attorneys from underrepresented backgrounds while fostering a culture of inclusion that is attractive to many new recruits and clients. Notably, more clients are adopting diversity benchmarks to measure their law firms' progress.[41] And survey data show that younger talent place particular value on an organization's DEI commitment when choosing where to work.[42]

Given the sheer numbers of female law students and attorneys currently in the profession, the talent pool expansion benefits to be realized from DEI initiatives may be most salient when it comes to women. Since 2021, female attorneys under age 40 have outnumbered their male counterparts in Colorado.[43]

In sum, the potential gains from DEI initiatives in terms of attorney recruiting and retention, value added to the magnetic law firm culture, the firm's prosperity,[44] and the firm's place in the community will deliver significant returns on the smart growth investments made to boost diversity.

Professional Growth

Today's young attorneys want to know what lies ahead and to see a career path forward that aligns with their personal and professional goals and values. More specifically, they want honest answers to the following questions: (1) "How will I grow?" (2) "Who has my back and will support my efforts?" and (3) "Where is the firm going?"[45] Firms should be deliberate about establishing and communicating performance criteria so up-and-coming talent understands the rules for career advancement and trusts law firm leaders to treat them fairly. And firm leaders should even-handedly apply those criteria, while promptly correcting any oversights in compensation or career progression decisions.

First-year associates are entering the profession with more knowledge than ever before. And the advanced technology at their fingertips enables them to quickly gather information on any legal issue. Yet these associates need both training and experience to develop the wisdom to use that information in the most productive fashion.

Professional development programs that build this wisdom and other skills are much more fruitful and cost effective than the catch-and-release talent path most firms tend to follow. With the right support, talent can develop the competencies—including business development skills—that will advance their professional development, career progression, and personal growth in ways that also benefit the firm and its clients. Without question, talent proficiencies are key measurables in a firm's smart growth strategy (competency + billable hours x hourly rate = client satisfaction + repeatable PPEP year over year).

Traditionally, associates developed the skills they needed to become highly productive attorneys through both formal and informal opportunities to learn from experienced colleagues while working together in the trenches. Unfortunately, by working exclusively from home during parts of the pandemic, inexperienced talent missed numerous training and impromptu professional development opportunities. Going forward, law firms should both maintain formal training programs and leverage their investments in technology to ensure younger talent can obtain the invaluable insights and guidance that flow naturally from seasoned professionals during informal teaching and mentoring opportunities, even when conducted remotely.

Mentoring programs have been a staple of professional growth initiatives in law firms, but unfortunately, those programs are often ineffectual,[46] because firms fail to make the necessary investments. Hallmarks of an effective mentoring program include meaningful commitments of time and resources, along with participation of mentors who are willing to vigorously advocate on behalf of the mentee.[47] One model worth considering is cross-mentoring between multiple professional levels, enabling younger talent to teach skills, such as advanced technology, to older attorneys and vice versa. High-impact mentoring programs cultivate the highest professional standards within a workplace culture where attorneys want to stay.

Finally, periodic performance assessments provide a critical venue in which to measure progress toward well-defined, balanced performance measurables and career progression goals. Performance reviews should be a two-way street. Talent needs to feel secure enough in their role to be able to express their concerns and ask tough questions about the tools and support they feel are missing. Law firm leaders and mentors cannot be afraid to have these candid conversations with their talent—whether they are inexperienced associates or the next generation of potential firm leaders.

In sum, smart professional development strategies can add richness to the firm's workplace culture through the sustained investments of time and resources that promote professional and operational excellence, exceptional client satisfaction, and economic success.

Advanced Technology

The ABA's 2022 "Where Does the Legal Profession Go from Here?" report recommends that firms invest in the advanced technologies that improve internal and external connectivity and practice management capabilities to help talent work more profitably, while stimulating a magnetic workplace culture that strengthens personal and client relationships.[48]

Increased investments in advanced technology can help personalize and synchronize the remote/hybrid workplace experience seamlessly within the firm and with clients and constituents in the business community. In particular, technologies can enable the flexible, remote work options that many parents and caregivers want, helping promote firms to talent that might not choose a rigid law firm setting. These investments also make law firms more attractive to millennials and Gen Zers, many of whom will insist on having the cutting-edge technology they need to work faster and smarter.[49] Law firms must include meaningful technology investments as part of their smart growth strategy to stay competitive in the eyes of their talent and clients and to pursue operational excellence.[50]

Personal Well-Being

Savvy law firm leaders will understand the challenges that personal well-being and everyday mental health issues can have on the quality of the workplace culture and client services.[51] McKinsey's research shows that lack of workplace flexibility, unsustainable work expectations, uncaring leaders, and lack of support for health and well-being are among the reasons for the high rate of attrition across many industries.[52] And the ABA similarly cites work-life balance as one of the top factors attorneys consider when selecting where to work.[53] Women are particularly likely to prioritize flexibility and a commitment to well-being, so law firms can immediately expand their reach into this available talent pool by emphasizing these goals as part of their smart growth strategy.[54]

Law firm leaders will enhance firm culture by candidly addressing the workload burden and workplace conditions that lead to burnout and job dissatisfaction, including onerous billable hour requirements.[55] Leaders should genuinely promote a work-life balance that gets the job done but also allows talent to enhance their quality of life. In addition to respecting employees' evening and weekend time, law firms will promote a culture of respect and care by openly and honestly communicating with employees on issues important to them and by considering employees' interests when assigning work.[56]

A variety of affordable initiatives can promote the physical and mental well-being of talent and their families. Colorado firm leaders should consider instituting employee-friendly measures such as unlimited paid time off (PTO), paid sabbaticals, extended work-from-anywhere policies, expanded maternity/paternity benefits, and health club memberships.

Given clients' increasing concerns that attorney stress can lead to attrition and thus disrupt continuity of legal representation,[57] wellness now plays a vital role in a "win-win" smart growth strategy.[58] Colorado enjoys a strong national reputation for its overall quality of life, and the state's law firms can leverage this reputation to gain a competitive advantage—especially with millennials and Gen Zers—when recruiting and retaining human capital.

Taking the Right Steps Forward

In this new era of economic, demographic, and professional disruptions, the lack of affordable and productive talent in the pipeline threatens Colorado law firms' lasting prosperity.

In confronting these disruptions, law firms should not expect to settle into a "new normal" in the coming years. Rather, future-focused firms should build adaptability as they continue to face the question, "What's next?" Yet despite the uncertainties ahead, several realities are clear:

- boomers will continue to leave the workforce;
- Gen X attorneys number too few to fulfill the departing boomers' leadership, ownership, and business origination responsibilities; and
- long-range demographic trends signal a continuing talent crunch.

While organic growth and lateral hiring strategies may have paid off in the past, forward-looking thinking is required to meet the urgent talent crisis. Nontraditional staffing and M&A strategies offer Colorado law firms exciting opportunities to attract and retain human capital. Yet the most critical need is for firm leaders to monetize a magnetic workplace culture that appeals to a wider talent pool and retains a vibrant, intergenerational blend of human capital. Through smart growth strategies that engage a mix of diverse and productive talent, firms can level the playing field with their competitors in the price war for talent and meaningfully invest in the people who are central to firms' success.

So how to take the next steps? Colorado law firm leaders who are ready to be a catalyst for a game-changing transformation should launch a consensus-based smart growth planning process. In doing so, leaders should prepare for divergent reactions from their colleagues, who will likely fall into one of four categories:[59]

- *Accelerators*: Top performers who rely on operational excellence as the foundation for their work, value internal collaboration, and welcome opportunities to enhance the firm's business model.
- *Sustainers*: Strong performers who are comfortable with their circumstances but who are willing to embrace incremental operational changes that promise to contribute to the firm's success.
- *Distracted participants*: Firm members who profess willingness to embrace operational shifts but who in fact direct their energies toward other priorities.
- *Reluctant or resistant participants*: Individuals who are not motivated to achieve fairness or who lack interest in pursuing operational excellence.

For a smart growth planning process to succeed, Colorado law firm leaders should recognize these differing viewpoints and pinpoint the common ground among talent of all ages and backgrounds who are committed to ensuring the firm's continued prosperity. The transition will take time, resources, skill, transparency and, yes, certain sacrifices. But progress is possible when bold and selfless leaders step up and the need for change is approached with humility and grace. And the potential upside is huge—to proactively resolve the talent conundrum and position the firm for lasting success.

It can be done, and the smart growth strategies highlighted in this article will help Colorado law firms embrace this new era with committed and reenergized human capital.

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NOTES

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