Culture Part 2: How to Use or Adapt Culture to Succeed in the “New Normal”

Aug 28 Posted by Susan Saltonstall Duncan in Law firm management

Last week, our post entitled Culture Part 1: Does Law Firm Culture Play a Role in Success or Failure? discussed the components that comprise organizational culture. Every law firm has a unique set of interwoven values and characteristics that make up its culture. As firms address the substantial disruptions posed by the economy, technology and supply and demand, they will have to understand their cultural strengths and weaknesses and where necessary, introduce change to their cultures in areas that will matter most to survival and success.

Corporate culture affects financial performance and success

John Cotter and Harvard Business School professor, James Heskett, in their book "Corporate Culture and Performance," conclude that "strong corporate cultures that facilitate adaptation to a changing world are associated with strong financial results. We found that those cultures highly value employees, customers, and owners and that those cultures encourage leadership from everyone in the firm."

Healthy organizational cultures will enable firms to "increase productivity, growth, efficiency and reduce counterproductive behavior and turnover of employees." Many of the characteristics that contribute to a healthy culture revolve around how employees are treated, respected, developed, compensated and managed. Competitive pressure, a demanding and discerning client base, the availability of technologies and alternative staffing, globalization, and other trends will force firms to assess and modify key cultural attributes. Many of the attributes that lead to success are not always existent or strong in law firms today.

What cultural attributes are most important for tomorrow's successful firm?

As an overall premise, law firms that truly put clients first and demonstrate this in everything they do, will come out ahead. While most firms would say that clients are their reason for being, a look at many law firms' strategic plans put partner profitability at the top of the priority list. In fact some strategic plans are conspicuously lacking in client-centered goals and strategies. There are several areas in which culture will play a critical role for firms.

Collaboration, trust and collegiality:

In every aspect, successful firms will rely on partners putting the interests of the firm before their own and abolishing eat-what-you-kill behaviors that ultimately put internal and external relationships at risk. As discussed in Cross-Sell Effectively by Putting Client Needs before Your Own, deepening and expanding relationships with and representation of existing clients will be the most profitable way to grow long-term revenue. It will require that multiple partners, lawyers and staff satisfy the needs of clients and deliver exceptional quality and value. This will require attention to continuous improvement, ongoing dialogue with clients and partners in various offices and specialties in order to put the client first and a myriad of other behaviors and approaches that rely on productive communication and collaboration. A partner's focus on personal gain will severely hamper a firm's ability to grow institutional clients. To get partners to play well together to grow the pie for everyone will require that they trust each other – the quality of advice and results, the way they interact with others' contacts and their willingness to spend time that often will not be recognized or rewarded.

Communication:

Enhancing trust, collegiality and knowledge depends on effective, continuous and consistent communication. This includes everything from formal communications: leadership communication with partners, all-firm communications, intranets, emails, meetings, social events and forums, partner and practice group retreats, to informal communications: open-door policies encouraging drop in conversations, walking the hallway by leadership, new technologies that allow effective video-conferencing and desktop conferencing especially for multi-office and global firms. Firm intranets become a critical method of communicating about firm activities, successes and wins, expertise, policies and business development opportunities. Taking advantage of SharePoint technologies allow for internal discussion groups and wikis to take full advantage of brainstorming and sharing best practices and prior knowledge.

Knowledge management:

An offshoot of collaboration and effective communication, firms must capture knowledge and can now do so in efficient ways through technology. In-house legal departments have benefitted from KM collaboration platforms like ORX (OnRamp Exchange), a tool developed by Cisco and now used by other in-house departments. It now is being introduced to law firms by Paul Lippe, CEO of Legal OnRamp. As described by Paw Woldow in her post Legal Project Management & Beyond: The Extraordinary Promise of "Collaboration Technology", whether they develop their own platforms or subscribe to already developed tools like ORX, firms must substantially improve the way they collaborate with clients, store and access prior work product and expertise, communicate about cases and questions, share ideas and approaches.

In today's climate, in which firms' expenses keep going up and revenue is flat or declining, firms too often look at technology as a place to cut or at least not increase expenditure. This is actually counterproductive in that so much legal work can and must be managed using technology tools and resources. Clients want better efficiencies and methods to track matters and budgets and RFPs frequently ask for capabilities and applications in the use of technology to create value. Firms have to respond and those that don't will lose out.

Innovation, creativity and agility:

As noted in Obstacles to Innovation in Law Firms and What is Required to Embrace It, law firms are not typically known for being creative or innovative. The profession is generally one that is risk-averse and very resistant to change. Following precedent including their peer firms prevents firms from being proactive and out in front of trends. To survive and gain market leadership, firms will have to be more flexible in their approaches and drive innovation throughout the firm through formal forums and recognition in performance and compensation.

Governance and leadership:

Successful firms will recognize that effective leadership requires a broad range of skills. To be effective, leaders will have to devote a significant portion of their time (in the case of CEOs, COOs and managing partners of very large firms perhaps 100%) to leading and managing. In addition, they will need to set the tone for collaboration, trust, communication, and innovation so that others will follow by example. Since law schools do not provide this training, partners who lead and manage firms need training, coaching and in many cases the support of non-practicing professionals and business managers. They will also need to be recognized and rewarded for the investment they are making in the firm often at the expense of their own personal practices. At the same time, firms must have clearly defined roles and job descriptions for leaders who are evaluated using 360 processes and held accountable.

Talent management:

Firms are rethinking their hiring and staffing models based on a diminishing need for the traditional model, new options that are available for process work and content, and new technologies that can now do work previously only done by people, e.g., eDiscovery algorithmic tools. Firms will needs to look at different types of talent that will help them with pricing, project management, financial management as well as the traditional but still critical roles in human resources, training and development, workforce issues, diversity and performance review and compensation. Firms will have to develop more effective mentoring and sponsoring programs (see Women Need Sponsors More than Mentors in Order to Succeed) in order to nurture and advance the next generation of leaders and rainmakers.

Laterals and mergers:

As long as firms continue to grow through lateral acquisitions and mergers, firms will only be successful in these combinations if they pay close attention to cultural fit. Ironically, most "match-making" begins with an analysis of profits, not of culture. When firms seek a potential merger, the first screening is almost always to look at whether the PPP numbers of potential mates are aligned within a few percentage points of each other. When firms consider lateral partners, the first thing the firms want to know is what does his/her "portable book" look like. Very often, possible mergers go way down the path to potential marriage before they discover that key aspects of their culture are radically different and will prevent success as a combined firm or as a lateral addition. One firm that has done an exceptional job of understanding how important culture is to a successful merger is 1250-lawyer Squire Sanders, a merger of three firms within one year in 2011. The decisions to merge were based largely on compatible cultures and shared values. From day one, the partners shared excitement, enthusiasm, contacts and clients, ideas and opportunities.

How to modify culture.

In the July/August edition of the Harvard Business Review, Jon R. Katzenbach, Ilona Steffen and Caroline Kronley wrote an excellent article entitled "Cultural Change that Sticks." The article reviews some of the major hurdles that Aetna had to overcome after its 1996 merger with U.S. Healthcare. After several failed attempts at forcing cultural integration, Aetna's leadership got it right. The authors offer five key principles that can help organizations, in this case law firms, achieve higher performance and coherence.

1. "Match strategy and culture." As reflected in last week's post Culture Part 1: Does Law Firm Culture Play a Role in Success or Failure?, strategy and vision are components of a firm's culture. They should not be considered distinct and separate. Trying to achieve strategic goals may only be achievable if the cultural norms either support the achievement of these goals or if the culture realistically can be modified in a few areas.

2. "Focus on a few critical shifts in behavior." We know that change is difficult in any environment and given lawyers' personality traits of low resilience and risk-aversion, change is doubly difficult in law firms. If the firm must change aspects of its culture to achieve higher performance, it should select only a few areas in which to make modifications. Involve representatives from core constituencies in the firm to test out the desired modifications and identify tangible steps that could be taken to change behavior.

3. "Honor the strengths of your existing culture." According to the International Positive Psychology Association, "Positive psychology is the scientific study of what enables individuals and communities to thrive." While we typically focus on weaknesses and problems, instead firms should consider their cultural strengths and sources of pride. Identifying these, communicating them and using them to modify areas of culture for improvement will be a productive way to make changes.

4. "Integrate formal and informal interventions." In order for a firm to harness its cultural strengths and modify areas for improvement, it will have to implement both formal processes and methods of monitoring and measuring progress, as well as designing and reinforcing less formal methods of communicating cultural modifications through forums, intranet discussion boards and leader communications.

5. "Measure and monitor cultural evolution." In general, law firms resist putting into place too much bureaucracy or structure for measuring and accountability. In the area of cultural change, however, it is important to establish goals and benchmarks, and to evaluate and track progress and milestones.

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