Firm Leader

LAW FIRM CULTURES
By Steve Armstrong and Tim Leishman

PART 1. UNDERSTANDING YOUR FIRM'S CULTURE

"Our strategy calls for our partners to collaborate more. We want them to work in teams to develop business, and not hoard their client relationships."

"We can't afford to churn associates any more. We need to get the most from those we have, so we want to cultivate a culture of continuous feedback, like McKinsey's."

As experienced law firm leaders know, implementing new strategies often requires re-shaping established cultures. That change is difficult because cultures are usually deeply imbedded – and it's also risky, because any type of change can have damaging side-effects on the "glue" that binds people to a firm. In this article, we describe a simple but effective approach, adapted from Rob Goffee's and Gareth Jones' seminal book *The Character of a Corporation* (New York: HarperCollins 1998), for understanding your firm's culture and how it may need to change.

What's Your Culture?

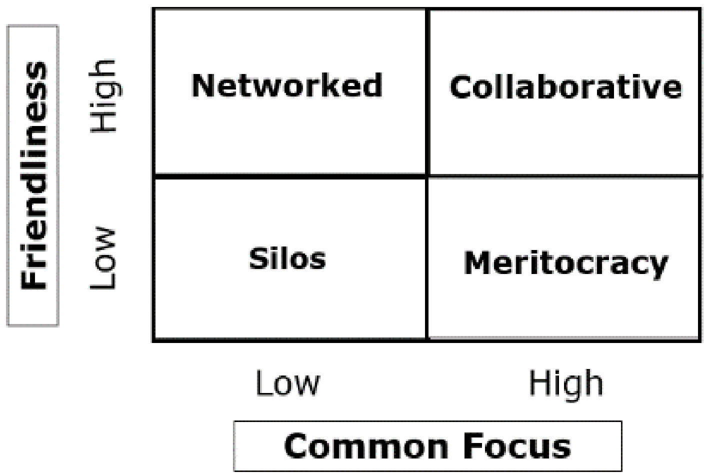
Culture is the consistent pattern of day-to-day behaviors by which members of a group interact with each other and choose how to spend their time. Behind these patterns lie a set of assumptions and values that range from the explicit (e.g., "Everyone here works hard, and for a partner than means 2000 billable and a few hundred non-billable.") to the deeply implicit (e.g., "At the end of the day I'm responsible only for my own success, not the success of others.").

Culture is easy to take for granted, but difficult to describe. Goffee and Jones clarify its amorphous nature by focusing on two of its key dimensions: "friendliness" and "common focus."

Friendliness. At one end of this spectrum, people do what friends do: they offer help freely and often, they drop by each other's offices and socialize outside the office, and they care about each other's personal as well as professional welfare. The opposite is not a hostile culture, but an indifferent one: people interact collegially, but only when they need to, and there's not much casual exchange of information or work-product.

Common focus. In groups with a strong common focus, everyone understands – and buys into – the group's goals, understands how they will be evaluated, and takes pride in meeting the group's expectations. In law firms, common focus may relate, for example, to levels of productivity or the types of clients or work that the firm handles or avoids. In groups with little common focus, people have a high degree of autonomy to decide what to do and how to do it. There are no clear standards of performance or, at least, none that anyone takes seriously.

Turning these two spectrums into axes of a chart produces four types of cultures:



None of the cultures is good or bad by definition. Which is best for a firm depends on the nature of its practice and its strategic goals. And, to complicate matters, not every firm has a strong, distinctive culture across the whole firm; some may be more a collection of local cultures. Even in a relatively homogeneous firm of any size, there will probably be variations: for example, the firm as a whole may be Networked, but some practice groups may be Collaborative. Moreover, each type of culture can manifest itself in a positive, healthy way, or in a negative, dysfunctional way.

Let's take a closer look at these healthy and unhealthy manifestations and the strategic issues that tend to arise in each culture.

Networked Cultures (High Friendliness, Low Common Focus)

Healthy: Lots of interaction and socializing; people share knowledge and contacts; and close relationships facilitate communication and consensus-building.

Unhealthy: Under-performance is tolerated and criticism avoided (except behind people's backs); in-groups rule (with closed-door politicking); and there are too many meetings with too little progress and no accountability.

The Networked culture works well for practices in which partners need the multi-disciplinary expertise of colleagues to serve clients, but value their autonomy. Practice groups, industry teams, and committees proliferate, and much time is devoted to group meetings and retreats. Not surprisingly, leaders in these firms often recognize the strategic need to develop more "common focus" among partners.

Silo Cultures (Low Friendliness, Low Common Focus)

Healthy: Individuals are left alone to do their work; there are few rules and fewer meetings; and lawyers are recognized and respected for their professional success.

Unhealthy: There's little sharing of work product, information, or clients (at least, not without an immediate *quid pro quo*); people avoid firm tasks such as recruiting; they often avoid each other by closing their doors or working from home; and there's little loyalty.

The Silo culture is ideal for lawyers who tend to find and do their own work, without the need for multi-disciplinary or multi-jurisdictional expertise. For these lawyers, autonomy means independence, which they like. The Silo culture tends to favor an "eat-what-you-kill" compensation system. Lawyers see a direct connection between working harder and earning more money, which can lead to highly profitable practices. Managing partners have a mandate to manage the overhead, not the lawyers. When they do turn to strategy, the leaders ruminate about the potential returns of greater collaboration and common focus, and then they get back to work.

Meritocracy Cultures (Low Friendliness, High Common Focus)

Healthy: Everyone is focused on getting results; performance is rewarded and criteria are clear and consistently applied; the strategy is understood; and decisions are made efficiently and objectively.

Unhealthy: Internally competitive in a sink-or-swim environment; people do only what's measured and only care about their own work; associates often feel like "cogs in a machine" and partners burn out.

The Meritocracy culture is ideal for hard-charging, ambitious lawyers who want to be the best and do the most sophisticated, high-profile work. That kind of work usually requires teams, and these Type A players play well together on client matters. There's no need for strong practice-group leaders in a Meritocracy culture because everyone knows what to do, and is doing it. The compensation system favors partners who bill the most. Healthy Meritocracies are usually very successful, but leaders sometimes recognize that more teamwork in business development and managing key client relationships could lead to even more success.

Collaborative Cultures (High Friendliness, High Common Focus)

Healthy: People identify strongly with the firm and its values ("alumni forever"); they believe they are the best and the brightest; everyone shares ideas, knowledge, and opportunities; clients are "clients of the firm."

Unhealthy: Partners are complacent and see no reason to change; there's no balance (life is work); and "clients of the firm" are underserved between engagements because individual partners are reluctant to take the lead.

The Collaborative firm tends to favor lockstep or modified lockstep compensation systems, or a subjective system that relies heavily on peer review. The most significant

challenge for a Collaborative culture is maintaining the culture as the firm grows, faces major competitive threats, or undergoes other significant changes such as the departure of a revered founding leader.

Why is it worth focusing this intently on culture and its various flavors? When law-firm leaders create or modify a firm's strategic goals, they typically do not spend enough time thinking through the ways in which they may have to change the culture if the strategy is to succeed. That analysis should go hand-in-hand with the strategic analysis. And, just as managing strategy requires a framework for analyzing where you are and where you want to be, so managing culture requires a framework for thinking more clearly about your existing culture and the changes that your strategy requires.

****

PART 2. THE HARD WORK OF CHANGING A CULTURE

When a strategic goal requires a shift in culture or might be blocked by the existing culture, leaders typically underestimate the work it takes to manage the cultural aspects of the change. Here is a three-part approach to thinking through that work.

1. Recognize Cultural Constraints

Assume, for example, that a firm concludes it must be more systematic about ensuring that client relationships pass to colleagues when a partner retires. When deciding how to achieve that goal, the firm's leaders might consider the following questions about their culture:

- Can we draw on the traits of our existing culture to support the change?
- If the change flies in the face of the culture, how can we minimize the initial resistance?
- Are we being realistic about what can be accomplished, given our existing culture?

In a networked firm, its leaders could first appeal to the culture's trait of "we-help-each-other" and then rely on a process that avoids singling out individuals for what might seem a personalized attack on their autonomy. The process might be triggered for everyone at the same age, for example, and give each partner the primary voice in deciding whom to bring into the client relationship. On the other hand, in a meritocratic culture where partners are accustomed to being evaluated and compensated on the basis of clear criteria, the first step might be to change those criteria to reward partners for introducing colleagues into a client relationship.

In contrast, in a silo culture the change will meet much more resistance because it conflicts with important aspects of the culture. Partners usually regard clients as their own, not as clients of the firm, and they are likely to see the change as an unprecedented intrusion on their turf. Since the change can't be accommodated within the existing culture, the culture will have to shift if it is to succeed. But this kind of shift is a slow, step-by-step process: it involves changing the behavior of many individuals, few of whom will change simply because they're asked to.

In a silo firm, therefore, instead of rolling out the change across the firm and then hoping for the best, the firm's leaders might find a few places where a change is likely to produce concrete results relatively quickly. For example, they might identify clients from which the firm could get substantially more work if partners were to collaborate, and create pilot projects for managing the client relationship collaboratively. They could then extract data from the pilots to demonstrate that the new approach benefits not only the firm as a whole but also – and more persuasively in a silo culture – the individuals involved. They might also decide that, for the first couple of years, they will focus on bringing about the change only in the areas where it will make the most difference.

2. Build Consensus and Build the Case

If a firm is asking partners to adopt new behaviors or standards, especially when the change involves a cultural shift, the answer to "why?" can't be simply that it's a good idea. Partners should be treated like partners – that is, provided an opportunity to provide input and discuss the change, and shown the evidence that lets them decide for themselves that a change is worth the effort.

Building consensus is slow and labor-intensive, however. It requires one-on-one conversations, especially with key partners; small-group meetings that allow partners to hear and explore the views of their colleagues; and time between meetings and conversations for attitudes to shift and settle. As a result, when leaders contemplate changes less drastic than, say, a merger, they often rush the process. It's very tempting to regard the change as a simple operational matter to which no reasonable partner could object, rather than as a potentially disturbing cultural shift.

When a change runs against the grain of a culture, or when the goal is actually to change an aspect of the culture, creating the consensus can't be short-changed. However, when the change involves persuading many people to behave differently, leaders often find the consensus-building process especially frustrating because there is never a point at which they can declare victory. That unhappy fact faces leaders with a tactical decision: should they try to create consensus for a blanket change across the firm, or aim for a series of smaller-scale changes that, if they succeed, can help to create momentum for broader changes?

Building consensus must be coupled with building the case for new behaviors and standards. How can the case be made?

- Collect data that proves there's an opportunity to be seized or risk to be avoided. For example: data drawn from nation-wide litigation dockets about the firm's share of a company's litigation portfolio, or data about the decline in business from clients when a relationship partner retires.
- Look to clients and competitors. A client's view may be more persuasive than any firm leader's. And proof that a competitor has successfully made the change may be even more persuasive.
- Tell stories about successes. As we've already suggested, savvy leaders often make sure that they can point to successes for a new approach before they begin to beat the drums for that approach across the firm.

3. Reinforce the Change

Once a firm decides to move forward with a broad change, the message about what it is and why it's important should be reinforced more times, and in more ways, than firm leaders usually recognize. Some lessons from experience:

- Find different ways to communicate the message: for example, by describing examples of the new approach at work, by showing data about the effect of a change, or by asking a client to speak about its benefits. The same message repeated in the same words quickly loses impact.
- Have the message spread not only from the top of the firm but also by group and office leaders. In a large firm, however, it takes work to ensure the messages are consistent.
- Enlist partners whom others trust but who don't have official positions and won't be perceived as having to follow the party line. The most effective proselytizer will be a skeptic who tried a new approach and saw it work.

In the face of long-standing habits, no form of persuasion may be enough, even if data and examples clearly demonstrate the benefits of a change. The persuasion may need to be reinforced by formal incentives or consequences. However, in the early years of a cultural change, it's not enough to bring these incentives or consequences to bear only once a year, when compensation is decided. The result will be a wave of arguments and bruised egos. Instead, the behaviors at stake should be monitored and discussed throughout the year, especially with those who are most affected by the change.

Managing change successfully often begins with managing culture. Not all strategic goals will require culture change, especially if the approach is aligned with the existing culture. However, when a strategy requires significant changes in behaviors, attitudes, or values, success may depend on how effectively the firm's leaders focus not only on the strategic goal itself, but also on the cultural context within which the initiative will thrive or wither.

****