

## **Eliminating Sacred Cows: Talking with Mary Cranston (Firm Chair) and Marina Park (Managing Partner) of Pillsbury Winthrop**

**T**he flipside of a basic doctrine of the laws of physics dictates that a body at rest tends to stay at rest. Many law firms do not see this as a problem; they don't realize that resting on their laurels can lead to severe atrophy, which can in turn lead to demise.

During the 1990s, San Francisco's Pillsbury, Madison & Sutro (now Pillsbury Winthrop) seemed set in its storied yet stuffy 100-plus-year history, ostensibly abiding by another famous dictum: If ain't broken, don't fix it.

But then things started to, if not break, crack. The firm's practice was considered to be stuck in the old economy – perhaps an inaccurate perception given its merger in 1996 with the intellectual property firm of Washington, DC's Cushman, Darby & Cushman but a perception nonetheless – and it suffered cultural clash with lawyers from Lillick & McHose, its 1991 merger partner. Most notably, profits kept declining. The firm fell from 28<sup>th</sup> on *The American Lawyer* magazine's profits-

per-partner rankings in 1990 to 46<sup>th</sup> by 1998.

But as the millennium started to come to a close, the partnership realized it needed change if the firm was to survive; it understood that a body in motion tends to stay in motion and, in order to get that movement, said body needs a push.

***"...Pillsbury improved its AmLaw profits-per-partner ranking with a 44.2 percent increase in profits."***

At the start of 1999 the firm got that needed shove when the partners elected Mary Cranston as firm chair and Marina Park as managing partner, two partners noted for their innovative approach to law firm operations and management. Their elevation also meant that Pillsbury was the first major firm in the nation to be led by two women.

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The legal trade press heralded the firm's renovation with such headlines as: "Turning Pillsbury On Its Stodgy Old Head" and quoted attorneys and outside observers as saying the two new leaders were bringing "a new vision and breath of fresh air" to the venerable institution.

One of the first initiatives launched by the Cranston-Park leadership, in early 1999, was a program to identify and eliminate "sacred cows," those old business models and practices that have become obsolete but, because they are so ingrained into the fabric of an organization, are difficult to eradicate.

As part of an effort to break from its past, the firm established a special task force charged with unearthing and uprooting these embedded habits that were slowing down the ability to change and wasting money. Task force members brainstormed issues, generated new ideas, viewed old problems in new ways and identified dozens of sacred cows. While the partnership generally supported the initiative, there was some resistance. Some of the skeptics left, some begrudgingly changed but most jumped right in.

One of the sacred cows pinpointed by the task force was the firm's billing system. Over the objections of several senior partners, the task force devel-

oped and implemented a simpler, more centralized system for billing clients and collecting overdue payments. The new system decreased the average time that clients paid their bills from 4.5 to 3.2 months and reduced labor costs by more than 25 percent, adding several million dollars to the firm's bottom line.

Because of this and other innovations Pillsbury improved its *AmLaw* profits-per-partner ranking with a 44.2 percent increase in profits. That was the fourth largest percentage increase among the firms in the survey.

With the firm hitting on all gears, it sought a merger partner and found New York's well-respected Winthrop, Stimson, Putnam & Roberts. The two merged at the onset of 2001 to create a 900-attorney global powerhouse.

While that merger and other moves the firm has made in recent years has generated some media attention, the sacred cows program has not garnered as much notice. Edge International spoke to both Mary Cranston and Marina Park, separately, to gain further insight into this initiative.

***Edge International:*** Your firm developed a program to eliminate inefficient and costly operations – even those previously thought of as unchangeable, the so-called sacred cows.

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How did this come about? That is, from where or whom did the idea generate and what was the motivation?

**Mary Cranston:** We developed the program when Marina [Park] and I took over in 1999, essentially with a directive to make changes within the firm. So basically what she and I did was create a committee called the Firm Resources Committee that's made up of the managing partners of each office and the senior directors of the firm, from Human Resources, Information Technology, Finance, as well as the administrative heads of each office. At that point we were getting together once a month. Now it's more like once a quarter. Simply put, we went on sacred cows hunts. We would literally look over the operation and identify things that had been done a certain way a long time. We also had some help with consultants to identify areas where our costs were out of line with other firms, or to identify things that were done differently in another industry that might be innovative for us. So we were looking at both the things we could easily identify ourselves and things that were a little more buried. We'd form a task force to go after each particular sacred cow.

**Edge:** You and the task force came up with a list of sacred cows. That must have been quite a process. How did that work?

**Cranston:** Yes we did. And, you know, it wasn't anything fancy. When we were brainstorming in our meetings we just made a list. At any given point, especially the first year or so, we were probably changing a number of things at the same time. Marina can offer you more detail [on the inauguration of the program and the list generation].

**Edge:** What was the initial response from the partnership to the program? Was there any resistance, and if so how was it overcome?

**Cranston:** Marina and I had been elected to lead the firm on a change agenda. We were both perceived as change agents and had always been that in our careers. I don't think the firm would have put us in place if there wasn't a groundswell for innovation and putting the firm in a new direction. That said, obviously lawyers are somewhat change-averse and the devil is in the details. But as a concept they were willing to go along with the program.

**Edge:** I understand there was some resistance.

**Cranston:** For every change and innovation that Marina and I have put forward ... well, it's never been unanimous. But we have a process for

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working through things. A lot of times we work with the partners to come up with a range of changes and then we'll have a fairly complete discussion within the partnership so the partners hear the pros and cons. By the time we actually get around to adopting something, no one thinks it's nuts at least. It may not be everybody's first choice, but they'll go along with it. That's been my pretty universal experience in leading change in this organization

**Edge:** One of the first innovations the task force recommended was a new centralized billing system. Please tell us about it. What makes it different?

**Cranston:** We had a billing system that was distributed all over the firm. Each office had their own billing coordinators. That was, in part, because we were a firm created by several mergers and there had been an infrastructure in each of our merger partners. Not only did that lead to a situation where we had more billing people per lawyer than most other firms but it was not coordinated very well.

At this time, we were also launching our new client team program which is a much more firm-intensive client support effort. And the idea of having our top clients billed piecemeal around the firm – even though they were of course consolidated before they went out – it didn't make much sense. So

we created a centralized

***“In order to be different, we have to be different. “***

billing function. Also at the same time, we were investing in a much more sophisticated finance package so this was easier to do than it would have a couple of years earlier. We were able to consolidate the billing into a group that was half the size of what we had before. We were able to do it at one place, and we were able to get our billing people organized by client groups. So we have much more client-friendly support for all the billing functions.

**Edge:** Where is it centralized and in what way is it more client-friendly?

**Cranston:** It's in San Francisco and it's more client-friendly because the billing coordinator works with the client team leaders and they are specifically assigned to a client. For example, a big client like Chevron – for whom we have people from all around the firm doing work – parts of the bill would have been generated by individuals from around the system and then consolidated and sent to Chevron.

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Now we have one person who is responsible for sending Chevron a perfect [tightly organized] bill. That person coordinates with everybody and knows the client and the people in the finance department at Chevron so that we have a very smooth billing process.

**Edge:** Sounds like you put the burden more on the firm than on the client to organize things?

**Cranston:** That's certainly true. But I think even before we put our new system in place, the client would not have necessarily known that we didn't have a centralized billing system except that things were a lot slower and the format around the edges might have been a little ragged. But for the clients it wasn't that big of a change.

**Edge:** I understand that some senior partners objected to implementing the system. Why did they and how were they persuaded to accept it?

**Cranston:** This was not a problem with the senior partners in San Francisco but some senior partners in other offices thought that the level of service for their billing would [decline] and that it would be, in fact, a more pokey system than the old one. And in part I think they were estimating what it would be like implementing and operating this system assuming we had some of the clunky software that we

had in prior years. But a system upgrade made inter-firm communication on the finance stuff virtually instantaneous and complete.

My mantra always has been: In order to be different, we have to be different. So we basically went to the partners and said, "Let's give it a try. We're in the process of creating a new firm. We're going in a new direction. Just try it and Marina and I will change it if it's not working." But once we got it running, we had no problem.

**Edge:** Was this a benefit that Winthrop saw when you were talking merger?

**Cranston:** Winthrop was a firm with one major office and a few smaller offices. Clearly New York was the hub for Winthrop so they didn't have the same multi-office location issues that we've always had at Pillsbury. So I don't think they even saw centralized versus decentralized as an issue. They were very used to centralized systems. They saw our financial package as superior so they knew they were going to do a switch onto our system. I'm not sure they even thought of a decentralized system.

**Edge:** But certainly these are some of the operational nuts and bolts kinds of things that can kill mergers if one firm

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is particularly fond of one system.

**Cranston:** Yes. And what John Pritchard [Winthrop's chair] and I agreed on in going into the merger is that both firms were in the process of recreating themselves; that's one reason we were open to a merger. We agreed that we would really look at the systems of both firms and pick the one that was the best. We'd benchmark the best in the industry and pick the one that was closest to it. Or we'd throw both of them out for a better system. So we really went into it with a one-firm long-term view in regards to doing the right thing.

**Edge:** And how's the system working?

**Cranston:** It's been great. We've reduced headcount, the cost is a lot less, the service is a lot higher on all the standard indicia of getting bills out and collected. We're way ahead of where we were a few years ago.

**Edge:** Do you have any numbers?

**Cranston:** Our billing realization has probably improved three percent. And that's a lot.

**Edge:** What's another innovation that has come from the sacred cow program?

**Cranston:** Another sacred cow was our library system, which was very decentralized. Each office had its own library, and we simply concluded that we were not optimizing our leverage on our investment in our library staff. So we had the library staff work much more as a team and they now produce for us monthly scanning reports, where they look at all the major periodicals and point out headlines that relate to certain key themes that we're tracking like globalization, or friction in international markets. It's fabulous. They also produce periodic reports on major law firms around the world in something called *The Law Firm Indicator Report*.

And, the staff has been much more inter-linked with our marketing department. They do a lot of market research for the firm. So this is not so much as killing a cow as it is leading the cow to do more things.

**Edge:** You've risen in *The American Lawyer's* profit-per-partner rankings. In what ways has this program contributed to that?

**Cranston:** The sacred cow program is a symbol of what we have done. When Marina and I took over we were asked to head up a 125-year-old law firm with a powerful tradition and history that had fallen from its prior levels of profitability and relative ranking

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against other firms but that still had excellent lawyers and a terrific client base. So we thought we had all the ingredients for a major firm but we had to look at the fundamental business model. Why is this firm not cranking on all cylinders?

***“So this is not so much as killing a cow as it is leading the cow to do more things.”***

So we made a number of changes and the sacred cow program was symbolic of how we went about it. We're not done but I think we've jumped back into the pack with the potential to be at the top of the pack. We have sophisticated work, top clients and the skill sets to do anything.

**Edge:** Do you see this sort of innovation as something that law firms need to do to keep pace in the profession, especially given that firms keep getting bigger in this era of consolidation?

**Cranston:** Yes you really do need more management as you change size; the larger the firm the more management you need. I think the one constant we will see over the next 20

years is a lot of continuous change, and so it's very difficult to lead lawyers in a new direction if you don't have a good management structure in the firm. There's going to be a greater and greater need to keep lawyers thinking about change so you need a steady state of management.

I also think the globalized markets require much more sophisticated investment in marketing and IT [information technology], and there's a certain scale of scope that can afford that kind of investment. I think we'll see more and more segmentation of the market. The big will get bigger and there will be more defined niches emerging regionally and in smaller practices areas.

**Edge:** What other management trends to you see emerging in the profession?

There's more of a corporate governance that's applying to law firms because it's too difficult to make change unless you have a mechanism for making [quick but thoughtful] decisions and that tends to be a more corporate structure. That's not to say the partners don't participate fully. They need to be fully informed and fully involved. But at the end of the day somebody's got to make the decision and that tends to be a delegated board of some sort.

**Edge:** Thank you, Mary.

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**Cranston:** My pleasure.

To get further insight into Pillsbury's innovations and operations, Edge also talked with managing partner Marina Parks.

**Edge:** Marina, Mary talked about the inception of the sacred cow program and she thought you could add to her account of the how it came about. So how did it?

**Marina Parks:** I have a pretty clear picture of how this came about. I hope it's not different than the picture Mary gave you. She probably told that in 1999 she and I stepped in – she as chair and me as managing partner of the firm. We stepped into those roles with a mandate for change from our partners.

I know a lot of consultants show the curve and you either go up or you start going down, and you can either keep going down or at some point you have to turn out of the downward [curve]. We as a firm were heading downward and our goal was to see how we could head back up. Everyone recognized that we were not going to ascend by keeping everything the same as it's been. So we sort of had an advantage over some management teams in that we came in with this mandate for change. People recognized that we needed to shape things up.

One of the first things I did as managing partner was to recognize the need that if we were going to change on the operational side of the firm, we needed to have buy-ins from all the partners who were leading the various offices, the office managing partners, as well as the administrators and the firm-wide staff positions from IT, Finance and Marketing. And so we formed a new committee called the Firm Resource Committee, charged with identifying local office and practice needs and firm-wide solutions, and we tried to eliminate duplication and unique systems that had been put in place to cater to everyone's whim and fancy, so to speak.

**Edge:** And you had your first meeting in early 1999.

**Park:** Yes, our first meeting was held in 1999 in San Diego. We went around the table and talked about barriers to making the kind of changes we thought we needed to make. A lot of the barriers that came up were really silly things. So we started to refer to [these seemingly untouchable operational methods] as sacred cows, and out of that meeting we put together a list of priorities of things we thought we needed to work on, and then we formed task forces for each of those items. We identified the people from the firm who would be best to serve on

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each committee and then everyone had a deadline by which to report back. Then we sent them off to do good.

One thing we saw that we needed to work on was inviting everyone to identify sacred cows and then slaughter them where they needed to be slaughtered. We sent out an email to everyone in the firm and said, "This is what we are doing and if there are any practices or traditions or cultural mystiques that you think get in the way of running an efficient great place to work, let us know." We got maybe 50 responses to that [inquiry] and we'd sort them into patterns and the 50 became 10 or so things.

Then we had our partner retreat in the spring of 1999. At that retreat Mary used a slide during one of the presentations; she had this picture of this floating cow hanging over the [information] super highway. It was a great image.

One of the sacred cows – a relatively small one – was the partner who would buzz his secretary when the tip of his pencil broke and he'd have him or her come in and sharpen his pencil. So when we sent around the things-we-need-to-do list, one of the things was to get more efficient and get our attorneys-staff ratio more in line with other firms. One of the barriers to doing this was the powerful senior part-

ner [who relies on staff for minor tasks].

And we had to ask: How do we best send this message? Well, how powerful of a message is it to have the chair of the firm send him a pack of mechanical pencils? Quite powerful, of course, and that's what happened. So sometimes [the firm addressed] seemingly silly things like that but it's still a sacred cow and when you pull all of them altogether, you see behavior patterns that if changed will make the firm more efficient. It also ties into how your secretary feels about working with you and how come this partner can't keep a secretary.

So we pulled the sacred cows into patterns to see what they represented and then worked on the bigger issues.

**Edge:** Did the partners see the potential benefits of the program?

**Park:** Mary did a great job at that retreat of laying out where the sacred cows stood in the way of us being more proficient, showing how, if we could change our behavior, there would be a range of economic results that we could achieve. Then we got a new executive director [Michael Sikora, still serving in that position] on board in the fall of that year, and he did a great job of putting together financial reports and graphs that al-

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lowed us to demonstrate to our partners how we were actually doing relative to the goals we put in place for ourselves.

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So at the partner retreat a year from then, in 2000, Mary could stand up in front of the partners and say, “OK, a year ago we talked about behavioral changes and here is the possibility – low, medium and high – that we could achieve in terms of economic results.” Mary was able to put up on the screen in front of the partners information showing not only changes in behavior but improvements in profitability. And once you do that, you can put into motion a steamroller because people realize the program’s not just about driving them crazy but [results in tangible benefits].

**Edge:** Mary acknowledged that some partners resisted the program. Did you have people leave the firm?

**Park:** Yes, there were people who left

the firm. People who voted with their feet. There weren’t many though – about 15 out of 200 partners.

**Edge:** How did you persuade those who didn’t leave but who were resistant that this was a worthy program?

**Park:** The key was to listen to each partner who had a concern, point out to him or her what the big picture is, and explore with that partner a way of making things work for his or her individual practice and needs and making it work within the structure we were trying to put in place. And we really did listen and, if there was a real valid client reason why they needed an exception, exceptions would be made. Or if, for example, there was a partner who really did get his bills out on time and collect on time and did everything perfectly, you really didn’t need to impose a bureaucratic structure on him or her. So it was important to give the person a forum to hear complaints. But 80 percent of the time it was listen and then say, “Well tough luck. Here’s what we’re doing and we can’t make an exception.” But 20 percent of the time they had valid client issues or their personal performance was better than it would be if they made these changes.

**Edge:** Mary also said some partners resisted the new billing system?

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**Park:** That's right. Some partners didn't want to give it up. They loved being able to walk down the hall and give their billing information to the local billing person, and they really viewed the billing process as an important part of the client-attorney relationship.

But with the new system the [billing] staff is quite a bit smaller than it was. We have 50 percent of the number of people who are actually working on the administrative tasks of processing bills and handling collection and we have far more people than we had before on the high-end financial analysis, writing reports and doing high-end collection work with clients, which usually involves answering questions about bills, resolving disputes about them. So we've increased the quality of skill set within the group.

**Edge:** Other than the new library system, which Mary discussed, can you talk about other innovations that was part of this program, other sacred cows that you've embarked upon slaughtering, as you put it?

**Park:** Another is working toward having fewer secretaries per attorney. Obviously, technology has freed that up. We have more attorneys doing more of their own work now but we've also offered more training to secretaries on things like management and delegation of their desks. And we've encour-

aged them to push work down to copy centers and file rooms. That means you have to have better procedures for your file rooms and records departments if you don't want the secretaries manually putting every piece of paper in the files. So doing all of that has made a big difference. We now have something like a one to 2.5 [ratio]; in 1998 we were one to 1.8. So we've made progress there.

Another, which wasn't an operational change but was a behavioral change, was moving from a mind set in which attorneys think: "I control this client and I don't want to let anyone else get in to be a part of the client team." My favorite example is that of the bank clients. Because they have so many divisions and operations, there might have been 10 billing partners for one bank. And they'd almost be competing against each other for the business so it would show up as their numbers. But we now have client teams in place and we have the ability now to aggregate and track how the team overall is doing and reward the team result.

**Edge:** Do you see these kinds of innovation as critical for firms to compete in today's legal market?

**Park:** Yes, innovation needs to continue – but maybe not as much as one might have thought in 2000. I think people are now taking a little more

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time to think things through. But innovation will have to continue to be a part of all business including law firms. Law firms were so slow to innovate that we had a lot of catching up to do in the 90s. And we still have a ways to go.

**Edge:** What sorts of management trends do you see on the horizon?

**Park:** I think law firms are more aware of the benefits of strategy and of having a focus on strategy instead of the old be-good-at-all-that-we-do-and-keep-doing-what-we-do approach. Management itself is a trend in law firms. A lot more time and focus is spent on training partners on management and organizing the firm around teams. So it may sound amazing in the context of any other business but the notion that you manage professionals is fairly new. So the biggest management trend is management.

It's interesting to see the change in attitude at our firm within the last three years. Whereas three years ago partners bristled at the idea that their practice leader or office leader was anything more than someone who was there to grease the wheel and help them administer their practice. Now they really understand the benefits of having that person manage the practice, helping decide which clients we take in, how to resolve conflicts, how

to handle staffing on different matters, and ultimately thinking more strategically. And also they understand the advantage of that leader having some bottom-line responsibility in which the leader would make hard decisions about cost-cutting and looking for areas of revenue growth – actually going to partners and saying here's the direction I think your practice should go.

Three years ago the sense was: "I'm a professional and control my own destiny. I want my practice leader to make the resources available to me when I need them. But otherwise, leave me alone." Now partners are upset when they have a manager or practice leader who isn't pro-actively managing.

**Edge:** Very good. Thank you, Marina.

**Park:** You're welcome.

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