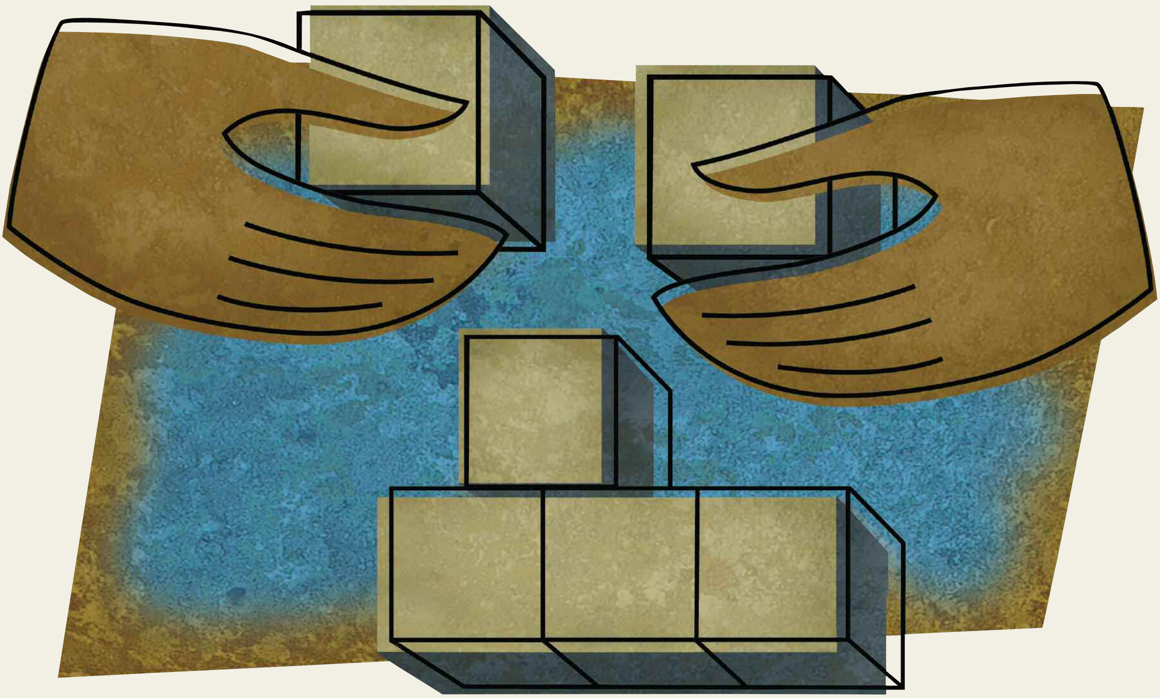
THE SWISS VEREIN

Come Together:

Creating a collaborative business development culture despite separate profit pools



Thirty years ago, who would have thought that the market for legal services could support a 3,000-lawyer law firm while witnessing the evaporation of a 1,000-lawyer law firm virtually overnight?

By Michael J. White

In its own way, "BigLaw" is shedding its deference to traditional models and is quietly experimenting with new ways to support increased scale. Firms are taking measured risks to accelerate growth and increase profitability, organically and otherwise. While the allure of size and scale still exists, law firms are mindful of the very public "growth-at-any-cost" train wrecks of the recent past and are moving in their own incremental way.

Swiss Vereins and other separate profit pool models are among the new structures attracting interest, demonstrating that scale can be achieved while still accommodating heterogeneous profit pools. But with the advent of these new models and approaches, new impediments to collaborative business development are also emerging.

THE ISOLATIONISM OF LAW FIRMS

It is important to understand the intrinsic "separateness" of even traditional unified law firm partnership structures with single profit pools. Many firms, if we are being honest, are really made up of partners charged

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with running individual practices. Modern compensation structures motivate the partners to be self-sufficient and discourage any collaboration that fails to promise immediate self-interested return.

The diffuse, flat, and non-hierarchical management structure of traditional law firm partnerships simply does not encourage revenue-seeking collaboration among partners. If a firm's financial incentives and cultural traditions don't foster business development collaboration, it should hardly be a surprise when collaboration doesn't happen. This is the present state of play in traditional single-profit-pool partnerships; imagine the challenge in firms that support separate profit pools!

Other idiosyncrasies bound up in law firm partnership models discourage business development collaboration, namely:

- Law firm partners' entire vocational mentality was forged through individual achievement in the classroom, largely unreliant upon anyone else. In fact, the most successful pre-law and law students have a sort of "anti-dependency" mentality: Working with others could only slow them down because they were operating at such a high level on their own.

- Staffing practices within law firms encourage the development of teams made up of lawyers who work discrete aspects of matters depending upon experience levels; each lawyer individually contributes self-contained work product, rather than submitting jointly developed work product to the larger whole.

- Confidence also works against collaboration. Lawyers are particularly reluctant to work on anything where they have less than baseline competence. Lawyers are shielded from cultivating their business development skills for so long that when the time comes to make it a core competency, their skills are no better than emerging. In those circumstances, collaborating with peers using atrophied business development skills is not very appealing to partners.

EXCERBATING LAWYER AUTONOMY

How do separate profit pools exacerbate this inbred autonomy? Most law firms are enterprises bound together primarily by a shared economic aspiration. Beyond their individual contribution to overall financial performance of the firm, partners know that their economic opportunities depend on a rising tide: when others in the firm do well, it contributes to that tide. Of course, internal turf and political squabbles can negate this alignment, but in the native state it holds true.

Separate profit pools break down this economic alignment, however, sometimes fatally. Because of the reasons listed previously, the existence of

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separate profit pools allows partners to defer to their natural default of "separateness." Unless there are other operational and cultural ties that bind, partners will not find any structural or visceral reasons to collaborate with their peers on business development efforts.

ENCOURAGING BIZ-DEV COLLABORATION

Nonetheless, multi-office law firms and their separate law firm profit pools are here and they show no signs of going away. How can such a firm create and operationalize a collaborative culture among its partners around business development and client cultivation? Here are a few concepts that these firms should support in order to create a "1 + 1 = 3" business development environment:

1. Practice Group Synergies

Whether in a single-profit pool firm or a separate profit pool firm, partners are reliably illiterate about the obvious synergies among practice groups and partners that can fuel business development. For example, labour and employment litigators and lawyers who structure HR outsourcing deals are

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often unaware of each other, even though they "sell" to the same decision makers. Identifying the most obvious potential synergies between practice areas is a good first step in getting serious about creating a collaborative business development culture.

2. Client Synergies

We've all experienced the rampant cynicism among partners concerning cross-selling aspirations and efforts; these are all the more evident in global firms (see the article previous to this one, by Gerry Riskin). But while there are mechanical and execution-related reasons why firms fall short with these efforts, the logic and strategy still hold together. Clients with which law firms have built up meaningful equity through their historical relationship are generally farther along in the buying process than a "stranger" prospect. The easiest source of new business is and has always been the existing client.

3. Reputational Tailwind

Goldman Sachs and McKinsey are good examples of professional service firm cultures that are so strong, many of the firm's principals attribute their success to the dominance of the firm's reputation. As a result, these principals embrace partner collaboration, particularly as it relates to sourcing new business. Law firms would benefit from emulating this culture and by educating partners about their best-of-breed and market-leading capabilities in particular practice areas and sectors. Perceived dominance in multiple areas often encourages prospects to credit a firm for dominance in other areas: cultivating this perception internally can powerfully accelerate collaborative activities.

KEY ELEMENTS OF COLLABORATION STRATEGIES

Separate-profit-pool firms that support these concepts can fulfill their business development potential by including some of the following elements in their strategies to incubate and drive business development collaboration among partners:

1. Education and Awareness

Firm leadership must embrace the challenge of separateness and give full-throated support to efforts to involve partners in overcoming these challenges. When it comes to business development collaboration, partners should hear leaders say, loud and clear, "This is who we are."

To that end, the firm can't expect partners to rally around an institutional mission until it educates partners fully about all the intersections, synergies, and internal connections the firm wants them to exploit. Provide partners (in writing) all the processes they need to begin their efforts.

2. Specificity

Partners can spend an undue amount of time in the planning and hypothetical realm, allowing them to defer (or even avoid altogether) engaging in a real, live, collaborative business development pursuit. After developing their

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"GPS system" through some initial planning, partners need to go out and apply the client cultivation methods to a real target. Get out there and get started!

3. Accountability

Partners should know they are being watched. They are expected to make a commitment to these types of activities and they will be held accountable. Of course, the firm can and should establish this accountability and gain visibility into partners' efforts positively, by providing promotional, budgetary, and business development support.

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4. Financial Incentives

Highly compensated professionals rarely implement anything if they do not benefit financially from making the necessary implementation commitment. Firms usually rely on the generalized compensation system to create these incentives; often, however, these overall incentives from which all partners benefit are insufficiently personal and specific to make individual partners take up the cause.

An "MBO" (management by objectives) approach is a good way to jump-start motivation. Pick a discrete objective that a limited number of partners are expected to make happen, and give those partners a freestanding bonus if they achieve the stated business development objective (*e.g.*, Partner A can earn up to $20,000 extra comp if she adequately helps a specific new lateral partner achieve his portable business goal).

CONCLUSION

The Swiss Verein separate profit pool structure solves many challenges for acquisitive and growth-oriented firms,but it can also compromise culture, particularly the culture around business development collaboration. Both single and separate profit-pool firms can go a long way toward establishing a collaborative revenue generating culture if their leadership lays out an intentional roadmap, expectations, and set of processes that partners can adopt to build such a culture. •

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