EDGE International Review

SUMMER 2004

EDGE INTERNATIONAL

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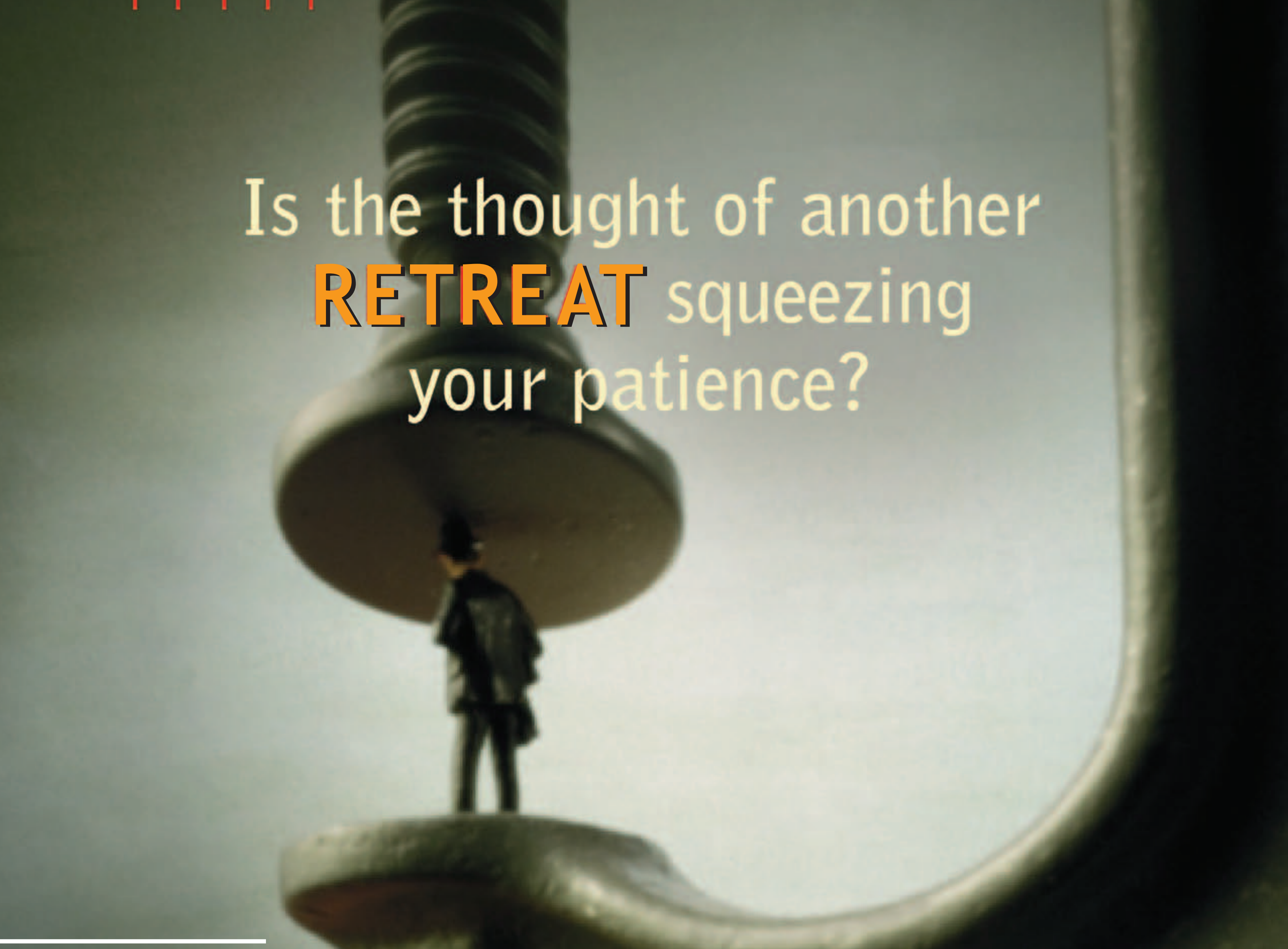

Is the thought of another RETREAT squeezing your patience?

RETREATS

are becoming fairly commonplace. The motivation is usually to provide more face-to-face interaction thereby developing social bonds, improving communications, dealing with operational issues, exploring further directions, and even having a bit of fun.

At these Retreats we often engage some outside speaker sufficiently inspiring that everyone gets charged up and takes copious amounts of notes. Inevitably, our sessions conclude and we all return, hopefully invigorated enough to face the pile of voice-mail messages and client files that have been left burning on our desks. That binder of notes hits the shelf and maybe, just maybe, something inspires us to return to it in the months to come, such that we pull it down and actually do something as a result of that last retreat we all attended.

Now that pretty much represents the conventional practice for most firms' Retreats. While the groups may be different and the speakers may vary, the measurable results are all too often the same. As one managing partner commented about firm meetings in general, "When all is said and done, there is usually a heck of a lot more said, than ever done!"

Of course then we come to scheduling our next Retreat. And wouldn't you know it. Some partner has the audacity to ask, "But did anything really happened as a result of our last get together?"

Now when that happens, and it inevitably will, our very best counsel would be for you to punish that partner (for their audacity) by assigning them to Chair the organizing committee for your next Retreat. Then please give that partner our telephone number. We transform talk into action.

EDGE International Review

EDGE 20TH ANNIVERSARY

Dear Clients and Friends,

We have been delighted by the response to the first issue of Edge International Review as a professional journal for individuals with governance authority in law firms. This second edition of Edge International Review continues our celebration of Edge International's 20th Anniversary year.

One of the things we hear from law firm managing partners, executive directors and other senior leaders is that pressing day to day matters leave little time to provide the important policy and strategic issues the thought process they deserve. As we move into the "dog days of summer," we hope that you find a little time out of the office to review this issue's articles and that they provide you with some new insights into your leadership role.

If you would like to provide copies of Edge International Review to other members of your management team, it can be downloaded from our website at **www.edge.ai**. Also on the website are literally hundreds of articles sorted by topic. Should you have any questions about these articles or any other issue, please feel free to contact any of our partners listed on the inside back cover of this magazine.

We hope you have a relaxing and enjoyable summer. We thank you for your support over the past 20 years.

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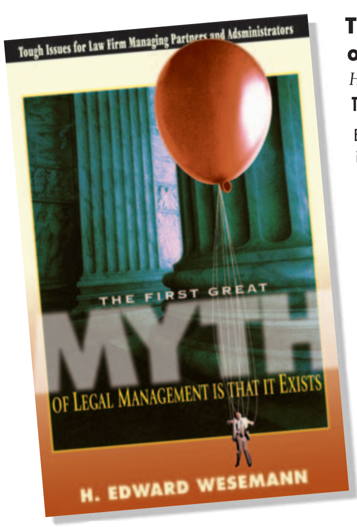
BOOKSHELF FEATURE



THE FIRST GREAT MYTH of Legal Management is that it Exists

H. Edward Wesemann

Tough Issues for Law Firm Managing Partners and Administrators

Every month thousands of law firm managing partners, administrators, management committee members and practice group leaders read Ed Wesemann's e-mail messages. As a self proclaimed destroyer of sacred cows, Ed's articles take on the myths and "me too" thinking that cause law firms to "never quite get around to doing anything."

The first Great Myth of Law Firm Management is that it Exists is a composite of Ed's famous e-mails addressing the front burner issues of management in law firms around the world. Among the topics:

- Firing Unprofitable Clients
- Taking the Easy Way Out with Non-Equity Partners
- Knowledge Management: The Emperor Has No Clothes
- When Good Law Firms Go Bad
- Ten Terrible Truths About Law Firm Strategic Planning
- Hitting the Wall: Six Rules for Managing the Mega Practice

THE FIRST GREAT MYTH… is available at **Amazon.com** or from the Edge website at **www.edge.ai**

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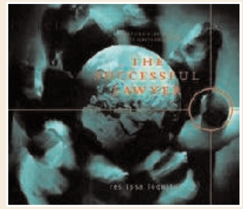

"The Successful Lawyer," a personal and inspirational six-disc audio CD program that helps lawyers make their practices more profitable and satisfying, is available at **www.edge.ai.**

"F 1 R S T AMONG EQUALS"
Patrick McKenna and David Maister's new book is available at book stores and from **Amazon.com.**

The most successful practice group management program of all time. Get details at **www.edge.ai**

Edge International Market Analyses are sophisticated and insightful analyses of law firms' market share in major geographic markets. Get details at **www.edge.ai.**

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Publication designed by Jim Prokell

by Nick Jarrett-Kerr, **EDGE** INTERNATIONAL

NEW Models for Service Delivery

Lessons from the Bulk Providers in Law Firms

Much can be learned from firms working at low margins who have had to innovate and transform their models for service delivery in order to survive and prosper.

There is a story doing the rounds about an eminent heart surgeon who, every Saturday morning, has twelve surgical teams conducting twelve different heart operations at the same time. The eminent Heart Surgeon goes from one operation to another taking a few minutes in each case to perform the incredibly intricate and specialised procedures for which he is famous. At the end of the morning, twelve grateful heart patients later, he will have earned a significant sum for each operation as a consequence of applying his time and skill where it counts. Even if this story proves to be apocryphal, it illustrates a clear point very well—that, even in the case of the most specialised services, much can be learned from those who are supplying high volume commoditised professional services—the bulk providers. What the Bulk Providers have done is to respond to the pricing challenge and low margins by the following means:

- **Developing their business so as to dramatically to increase the volume of work,**
- **Standardising the processes so as both to reduce the time involved in each step and to enable delegation to less costly staff**
- **Clarifying the level and extent of necessary intervention by skilled professionals into each piece of work**
- **Organising the work into well managed teams**

As we go round Law Firms, we are still struck by the cottage industry atmosphere and general air of disorganisation which still pervades many partnership corridors

As one Senior Partner of a Bulk Provider Law Firm put it to us "This is not rocket science. In most cases it is just common sense". Yet, as we go round Law Firms, we are still struck by the cottage industry atmosphere and general air of disorganisation which still pervades many partnership corridors. Partners are still insisting on the freedom to practice law in their own way, with their own styles and formats, and their own tailored precedents. The way clients are dealt with may well vary considerably from one room or work station to another, and junior members of staff are expected to react flexibly to differing working practices and procedures depending on their supervisor for the time being. As an example, we have frequently elicited widely differing answers within the same firm when asking how long the same standard step takes in a transaction or litigation matter. More worryingly, some Partners have no idea of the answer! What is clear is that for the Bulk Providers, the old cottage industry model has completely disappeared in favour of something far more organised, efficient and commercial. It seems to us equally clear that the old inefficient working practices are steadily becoming unsustainable even for Firms who pride themselves on being High Value Providers.

The brutal truth is that clients are becoming increasingly prescriptive about what they want their lawyers to do and how much they are prepared to pay them. However prestigious or specialised the service, they are no longer prepared to leave entirely to the discretion of their Law Firm how much time the Law Firm spends on their affairs, especially where the fee is payable on the basis of an hourly rate.

What is interesting is that, in responding to their competitive challenge, the Bulk Provider Law Firms have been highly innovative, but have not had to entirely re-invent the service delivery wheel. They have, however, remodelled and reshuffled it aggressively to provide a model which is responsive to current needs

What is interesting is that, in responding to their competitive challenge, the Bulk Provider Law Firms have been highly innovative, but have not had to entirely re-invent the service delivery wheel. They have, however, remodelled and reshuffled it aggressively to provide a model which is responsive to current needs. What we learn from their experience is that they have managed to achieve enormous efficiency savings and profitability improvements by radically changing—and then standardising—the way they do things. This requires an innovative approach, from the service strategy stage right through the process design stage to the service delivery methodology.

We have held conversations with a number of Managing and Senior Partners from Law Firms who are essentially providers of High Volume, Low Margin work. From these conversations and from our own experience, the following six essential features have emerged:

1. **The old Partnership model has to be redefined.** Many Law Firms have discussed abandoning the concept of Partnership as a management structure in favour of an entirely corporate model, but this slightly misses the point. What is vital is not a change of structure but a change in working methodology and partner behaviour. Firms can no longer act as essentially sets of Chambers where individuals are entirely free to get on with practising law in their own way as sole practitioners. Nor, in an environment where speed and flexibility are key, can decision making be channelled laboriously through partners' meetings. Decisions, such as staffing levels, pricing and infrastructure resources, have to be made swiftly and efficiently. Accordingly, management and decision making must be delegated to an efficient management team with the authority to bind the partnership. This is far from easy to achieve. As one Senior Partner told me,"We have lost some partners on the way. Not every partner will be prepared to give up his autonomy in this way; difficult decisions have to be made and if necessary non-compliant partners should be persuaded to move on". A Managing Partner from another firm confirmed this: "In low margin work, every aspect of management is thrown into sharp relief—it is very easy to lose money very quickly unless you actively manage almost on a minute by minute basis".

2. Compliance regime has to be in place. The challenge for Law Firms is not just to improve profitability but to manage quality and service efficiency. In the drive for cost savings, it is all too easy to cut corners and to open the firm up to increased complaints and claims. At the end of the day, successful execution boils down to the need to obtain both efficiency and consistency. Methodically applied case management systems can help here. To quote the Managing Partner of one firm with a bulk re-mortgage operation, "The biggest benefit of Case Management is the management of risk". But the history of Case Management is littered with examples of Firms where implementation has only partly taken place or is deeply flawed. This is usually because partners have chosen to ignore the new systems and carry on doing what they have always done.

We have seen two possible change management approaches here. In one case, the approach was consensual: "Getting people to change their ways and use new processes and systems is a major hearts and minds exercise—as it not only needs them to do things differently, but they also have to adapt to the Case Management system doing things for them in a way they are not used to. The key is having Champions to blaze the trail." The alternative approach is more brutal with the introduction of a well enforced and disciplined regime where compliance becomes obligatory - shape up, or ship out.

As an example, we were told that in one case a 25 minute process had now been engineered down to one and a half minutes. The problem (away from the Bulk Providers) is that law firms have become accustomed to regimes which place a huge reliance on measuring inputs (Chargeable Hours recorded) rather than outputs (successful outcomes). This is all well and fine when the client will pay for every hour spent and billed, but is not sustainable in an era when clients increasingly want to know exactly what is achieved with the time spent on their affairs. In addition, in low margin work, pricing and base cost are absolutely key and both have to be watched like hawks.

What is of even greater importance is the management of workflow. One senior partner told me "Managing the numbers is a major issue for us. Too much work coming in and we can't cope. Too little, and we have people sitting idle. You have to have reliable knowledge of the volumes of work being introduced. It takes us, on average, six months to staff up for a doubling of volume from any of our institutional clients." What is more, the processes and procedures have to be constantly revisited and re-engineered so as to adapt to new client requirements and different client preferences, and to ensure continuing cost effectiveness. Most low cost providers therefore find that they are devoting considerable resources and energies to the continual task of trying to find ways of doing more for less in a shorter time.

3. Efficient Management of Time and Money is critical. It is quite noticeable, in the firms to whom we have spoken, how much emphasis is placed on the management of both time and money. In most cases, fixed fees are involved, and the responsible partner will spend a great deal of time trying to figure out ways to cut an extra few seconds of time out of each stage in a transaction or project.

4. Client relationships are nurtured on an ongoing basis. Doing large volumes of work for big institutions requires, among other things, a sustainable and close relationship to ensure that the service continues to meet changing client and industry requirements. A recent example of this, in the United Kingdom, is the recent introduction in the United Kingdom of demanding new money-laundering regulations.

It is encouraging to see that the more pro-active firms seem to be discussing all aspects of their relationships openly and regularly with their clients. An important aspect of this is to agree and refine processes and methodologies, a practice which not only helps to cement relationships but anticipates possible future trends and ambushes as well.

5. **Training and Development is essential not optional.** One Law Firm told us that at any one time, they have 35 new members of staff undergoing initial training aimed to induct non lawyers in the technology, legal process and systems of their business. Another firm finds it so difficult to find, train and retain good people that they are contemplating head-hunting the best lecturer from the local Law School and starting up their own Academy. The challenge is to keep staff interested and motivated in work which can quickly become repetitive and dull, and to provide them with sufficient career development to enable a good level of retention. We were told "How you treat people is key. You need a fixed regime which is tough but flexible and relaxed. A brutal atmosphere, where people have to put their hands up for permission to visit the bathroom, does not work".

6. **Trends must be persistently tracked.** In the case of most Firms we looked at, the original route to the provision of bulk services seems to have emerged as a strategy over a period of time, from the intuition of the partners, and from actions taken piece-meal over a period. Those actions then converged over time into some form of consistent pattern, which was then re-enforced and accelerated. But in all cases, what was needed in the first place was a deep understanding of the market-place and its opportunities, the ability to discern trends before they arose, and then the courage and conviction to exploit those trends. This trend-seeking formula of analysis and intuition is equally important during the journey as at the start of it. In Law Firms, there are many obstacles to any form of planned approach, not least of which is the reluctance of partners to give up some fee-earning time to think about long term objectives. But in the context of service delivery, new and anticipated trends—whether industrial, technological, economic or legislative—need to be filtered and synthesised almost on a daily basis. Different ways of doing things need to be identified and piloted. New technological developments have to be investigated and assessed. Innovative business models must be unearthed. Industry meetings should be attended. In the successful Law Firms which we looked at, one feature was absolutely clear. Somebody (in some cases, more than one person) took on the responsibility for achieving all of this.

It is clear that, for the Bulk Providers, the six features outlined have been introduced and managed aggressively and commercially. Although the specific models for service delivery are not generic for all types of Professional Service Firm, the innovation and implementation of the strategies for successful execution apply universally.

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So how was your last meeting with a new PROSPECTIVE CLIENT?

WE ALL KNOW

that there are times when it is appropriate to explore a new business opportunity. So why does the very thought of having to take action make most partners' hands sweat?

Take the CEO who happened to get dragged along by one of our loyal clients to the last seminar and found the content quite engaging. In fact he expressed interest as he exchanged business cards with on of our partners. But that was three weeks ago and the business card remains somewhere on the partner's desk. No, it didn't get buried there by accident or because this partner is spending every waking moment on good billable work. It got buried because this partner is suffering a mental block, not having the nerve to pick up the phone, or knowing exacting what to say.

Ask partners for a list of potential prospects. No problem. Ask them when they are planning to make contact. Get ready for all the excuses as to why it might not be appropriate given their existing friendship, why they fear they might offend…

Maybe your firm is already overburdened with too much of the kind of high quality work that has partners racing enthusiastically to their offices in the morning. Maybe you don't expect partners to concern themselves with developing a book of business. Or, maybe you just hold to the notion that if every partner just does good work, the phone will ring.

On the other hand, if partners aren't enthusiastically racing to the office inspired by their growing book of business, isn't it about time you helped them develop their business development skills?

BECAUSE TODAY'S COMPETITIVE CHALLENGES DEMAND A HIGHER STANDARD OF PERFORMANCE

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UNITED STATES UNITED KINGDOM CANADA AUSTRALIA SOUTH AFRICA

by Robert Millard, EDGE INTERNATIONAL

In Defense of Autho

Debunking the Myth of Coll

Authority

Power or right to enforce obedience; the right to command, or give an ultimate decision; power to influence the conduct and actions of others; power over the opinions of others; intellectual influence

Shorter Oxford English Dictionary

A key tension in any law firm is balancing the managerial authority required to meet business objectives, with the professional autonomy and independence demanded by the firm's lawyers.

Corporate scandals such as those that led to the demise of Arthur Andersen have made it almost sacrilege to mention "power" and "management" in the same breath. Managerial power or authority is now often automatically suspected of bad intentions and therefore mistrusted.

Managerial authority is a particular anathema in many law firms. One chief executive recently complained that he was not able "to buy a box of paper clips" without deferring first to his management committee. Even trivial management actions may be debated and re-debated in committee ad nauseum until it is only the need to get back to billing that forces some sort of conclusion. While there are highly successful law firms that have staggeringly collegial cultures, in all too many firms decisiveness is sacrificed in favour of consensus.

Management, we are told, needs to be "bottom-up," inclusive and participative, not only to prevent managers from misbehaving, but also to translate democratic norms of everyday life into the workplace.

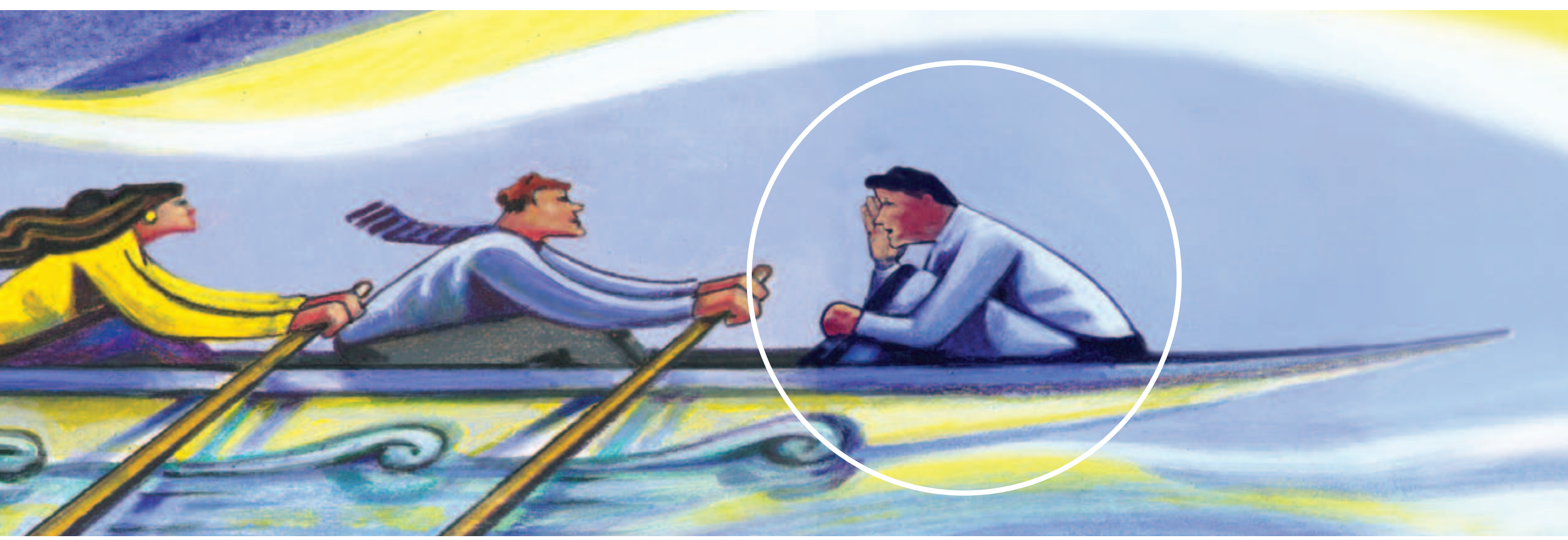
Ironically, it is precisely when decisiveness is most necessary, that this flaw emerges. In most firms, performance would improve if those charged with the management of the firm were allowed more authority in the execution of their duties.

RITY

EGIAL MANAGEMENT

DOMINANCE

Beneath the collegiality and mutual respect that underpins most professions lies a simple fact: Like most commercial enterprises, the most profitable firms seek single-mindedly to dominate their markets. Dominance is different in law than, for instance, the accounting profession where a great deal of the global business is focused in a handful of mega-firms. Even the largest global law firms have only a fraction of the number of fee earners of one of the 'Big Four' accounting firms.



What dominance means in the legal profession is a three dimensional strategic focus on being one of the top firms (usually one of the top three) in selected practice areas, in selected geographical markets, and serving selected clients or categories or clients. In their quest for dominance, the top firms ruthlessly strip key expertise out of their competitors, bolstering their own capacity and increasing their market share. Size is an important issue in achieving dominance, simply for its own sake and also the

Beneath the collegiality and mutual respect that underpins most professions lies a simple fact: Like most commercial enterprises, the most profitable firms seek single-mindedly to dominate their markets.

depth and scale that it allows in service delivery. They operate at the cutting edge of innovation, finding ways to deliver commodity services at

finding ways to deliver commodity services at
ever lower cost, eventually driving less efficient competitors out of the market. They develop new services or client strategies that competitors cannot easily match. Not just incremental

improvements, but also truly new stuff that changes the 'rules of the game' for all players. They are intolerant of sub-standard performance and inefficiency, either on the part of individuals in the firm or unprofitable practice areas. They know where their strengths lie and how best to play to them. They also understand their limitations and design strategies that minimize their impact.

Ruthlessness may sound like an extreme term, but it is entirely appropriate. It is applied within the context of a high standard of ethics, professional respect for peers and the collegiality of the profession, but it is ruthlessness nonetheless. Like Olympic athletes, the top firms realize that winning does not imply unsporting or unethical behaviour. In sport, winning is the very essence of sportsmanship and one doesn't get very far without being pre-occupied with it. Likewise in business, a pre-occupation with winning has become a prerequisite for a place at the top end of the market. Whether this is "fair" or "just" is irrelevant. It is a fact of life. Across the world, in all sorts of industries and professions, the softer, nicer firms are in trouble. Sometimes deep trouble.

In law firms the resources being managed are people, not raw materials, machinery or production lines. When it comes to managing people directly, management and leadership often blend into one.

Imaginative and focused management with real power and authority is a critical ingredient in successful firms, especially in today's markets where key sources of competitiveness can change in weeks. It simply requires practice managers that are competent, skilled and trusted, with the power and authority to drive the implementation of the actions that the firm agrees are necessary to achieve its strategy within parameters that are also determined by the firm.

BALANCING PROFESSIONAL AND COMMERCIAL INTERESTS

Some have said that lawyers resist management simply because they are inherently conservative and pathologically independent and self centered. This is a myth. Firstly, these traits certainly do not accurately describe all successful lawyers. Secondly, they exist in equal measure in other organizations, where management is effectively applied. Furthermore, lawyers happily subject themselves to the authority of their peers in the way that they practice. So why do so many firms struggle to apply the same level of excellence to implementing management actions to execute their business strategy than applies to the professional advice they deliver to clients?

The truth is: many lawyers experience disconnect between the demands of their profession and the commercial demands of their firms. On the one hand is the professional demand for altruism, neutrality and a client focus that surpasses monetary considerations. On the other hand is the need to operate a business in a highly competitive market, to produce decent financial rewards for the firm's lawyers and staff. Like most professionals, lawyers act within two simultaneous, very different paradigms. In the professional paradigm, they make their own decisions, apply independent judgment and operate without managerial control. In their commercial paradigm, managerial control is essential to the optimize profitability and competitiveness. Different rules apply to implementation of business strategy, as opposed to professional practice. The challenge is to transfer the willingness to submit to peer authority that exists in the intellectual, professional practice paradigm, to a willingness to submit to management authority in the action oriented focus of the commercial paradigm. There are four key issues that a firm needs to consider, to get this right:

- **Present managerial power in the commercial paradigm, in a context that clearly supports the ethics and norms of the professional paradigm. ("We need to do this in order to better serve our clients," rather than "we just want to make as much money as possible.) When playing "hardball," it is even more important than usual to have a clearly defined ethical roadmap.**

- **Ensure that the linkages between managerial power and the firm's "bottom line" are unmistakable. Lawyers, being human, are not entirely altruistic. Personal income, the trappings of success and being part of a successful firm are very important too. So is simple human competitive spirit. Winning just for winning's own sake is not only good for morale but an important ingredient in sustaining dominance.**

- **Ensure that the systems in place in the firm support management authority. It is pointless paying lip service to this, while managerial controls conflict with the way people are REALLY encouraged to behave. The quickest way to destroy effective management in the firm is to allow some (usually more senior) lawyers exemption from management authority. Management authority needs to be built into the very fibre of the firm's culture, to be effective.**

- **Ensure that managers are leaders too. There is much debate in business literature about the differences or similarities between the two in general business. In law firms the resources being managed are people, not raw materials, machinery or production lines. When it comes to managing people directly, management and leadership often blend into one. Managers (as opposed to administrators) in law firms need to have the personal qualities and skills that are respected and valued by the lawyers that they manage.**

> ***Management authority needs to focus only on those areas of the firm where specific discipline is required, in order to meet both commercial and professional goals.***

Managerial controls in law firms need to be empowering, not bureaucratic. Management bureaucracy widens the gap between the professional and commercial paradigms even further. It is self defeating, eroding motivation and performance. Formal, standardized procedures are only justified as risk management tools, where their absence can place the firm in danger. Bureaucratic controls also raise the transaction costs of doing business, often to the degree that their costs outweigh their benefits.

One of the most effective ways of achieving business goals in a professional service firm is simply to ensure that everybody knows what the firm is trying to achieve, and what each person's role is in achieving those goals. Management authority then becomes focused on removing obstacles to individuals being able to achieve their own personal targets or actions, and on defusing situations that arise that work against the agreed business goals.

Management authority needs to focus only on those areas of the firm where specific discipline is required, in order to meet both commercial and professional goals. Areas such as achieving superior client satisfaction, attracting and retaining top people, knowledge sharing, financial discipline, innovation and business development. They make sure that action oriented programmes are implemented to drive these issues.

The best firms avoid direct, overt controls wherever possible. Rather, they develop equally rigorous but subtle and intangible controls, based largely on social integration, teamwork, and comradeship. The controls rely on two basic premises:

- **Shared efforts are the best way to achieve individual goals such as personal prosperity, professional self actualization and personal development**

- **The firm will reward actions that promote these shared efforts, as long as they are legal and ethically sound, and punish actions that work against them**

Lawyers derive a great deal of their sense of self worth and of community from their firms and their practice groups or other firms. They spend far more time with their colleagues than their spouses and families, let alone the rest of their communities. Corporate espirit de corps, the satisfaction derived from teamwork, pride in their professional practice and a job well done are therefore the primary drivers of the typical lawyer's self worth. Insofar as managerial authority supports and drives these sources of self worth and community, therefore, lawyers can be persuaded to accept them.

CONCLUSION

Identify those areas of your firm where specific managerial control is required; what needs to be done to achieve and sustain dominance in your chosen geographic market, areas of practice and selected clients. In that way, management authority will be properly focused.

Find people that are trusted, capable, skilled and willing to drive the implementation process. Empower them with the authority and power to achieve their mandate. Hold them accountable and reward them for achieving results and then get out of their way while they get on with it. In that way, management authority will be effective.

Ensure that the social interactions and controls that are required to make certain that agreed corporate goals prevail over, but are also compatible with, personal agenda. Weave them deeply and inextricably into the fabric of the firm's culture. In that way, management authority will be sustained over time. It will also become a source of competitive advantage that competitors will find very difficult indeed to replicate.

Robert Millard is the partner in Edge's office in Johannesburg, South Africa. His practice is currently focused mainly on assisting firms in that country with the major strategic realignments being driven by black economic empowerment legislation in South Africa. He has advised firms of various sizes in Africa, Europe and North America on issues relating to strategy and business development. Robert can be contacted in South Africa on **+27 82 602-2009**, via Edge's toll free numbers or by email at **millard@edge.ai.**

How would you feel to find your strategy was nothing more than BOILERPLATE?

How

Different is what you are doing right now – the strategies that you are employing – from the key competitors in your marketplace? If your answer is "not much" then how are you expecting to surpass their performance?

"Not much" is usually attributable to some boilerplate strategic plan created by some brand name consultants. It comes packaged as a fairly weighty tome (at a fairly hefty fee). It contains mystic thoughts unsullied by any methodology for achieving meaningful differentiation, insights on creating new revenue streams, has no means of implementation, and is ultimately destined to find it's resting place on the managing partner's bookcase.

Competitive advantage means getting out in front, by focusing on those areas in which you can be unbeatable. By definition, if you are doing what everyone else is, you don't have an advantage. Do you have the courage and the foresight to see beyond what everyone else is doing?

If you're ready for someone to get results; to ask the really hard questions – the questions that lead to marketplace distinction; and someone who will not compromise in ensuring that implementation is an integral part of each step in the formulating of a truly competitive strategy…you may be ready for our for our BREAKAWAY® program.

Alternatively, if you're just interested in a boilerplate strategy, they are all pretty much the same. If you'd like one for your bookcase, we will happily tear off the cover of one we have, duplicate the contents and forward it to you, complete with your firm's name inscribed on the front.

BECAUSE TODAY'S COMPETITIVE CHALLENGES DEMAND A HIGHER STANDARD OF PERFORMANCE

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by Gerry Riskin, **EDGE INTERNATIONAL**

Mistakes Managing Partners Make

Managing a law firm can be a mixture of both the delight and frustration generated from working with brilliant practitioners. As a former managing partner, I can empathize with your lack of resources, especially time. The lessons in this piece were learned by my own experience and by watching some of my very gifted counterparts over the years. My hope is that these lessons learned can help you, as a managing partner, avoid a sand trap or two. If you have any additional suggestions, I welcome and appreciate them.

There is an enormous amount of wasted effort being expended by those involved in the management of their firms. You can decide for yourself whether any of this applies to you. If it does, then you may want to plug the holes through which your valuable time is rushing like potable water from the reservoir.

I know you are smart and that you grasp concepts before they are completely formed in the mouth of those addressing you. I know that you know your environment intimately—you grew up in it (or one not too different from it). And, you know your people—oh, how you know your people—like family members; you are accurate to within a thousandth of a

> ***Quantum Mechanics Physics 101: an area of space-time with a gravitational field so intense that its escape velocity is equal to or exceeds the speed of light. Yes, that's administration all right.***

millimeter in predicting the idiosyncratic responses of almost every individual to every kind of issue or problem or initiative. In fact, you understand the complexities of your environment so well that you have come to accept progress at an extremely slow pace. You have settled for moving in the right direction even if you are moving at the pace of a turtle (in fact, some settle for simply fending off a decline). You probably feel you are doing the best you can at enormous personal sacrifice.

The following will identify areas where many managing partners run into challenges at the opportunity cost of progress. Do any of these apply to you?

CONSUMED BY ADMINISTRATION—THE BLACK HOLE OF THE LAW FIRM.

Quantum Mechanics Physics 101: an area of space-time with a gravitational field so intense that its escape velocity is equal to or exceeds the speed of light. Yes, that's administration all right. And yet, administration is essential for the financial health of the firm. The challenge here is not to jettison the financial discipline of tasks like great accounts receivable management but rather to get it off your desk. That's why they call the head of admin an "administrator." Let your administrator do it. You can be alerted when something is out of whack (and it will be). Then you can guide, coach or instruct but don't become the administrator. There is no limit to the appetite of the beast that is administration. Keep your distance or expect to be the Black Hole's victim. You'll know you are in trouble if you are too busy to "manage" your firm's performance. Performance is about your people becoming ever more valuable, working in teams, sharing knowledge and attracting better work. That's where you can make a real difference.

INVEST TIME TO PROTECT YOUR MARKETING STAFF FROM YOUR PARTNERS

You read that correctly. It's usually just a question of time, isn't it? When the honeymoon ends, the partners find fault like kids find ice cream. They don't like the new logo…they think the ad was a mistake…they felt the writing on the environmental proposal was not of the quality commensurate with the great institution they believe their law firm to be.

Unless you do something to manage it, marketing professionals and lawyers quickly develop a toxic relationship. You are either a lawyer or you are not, but what is a marketing professional? Could be anything, really…a promoted secretary who displayed an aptitude…a PhD with experience at a Fortune Top 100 company…a talented professional with a shining background marketing products, not services…or a young, energetic individual recently graduated with an MBA who entertains dancing visions of potential that will transform your firm.

As lawyers, what do we do? We use precedent to solve and prevent problems. We do what worked before because that is how we gain a measure of certainty; marketers do what has never been done before because unless a message is imaginative, it will not be heard above the noise of the media. Lawyers do things they know will likely work, whereas marketers try things without knowing at all whether it will work and spend resources to test the approach. The lawyer wants to know who has done it before and the marketer wants to make sure that no one has ever done it before. The marketer is creative; the lawyer is critical and analytical. (This is not an insult, by the way. It is fabulously wonderful for lawyers to be critical and analytical, but that mode of thinking mixes with creativity like oil mixes with water.)

> ***If you stop one of those participants on the way out the door and ask, "So, what will you do differently as a result of those delicious deliberations?" watch the facial expression change into that of a stunned and bewildered puppy seeing something for the first time.***

Some of the marketing professional's relationship with your partners has the potential to be quite challenging, again, unless you manage it. "Managing it" in this context means training your marketing staff to facilitate in its interactions with your lawyers. Lawyers need choices—options. The marketing professional is an internal expert consultant, but what some marketing professionals naively ignore to their detriment is that lawyers are frequently called upon to pit one expert against another, and sometimes they do this for sport. The marketing professional must learn what the bullfighter knows only too well: that you need to get out of the way when the bull takes a run at you. Making a single recommendation to a lawyer leaves no options. The recommendation might have merit but when you are cautious and trained to see the risks—the downside—how likely is it that the recommendation will be gladly accepted? Offer a choice between two such recommendations, and one will be preferred over the other. Add two parts "listening" to one part "facilitating" and the marketing professional can fly above the clouds of doom that hover over most of their counterparts.

MANAGING BY MEMORANDUM (OR, TOSSING STARDUST IN THE AIR).

Managing is not about the force of great reasoning. You can have the best plan in the world—the envy of intellectual giants—flawless, compelling, inspired, even poetic. You can then communicate that plan in a memo that is terse and efficient or with prose that would make Pulitzer notice. And what will that get you? (That plus $4 will get you a cappuccino at Starbucks.)

People are not motivated by their minds, they are motivated by their hearts. Their minds will scan for flaws and weaknesses, especially when their hearts are not in the plan. Win their hearts and their minds will obediently follow.

Therefore, take the memorandum out of your management toolbox. A memorandum can effectively transmit essential information (numbers, facts) but it cannot manage. Management happens one-on-one, face-to-face. If your firm is too big for you to interact with all your people with sufficient frequency then you probably have group heads, department heads or office heads who need to be taught the same lesson and follow suit.

MANAGING BY CONCEPTUAL STIMULATION—A DELICIOUS CEREBRAL FEAST.

Welcome to the stereotypical partners' meeting. The insatiable cerebral appetites gather round the table and someone begins with the courage to assert an idea. In the absence of rules of evidence and a presiding judge, that idea won't make it 18" out of the mouth before someone else draws their cerebral sword and cuts a swath neatly through the heart of that idea. It is quite glorious to behold such skill and talent at a full gallop. The meeting ends and the participants' cerebral appetite seems to be satisfied. If you stop one of those participants on the way out the door and ask, "So, what will you do differently as a result of those delicious deliberations?" watch the facial expression change into that of a stunned and bewildered puppy seeing something for the first time. "Do?" is usually the reply.

I hope it is clear that the alternative to managing by conceptual stimulation is managing by action. Deliberations are all well and good but only if they lead to specific action or a conscious decision not to take any.

Action does not follow naturally from arguing. Arguing (or debating, as some would genteelly put it) polarizes, making it difficult to decide what action is appropriate, at least without the application of force. The objective is to maintain a constructive dialog and neutralize, or prevent, arguing. Some very effective managers accomplish this by creating ground rules for discussion. New ideas will be protected until they have been fully vetted and mined for potentially useful components. When appropriate, others are welcome to generate options and alternatives. (If I have concerns about opening an office in Timbuktu then perhaps I need to suggest alternate ways to meet our growth objectives.)

Your most powerful weapon to avoid excess debating in your meetings is the art of raising the level of abstraction until there is agreement. For example, two individuals are debating the wisdom of continuing to sponsor a symphony orchestra. One argues that there is no return, the other argues that the benefits are tangential and unobvious but are definitely there. Raising to a higher level of abstraction means focusing the group on the nature of benefits that the firm might be trying to achieve in doing something of this nature (community profile, creating an image of being supportive of the arts, generating business directly, etc). With a flip chart, a group can generate a decent list in a few moments. Now the discussion might be moved to the generation of a list of options (if we don't sponsor the symphony, then what?). Another list is compiled in a few moments. Finally, perhaps a list of options as to how the benefits of a particular tactic (like sponsoring the symphony) can be measured? Now the appropriate sub-group responsible for execution can be instructed and authorized to interim action, the result of which is designed to make the decision easier—perhaps even obvious.

CONCLUSION:

Unfortunately intuition and techniques perfected by you as a practicing lawyer may have to be re-evaluated in the management context. I hope that the identification of the common mistakes in this article might be of some assistance to you. If you have identified other mistakes Managing Partners make, I would appreciate your sharing those with me at the email address below..

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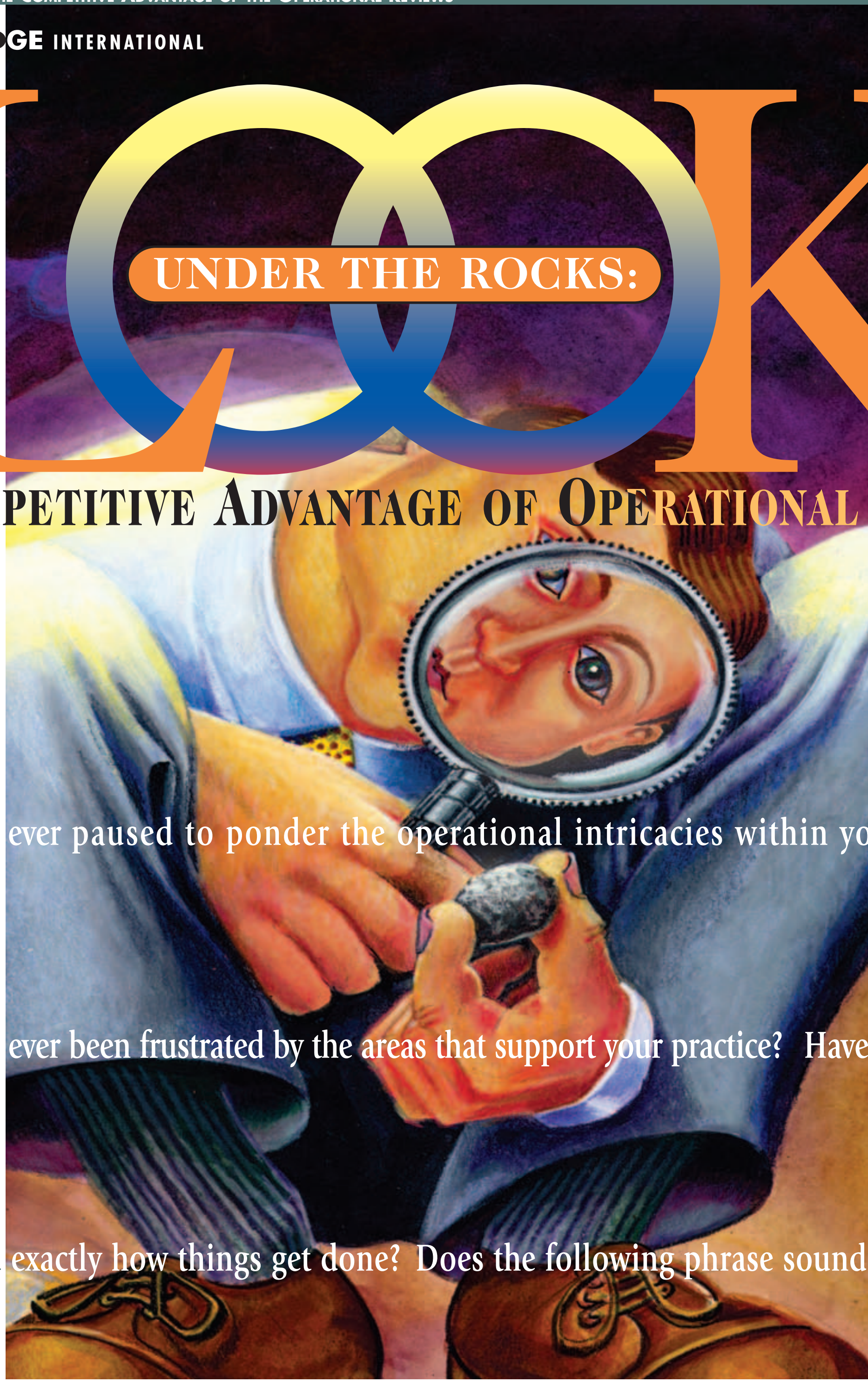
by Karen MacKay, EDGE INTERNATIONAL

LOOK UNDER THE ROCKS:

The Competitive Advantage of Operational Reviews



Have you ever paused to ponder the operational intricacies within your firm? Have you ever been frustrated by the areas that support your practice? Have you ever wondered exactly how things get done? Does the following phrase sound familiar?

"I don't know. That's what we've always done."

If so, you're ahead of the game. For in reality, many firms dare even approach detailed questions about their operations.

Why does it take a week to get a conflicts search? Why aren't we actually using our new technology? Why can't I get bills out of our system that our clients can use? These are all excellent questions. Sadly though, most would be answered by the same token response, *"I don't know. That's what we've always done."*

Tradition serves a wonderful purpose in creating fond holiday memories or celebrating annual events or commemorating special anniversaries, but in the cutthroat world of legal practice, tradition can produce a swift slide toward stagnation.

To avoid such stagnation and spur innovative change, consider performing an operational review. Have the courage to ask why. Investigate the nitty gritty details of how things are being done and discover ways of doing them better. Practicing law is difficult and increasingly demanding. Clients expect nothing short of perfection. As a result, innovation and efficiency are increasingly key characteristics of successful law practices. They have become necessary for survival. Competitive advantage is all about doing something your competitors cannot easily copy.

So how do firms create innovation and produce efficiency? They must first observe and evaluate the forces that influence operations within their firms.

EXTERNAL FORCES

Clients drive law firms. Legal excellence builds a law firm's reputation. Interpersonal skill builds client relationships. Yet, no matter how well firms develop their reputation or build their client base, details still matter significantly.

As mentioned, the practice of law has become increasingly competitive. Large firms are encouraged to focus on signature clients. These signature clients tell us they continue to reduce the number of law firms on their roster. As a result, law firms are under pressure like never before. Copy centers must produce flawless documents. Accounting must provide invoices that are useful and meaningful to clients.

This is significant because in addition to impeccable quality, perhaps more than any other benefit, clients crave value – and on their terms. If firms fail to quickly resolve conflict or steadfastly check errors, client perception of value slips and frustration soars. Value is measured at many steps along what we call the "Client's Value Chain ®" Along these steps, clients are able to measure the value of the service they receive from outside counsel. This helps to determine how satisfied clients are and how to increase their perception of value.

The Client's Value Chain® begins with **Instructions**. If firms can't get a conflicts report that is meaningful and timely, instructions can't be taken and clients may go elsewhere. Proper engagement letters and specific financial arrangements help officially establish the lawyer/client relationship and dispel any ambiguity. Next, the **Transaction** involves the lawyer or team of lawyers working closely with the client. Here, value is measured by those interactions and by the quality of the advice given. **Deliverables** is where frustration can especially mount if the *t*'s aren't crossed and the *i*'s aren't dotted. **Billing** must be timely, perfect and meaningful. Clients need useful information. For example, one general counsel told us that law firms will soon lose the work if they fail to provide invoices that can clearly be charged to the appropriate business unit – not because of the quality of the legal work but because of the frustration arising from the billing system. "*There are lots of good lawyers out there–that's a given; it's the other stuff that makes us crazy.*" These are a few of the stages where clients consciously or unconsciously measure value. Operational issues won't get you on the roster of a new client, but they certainly can put you off the roster of an existing one.

> ***Operational issues won't necessarily get you on the roster of a new client, but they certainly can put you off the roster of an existing one.***

These issues also work together to create an impression of the legal services provided. What impression are you creating? Clients often will "automatically" label as a good lawyer that articulate, engaging lawyer who can wow the crowd in social settings. This is based on perception rather than fact–a conclusion reached by observing other factors. Similarly, if the processes discussed herein fail to meet client expectations, clients likely will label your legal skills negatively as a result. Poor performance even in the simplest matters **transfers** to an opinion of poor legal skills. "They can't even send me a bill that I can use, how can they manage my file?"

INTERNAL FORCES

Stagnation is compounded by internal influences as well. Internal operations affect everything from profitability to morale and everything in between. Along the same client value chain above, firms are able to dissect operations within the firm to create methods to improve functional efficiency. If some functions, especially back office functions, can be performed more efficiently while still being completed accurately, more money flows to the bottom line and into partners' pockets. This keeps clients satisfied while simultaneously producing happier, wealthier partners.

Of course, producing happier, wealthier partners is only one aspect of internal operations. Law firms often become stagnant by applying the same tired solutions to every dilemma to cross the path. For example, hiring people is rarely the most profitable quick fix to a problem, but this solution is a typical knee-jerk reaction to stress within law firms.

Wisely, clients tell us that to add an associate to a practice group, managing partners typically require a business case—a report that includes such details as billable hours of everyone in the group, new client work, estimates of the hours and level of talent required to handle the new work, and a recommendation for a new hire. But when an administrative group needs a new hire, business cases often boil down to a simple cry for help, such as, "the group is busy and can't keep up with demand."

Further, I hear many times that firms have smartly invested in new technology to automate existing processes but then fail to use the technology to actually change the process at all. We have witnessed firms retain high-tech automated systems while still utilizing the comfortable but inefficient outdated paper systems of the past. Such glaring inefficiencies are a sure sign of stagnation.

PRIORITIZING OPERATIONAL FORCES

Law firms must bring together these internal and external forces within their organization to begin to consider the possibilities of how to create change. Operational functions of any law firm involve three distinct sets of areas of consideration that work together in a way that impacts the overall effectiveness of a law firm.

CLIENT SERVICE

Client service issues are the absolute first priority. These issues comprise the external forces that influence law firm operations. Most firms must meet at least some minimum standard of client service. However, most firms also fail to define these standards. Client service standards vary by individual lawyer, by practice area and/or by office. Regardless of the variance, though, law firms absolutely must deliver on this issue.

> ***Innovation and efficiency are increasingly key characteristics of successful law practices. They have become necessary for survival. Competitive advantage is all about doing something your competitors cannot easily copy***

POLITICS

Political issues influence the people and work within the firm, which in turn, influence the client. These issues comprise many of the internal forces that influence law firm operations. Here, turf wars between functional areas of administration and issues among offices within the firm create friction that can plummet morale and productivity. Law firms must prioritize political issues before they get passed down to clients in the form of poor service.

EFFICIENCY

Lastly, **efficiency** issues impact both client and political issues. Efficient improvements among political issues translate into better client service. And though renewed efforts at efficiency must be monitored carefully within client services so that clients don't think they are being cheated or that firms are cutting corners, more effective use of time and resources also produces better service. Further, partners immediately reap the benefits of cost savings since those savings immediately pass through to them. Partners are deterred from increased effort when that effort fails to produce results that translate to the bottom line. Thus, increased efficiency improves all aspects of operational functions.

A FRESH SET OF EYES

So how do you generate new ideas when the firm has a loyal and long-standing management team? Bring in someone new. To enact change, observers must evaluate the aforementioned issues and influences within a law firm. We have found that to produce optimum results, the facilitator must be knowledgeable, unbiased and willing to make changes. You don't have to fire people to generate new ideas. Switch people around. Seek input from knowledgeable people within the firm. Or, hire an outside consultant. An outside perspective can bring the depth of knowledge and breadth of perspective to the issues firms must address in order to successfully compete.

According to Dennis Sherwood, author of *Unlocking Your Mind: A practical guide to deliberate and systematic innovation*, deliberate innovation is more than a simple glance around. Deliberate innovation is a process. We have recently been engaged by several law firms to perform operational studies. In one case, the firm was struggling with executing its strategic plan and wanted to determine how operations may be inhibiting achievement. In another, the firm chose to tackle the abyss of conflicts and records management. In still another, a growing firm wanted to set up a new structure to support the professional staff.

In all of these cases, innovation begins by documenting existing procedures. We look at the life cycle of a particular process in the firm. We then seek input on that process from various stakeholders in the firm. Some will be directly involved; others may remain uninvolved but will have observed the process; still others should have been involved from the beginning but never have; and others are consumers of the service. The power of observation produces the "how," then analysis leads to "how can it be different?" It takes courage to recognize the problem and the potential benefit of change, but the real magic is in asking how things can be different, and then acting on that information.

Benefits of Operational Reviews

- **A fresh set of eyes**
- **New ideas**
- **Benchmarking against ideas from other firms**
- **Confirmation of thinking**
- **Validation of ideas from within the firm**
- **Alleviation of political tension by seeking outside advice**

WHAT YOU CAN DO

Systems and processes evolve over time. They are the result of ideas generated by individuals over the history of the firm. They are "the way things are done around here."

Many challenges create roadblocks to innovation and change. First, the day-to-day pressures of keeping up with the workload absorb the time needed to stop and challenge the process. Second, pride of ownership, fear and ego prevent us from questioning ourselves with the same rigor as we question others.

So, to encourage an environment of innovation and efficiency, be courageous. Allow others to ask tough questions. Be willing to invite in an outsider. Someone may end up stepping on some toes. Someone may develop a brighter idea. But in the end, the profit of innovation and efficiency derived from a thorough operational review will soften any hurt pride.

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You are a partner in a large law firm with a well known and widely respected managing partner. One day, the managing partner dies of a sudden heart attack. Walking out of the memorial service, the General Counsel of the firm's largest client and a close friend of the managing partner pulls you aside and asks, "Now what?"

Finding New Leadership:

Succession Planning for Professional Service Firms

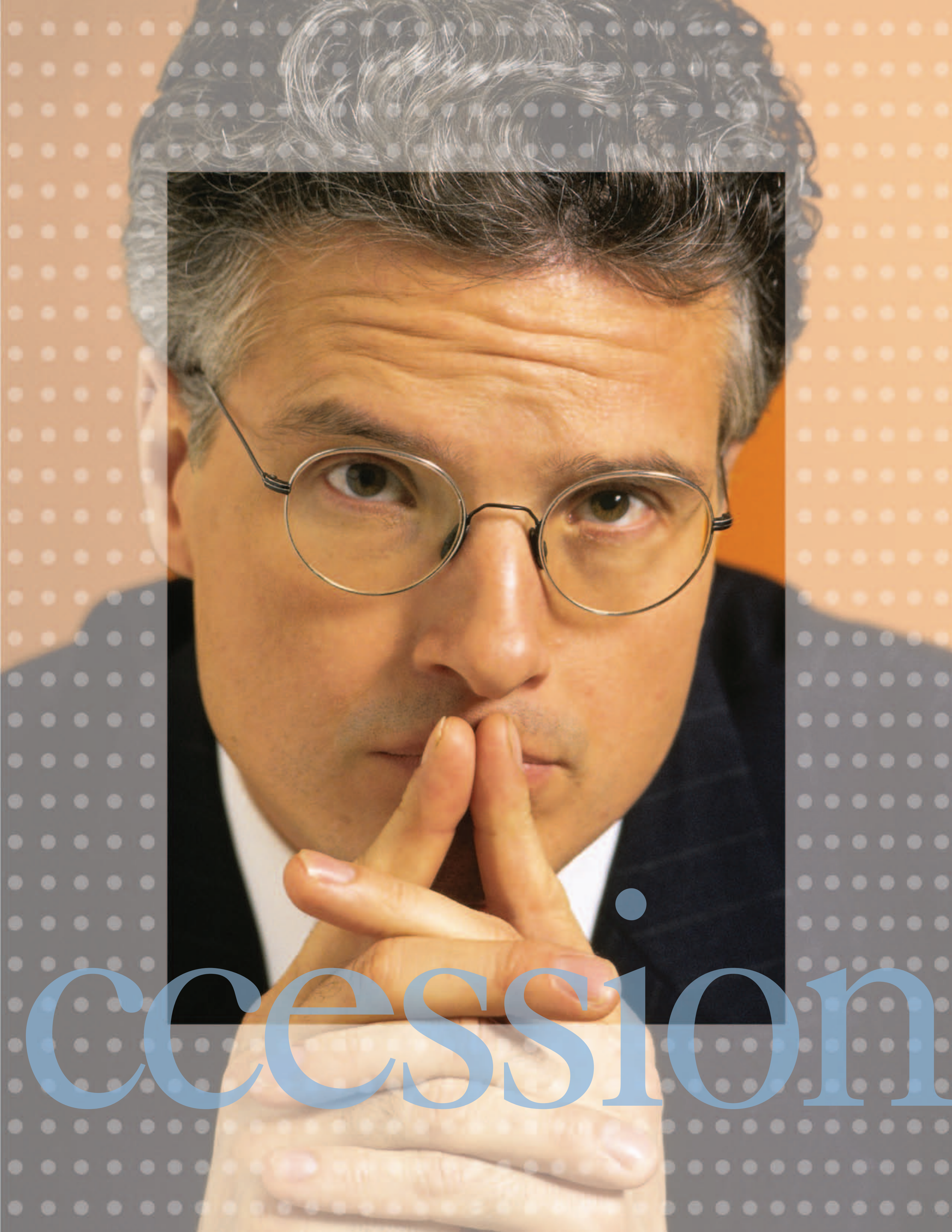
by H. Edward Wesemann, **EDGE** INTERNATIONAL

All of a sudden, succession planning seems to be on almost every professional service firm's management agenda. In part, this interest in succession planning results from baby boomers (the largest segment of our society and the generation of most firms' management) reaching an age where they are confronting their own mortality. In part, it may result from firms having grown, and often investing increasing authority and management responsibility in individual partners while relying less on committees than in the past. Perhaps it is that they have seen first-hand with their clients, the disruption caused by the sudden loss of a leader in a closely held company, or that they remember when much of Dow Lohnes & Albertson's (a successful Washington/Atlanta law firm) management died in a tragic plane crash.

For many firms, the sudden loss of a leader could be devastating. And the loss need not be death. Each year, we see firm leaders step down due to disability, or accept a management position with a client or even move laterally to another firm. Being able to rapidly identify a qualified successor may determine a firm's survival.

SUCCESSION PLANNING

Yet, is it even realistic to believe that succession planning can work in a professional service firm? The classic corporate model of succession planning -- having a designated successor for each position -- is certainly unrealistic in the partnership setting. In most firms, leadership is elected by the partners who notoriously insurrect against any action viewed as disenfranchising their prerogatives. So strong is this defense of partnership discretion, that many firms have found the label of "designated successor"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to be the kiss of death for anyone aspiring to firm management. It is difficult to envision a firm with an emergency backup leader already in place – one capable of stepping into a managing partner's shoes on a moment's notice and in a way where partners barely notice and the firm scarcely misses a beat.

Perhaps the limits of succession planning for professional service firm leaders, really lie in what many successful firms have done instinctively for years -- creating a pool of people who have the basic skills, abilities and knowledge to be considered for a leadership position. If so, then succession planning involves understanding the basic traits necessary for leadership, identifying people with those traits, and providing them with the necessary skills and knowledge to assume a leadership position.

For most people, leadership is a trait that must be observed. That is, they know it when they see it but have difficulty describing the specific traits that comprise a good leader. We know that effective leaders tend to be articulate, yet some highly effective CEO's are horribly inarticulate. Conventional wisdom tells us that leaders tend to be empathetic, but many strong leaders are aloof. Logic would dictate that the best leaders would possess experience in a lesser position. Yet, we often see new managing partners and practice group leaders plucked from obscurity and still marvelously successful from day one.

WHAT NEW LEADERS SAY

To better understand succession planning, we decided to interview people who have lived through the process. We spoke with 21 law firm partners and three accounting firm partners who became the managing partner (or equivalent title) of their firm within the last five years and asked them what features would have most helped them as part of a succession planning program. Their answers were remarkably similar.

It is difficult to envision a firm with an emergency backup leader already in place...

1. RELATIONSHIP-BUILDING.

A major role of leaders in most professional service firms is the ability to build consensuses. In all but a few firms, partnership decisions are really made through consensus rather than majority vote. In fact, many firms take pride in rarely, if ever, taking actual votes and, if they do vote, the result is always unanimous. This means that, in order to lead, managers must be able to identify and sell courses of action the entire firm can accept. This is a political process based on relationships between the managing partner and individual members of the firm who can influence other partners. Relationship-building takes time, and a managing partner who has failed to create at least a base of strong relationships prior to ascending to a management position will have difficulty succeeding.

2. VISION.

Leadership and vision are virtually synonymous. In order to perform the functions of a leader, a managing partner must have a clear picture of where the firm is going and be able to communicate the vision to others. Experienced leaders explain that the vision does not have to be new or innovative. In fact, it is often easier and more powerful to convey a consistent vision with that of the prior manager. But many managing partners warned that a new leader doesn't have time to cobble together a vision after they are elected, and a "fuzzy vision" threatens to make the leader ineffective in every other area of their management responsibilities.

3 CULTURAL APPRECIATION.

One of the biggest surprises to new managing partners was that they failed to fully understand and appreciate the importance of the firm's culture. One of the difficulties is that most new managing partners enter their position from other areas or positions within the firm, such as practice group chair or office managing partner. As such, their understanding of the firm's culture is based only on a single segment of their organization, which, like the blind man touching an elephant, can be deceiving. Several of the managing partners we spoke with felt that some of their biggest mistakes resulted from a misunderstanding of the culture or from assuming that every practice group or office shared the same culture.

4 ELECTABILITY.

In talking about succession, one common theme among managing partners is that sometimes good candidates for management positions exist within the firm but are simply unelectable. Electability is difficult to identify and in many firms is constantly shifting. In part, it is based as much on the absence of a negative image as it is on the presence of a positive perception in the minds of most of the partners. As one managing partner said, "a partner who wants to be managing partner can't be too much of a reluctant bride but yet can't seem to be overly eager for the job either."

5 PERSONAL ISSUES.

Almost every managing partner, upon entering their position, was plagued with uncertainty about three issues:

- **COMPENSATION.** Most often, newly elected managing partners are paid the same compensation they received prior to their election. But, even though the managing partner is expected to give up much of the practice on which his or her compensation is based, there are rarely any clear objectives established or bonus criteria set. As a result, successful attorneys, accustomed to controlling their compensation destiny through their performance, become, as one managing partner put it (paraphrasing Blanche DuBois) "dependent upon the kindness of strangers." This causes anxiety, especia-ly in situations where the new manag-ing partner's compensation history is significantly higher or lower than his or her predecessors.

- **PRACTICE TRANSITION.** A second area of anxiety stems from what will become of the attorney's practice. In slightly more than half of the firms we spoke with, the managing partner's roll is expected to be full-time. In the other half, the managing partner is expected to maintain some practice. Frequently, the mix was anticipated to be 50/50, but most managing partners say that a one-third/two-thirds mix is more realistic. For a partner with a significant practice, the transition of handing off their practice to others without losing the client is difficult and stressful. Making the process even more complex is the fact that many new managing partners attempt to maintain a connection to the client as a security blanket for future uncertainties.

- **EXIT STRATEGY.** Closely related to both the issues of compensation and practice is what will happen to the new managing partner when they eventually voluntarily or involuntarily leave the position. This is especially difficult in a firm where the managing partners have traditionally been older when elected and retired out of the position. As younger partners enter management, the reality of having to re-enter their practice becomes an important personal issue, involving not only compensation guarantees but also the ability to update rusty practice skills.

> *"...a partner who wants to be managing partner can't be too much of a reluctant bride but yet can't seem to be overly eager for the job either."*

COMMONALITY AMONG FIRM LEADERS' BACKGROUNDS

In the process of our conversations, we could not help but notice some areas of commonality among the managing partners with whom we spoke. All of the managing partners were in the age range characterized as baby boomers (age 40 through 59). All but two were male, yet when we raised the question of whether a woman would be disadvantaged in the pursuit of a management role, most believed that there was a better-than-even chance that their successor would be female. Several noted that women might possess better temperament and stronger group dynamic skills than men. All but one had served in a significant management role prior to their election, and three had served in a designated successor type of role. All of the accounting firm managing partners and all but four of the law firm managing partners were "lifers" with their firm or with a firm that merged into the current firm. The four who joined the firm as laterals, did so as associates.

A WORKABLE SUCCESSION PLAN

It does not take a great deal of study or observation to conclude that the only effective means of creating a succession plan for professional service firms is to create a pool of partners from which to select future leaders. Creation of this pool involves three steps:

1. EARLY IDENTIFICATION OF LEADERSHIP TRAITS

If it is true that recognition of leadership is observational (people knowing a leader when they see one), there must be a means of communicating that recognition. In most firms, the best, if not only, means of such identification is the associate evaluation system. There is at least anecdotal evidence that successful managing partners began demonstrating leadership as an associate. As one said, "I was always the spokesman for the disgruntled associates."

2. CREATE LEADERSHIP OPPORTUNITIES

Regardless of whether one believes that leaders are born or made, certainly leadership skills are honed. Simply identifying future leaders is insufficient. Potential leaders need the opportunity to build leadership skills, to be tested and observed by the partnership and to build self-confidence in their own leadership and management abilities. It also cannot be assumed that every attorney who displays leadership characteristics has the desire to be involved in the management of the firm. An early leadership role gives the individual the opportunity to test their own tolerance for "herding kittens."

Often, the best leadership training ground comes not from the formal administrative committee system many firms employ. Instead, ad hoc committees designed to study and eventually sell a specific initiative provide a better opportunity for new leaders. Using a mixture of associates on these committees gives firms the advantage of early live-fire demonstrations of the associates' capabilities, as well as, opportunities for the associates to observe a variety of leadership techniques and applications.

3. PROVIDE SKILL DEVELOPMENT.

The basic blocking and tackling of management and supervision involves some basic skills that are applicable to all forms of business. Probably, all of these skills could be acquired by observation and the trial and error of experience, but some formal training can shortcut the time required for observation and experience. To provide necessary development for their potential leaders, a surprising number of firms have created internal management training programs under local business schools.

CONCLUSION

Recently the world business community saw the importance of succession planning with the sudden death of McDonald Corporation's CEO. Shareholder and franchisee confidence and market value were maintained by the company's ability to name a full qualified successor within hours. But as comforting as this level of planning would be, experience seems to dictate that the classic forms of succession planning used by corporations—having a designated successor for every management position—don't work in the real world of professional service firms.

This does not mean that firms can or should avoid succession planning. However, it seems clear that firms need to both create a cadre of leaders capable of being considered to assume management tasks, and remove the concerns and barriers that might cause professions to avoid participation in their firms' leadership.

Succession planning is not a quick fix that a firm can decide and implement. It takes time to develop an effective leadership program and even longer to be able to benefit from the results. That's all the more reason to get started immediately.

H. Edward Wesemann is a partner in Edge International. His practice is limited to strategy and growth issues. Ed can be reached by e-mail at **wesemann@edge.ai**.

by Patrick J. McKenna, EDGE INTERNATIONAL

WHY CHANGE

THE CHALLENGE OF IMPLEMENTING YOUR STRATEGIC INITIATIVES

This is the second part in our prescriptive counsel on how to get lawyers to change behavior. [PART TWO]

Why is it, that when partners do see the need to make changes in their behavior, they often still FAIL to take any decisive action?

Patrick McKenna

A partner in Edge and author of the international business best-seller, *First Among Equals*.

HELPING YOUR PARTNERS TAKE ACTION

So you communicate the need for this new direction or initiative with your partners. You visited with and talked to each and every partner. You developed a convincing power-point on the need for everyone to adopt a change in their behavior and presented it at the last partners' meeting. Everyone was in agreement and expressed a willingness to give it a try. You sent follow-up e-mails. Now you sit back and wait to see the inevitable beginnings of the necessary changes. You wait and you wait and nothing changes; no one is behaving or doing anything differently. What gives?

Your partners not only see that the old way is now wrong, but they also have a clear idea as to what the new way is . . . right? You have made the picture very clear and compelling. Ironically, you are now feeling that the clearer you make the picture and the more you repeat it, the more reluctance to taking action seems apparent.

We all understand that if people don't recognize the need for change, they are not likely to embrace change. But if people see the need for change, why would they fail to take action?

Why, even after your partners hear from the clients directly, then acknowledge the need to form client teams, and finally agree that they each must invest non-billable time in delivering a higher level of service, do they often still fail to move?

Would you believe . . . because they are very smart and intellectually gifted individuals? I'm dead serious!

Very smart professionals recognize right off that they cannot go directly from doing the old habit well to doing the new behavior well. They understand that the normal progression is that they will go from doing the old well, to doing the new poorly – and that is a terrifying proposition – so much so that they become paralyzed. Even if you didn't recognize it or tried to hide it, your colleagues are very smart, they know that that is exactly what is going to happen. Essentially, from their perspective you are telling them, "Follow me and let's all do the right thing and execute it poorly." Now how appealing is that?

Consider the situation from your partner's perspective: how reasonable is it to venture out into the unknown just because it might get a bit uncomfortable where we are today? As strange as it may seem, even if we cannot deny that the past behavior is now wrong, when lacking a new direction, we will intensify our efforts at doing what we do know and feel comfortable with.

No one expects to be instantly great at something they have not done before. This is part of the reason we don't eagerly take up learning a new language or sport. It creates an ego discomfort doing something new, poorly – and that discomfort gets amplified as we get older or more stuck in our ways of doing things. Therefore, asking any professional to go from being competent to incompetent is a very unappealing suggestion.

The clearer and more compelling your argument for going in a new direction or changing behavior, the easier it is for any of your partners to see and anticipate (because they are smart) all the various ways in which changing will contribute to making them look personally incompetent or stupid. Thus, after a professional lifetime devoted to being brilliant, your partners don't yearn to look stupid. The clearer the images of how dumb you will look, the less you want to take action.

Add to all of this a potential internal culture where mistakes are often punished and learning

HOW PROFESSIONALS LEARN

Can you remember when you first learned how to play golf? Before you even approached the game, you were still in the "ignorance" stage. You did not know how to play golf and you didn't even know why you didn't know how to play the sport.

When you first went out with a coach to learn, you arrived at Phase 2: Awareness. You still couldn't play, but because of your new awareness of the game and its components, you were consciously aware of why you couldn't. You may have felt overwhelmed by the skill required, but when the various skill components were broken down one by one, they weren't so overpowering. They became attainable. Step by step, familiarity replaced discomfort.

With some additional practice and guidance, you were able to become competent in driving the golf ball through recognition of what you had to do. However, you had to be consciously aware of what you were doing with all of the mechanical aspects of the swing as well as with your body. This third phase is the hardest stage - the one in which your people may want to give up. This is the "practice" stage. People tend to feel uncomfortable when they goof, but this is an integral part of Phase 3. Human beings experience stress when they implement new behaviors, especially when they perform them imperfectly. In Phase 3, you must realize that it is natural to want to revert to old, more comfortable behaviors, even if those behaviors are less productive. At this phase, you must realize it's all right to make mistakes. In fact, it's necessary so you can improve through practice, practice, and more practice.

Returning to our golf analogy, think of the last time that you played. Were you consciously aware of all of the actions that you went through? Of course not! Most of us, after playing awhile, progress to a level of "habitual performance." This is the level where we can do something well and don't have to think about the steps. They come "naturally" because they've been so well rehearsed that they've shifted to automatic pilot. This final stage, Phase 4, is when practice results in assimilation and "habitual performance," where your productivity increases beyond its previous level and reaches a new and higher plateau.

By experiencing success and encouragement at each level, of this four-phase process, change can be exciting instead of intimidating. The bottom line: skills, competencies and attitudes improve by taking one step at a time.

new skills slow to be rewarded and who would want to venture into certain incompetence and probable punishment, when you can continue to quietly reside in your existing comfort zone? From that position, you can then wait and watch to see what happens to those more adventuresome in testing the waters of the new and unexplored.

Indeed, when professionals talk about their firm's "culture," they imply a certain measure of stability and routine. Today, we reinforce that stability with giving practice leaders job descriptions that prescribe in fairly concrete terms what each leader is expected to do. There is also an implied agreement that if a fee-earner does X, and does it well, the fee-earner will receive Y in compensation and be viewed as a firm contributor in good standing.

Obviously if you are to have any hope of breaking out of this quagmire, you must help your partners see, and more importantly, believe in a path to take them from doing the new behavior poorly to doing it well, as quickly as possible. Helping your partners to gain this belief requires that you:

- **make sure that they clearly see the destination;**
- **give them the resources and tools, or help them to quickly develop the skills necessary to reach that destination; and**
- **deliver positive recognition, and/or ample protection, along the path.**

1. CLEAR DESTINATION

What may surprise you is how often a practice leader believes he or she has clearly articulated and pointed the way to the right direction or behavior and then someone independent like me comes along to be the sounding board for all of those partners who haven't the foggiest idea of what the expectations really are.

Consequently, you need to assure yourself, in your leadership role, that your colleagues are clear on where they believe the firm or group needs to go, or what new specific behaviors all the partners need to adopt. Both in one-on-one meetings with each partner, and then collectively, you need to have them describe to you each key element that is going to be required and what the new destination will require from them in terms of their new behaviors and skills.

The point here is that for complete comfort with the beginnings of any change, your colleagues need to see clearly where they are going and to perceive the implications for them, and the steps required to make the journey.

> ***Very smart professionals recognize right off that they cannot go directly from doing the old habit well to doing the new behavior well. They understand that the normal progression is that they will go from doing the old well, to doing the new poorly—and that is a terrifying proposition—so much so that they become paralyzed.***

2. RESOURCES OR SKILLS REQUIRED

The key question then becomes whether your partners believe that they possess the necessary attributes to walk the new path.

What is required is to have your partners identify the resources needed and whether they believe those resources are currently available within the firm or whether they feel that they would benefit from some form of external support.

Sometimes the resources that partners need might involve added manpower, or bringing in external assistance. In other instances, the need might be for a budgetary provision such that more non-billable time may be invested in learning new skills. This may require time invested with training, mentoring, coaching or any number of other techniques to generate the essential knowledge and skills for mastering the new behaviors necessary to a successful change initiative.

Keep in mind that there may be a need to fast-track your people's skill development in order to pave the path for them to feel comfortable taking any meaningful action.

3. RECOGNITION OR PROTECTION

All of us know the power of recognition in motivating and moving people. There is no substitute for knowing your partners and understanding what types of rewards they value. For some, it is quiet recognition; for others it may require drawing peer attention to their progress. Only you can discern which motivator is the most influential for each given individual.

The key thing to be mindful of is that your partners must believe that these support provisions are in place. It is their belief that really matters, not yours.

One important mandate that resides with you as practice leader, following the introduction of some new program, is that of managing your colleagues' expectations.

In the immediate short-term following the acceptance of your new program or initiative, mostly good things are perceived to happen. Promises of opportunity fill the air. The subsequent transition period soon transforms into a prolonged vacuum between the old reality and the pending one. In this in-between time, neither the old rules nor the new rules work. It is time when everything seems to be up in the air; chaotic, unreal and confused.

Every change potentially terminates relationships and plans, shifts power and status. When you under-manage this transition, performance can be severely damaged. Unmanaged uncertainty is transformed into speculation, confusion and unproductive anxiety. This phenomenon is similar to the post-operative phase of recuperation experienced by an individual undergoing surgery. The recuperating patient will display a drop--off in productivity; and there will be difficulty in mobilizing personal resources. Firms undergoing change usually struggle through a comparable adjustment process.

Regrettably, a frequent response is to keep a low profile, offer reassurances, and largely to do nothing for weeks or even months following announcement of the new initiative. The typical comment becomes, "Let's let the dust settle for a while and allow people to get comfortable with things." But comfort isn't usually what people are feeling. Sadly, there has not been a corresponding attention given to managing this change transition and integration process after some "new program" has been announced. The result has become that too many of these worthwhile initiatives either evoke such discomfort that expected benefits are short-circuited, or the firm involved gravitates to other priorities and the initial impetus wanes over time.

Worse yet, you may easily succumb to implicitly promising more than may be capable of being easily delivered. The fact is that any new change of behavior is slow, expensive and difficult to implement. There is always a longer-than-promised time of confusion and mess; and it always seems to cost a lot more (in time and energy) than anyone estimated it would. We have repeatedly witnessed the aftermath of unfulfilled promises about how some proposed new initiative would solve the firm's problems or set the firm on a more profitable new course; how the change would be so well planned as to not significantly disrupt present operations; how it would not take very long; and how it would not cost very much, by way of non-billable time to implement.

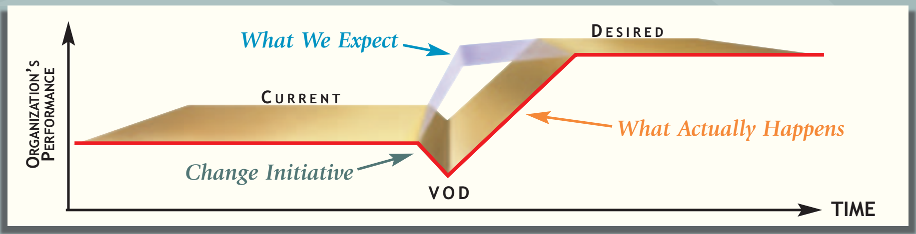
NURTURING YOUR PARTNERS TO FOLLOW-THROUGH

Even after getting your partners to see that the old ways will no longer work and recognize the changes that have to be made; even after getting

THE J-CURVE

We begin every new initiative at some level of performance. The performance factor could be objective, such as cost, time, client satisfaction, or other indicators; or it could be subjective, such as the perceived morale of the professional staff. We expect that things will start to improve right away and that the variable plotted on the vertical axis will immediately start to climb. We allocate budget dollars, appoint a task force, launch the new project, start the training seminars, and do all the things we've thought of to achieve the improvements we want. We expect that the results will move upward toward the level we seek.

Having to revise expectations occurs quite regularly; in fact, it qualifies as an official syndrome of organizational change. To visualize it, picture the flow of events as shown by this "J-curve":ZZ



What happens is that things don't start improving immediately; they get worse. Why? Because we have upset the system. We've introduced instability and change into a system that previously operated on well-established habits. If we reorganize, we'll have an inevitable period of confusion; people have to figure out how the new arrangement is supposed to operate. If we change responsibilities, people tend to mix old behaviors with the new ones, until they get used to the new rules. If we change the information systems, people need to learn to use new procedures. Instead of smooth, harmonious change, we get confused, stressful adaptation. You begin to sense, unconsciously at first and more clearly as time goes on, the grotesque disparity between expectations and results. This gap, more than anything else, tends to demoralize, plant doubts in your colleagues' minds, and put them off from any original enthusiasm. At the point of greatest disparity between expectations and results, shown on the graph as the Valley of Despair (VOD), many change initiatives die.

If you understand the concept of the J-curve, condition your colleagues as to what to expect, and tough it out to get past the valley of despair, things can begin to turn around. Some of the hoped-for results begin to appear. Partners begin to feel more confident and get behind the new way of doing things. Morale improves; a sense of optimism begins to set in. We begin to sort out what works from what doesn't.

Our observations confirm for us that the vast majority of new initiatives fail due to the lack of decisive action after the initiative has been announced. In fact, as a practice leader, you are likely to spend an inordinate amount of your time conceiving the strategy and developing the issues; but spend only 8% of your total time on the critical transition issues following the change . . . a time when your new program or initiative is most vulnerable.

those partners to clearly see the new path, helping them develop the skills and obtain the resources required, and believe that they can do it competently, your change efforts can often falter. In fact, this is the one area where we see **nine out of every ten firms fail!**

The problem that many in leadership face is that they think that once having launched the new strategy or initiative, the job is done and the rest will naturally come about of its own volition. Unfortunately, it just doesn't happen that way. The real leadership investment of time in bringing about the desired change now begins.

The "rubber" of change meets the "road" of results in partners' behavior. In other words, new initiatives and strategies do not make a difference until people act differently. However, no matter how we approach it, it takes time for the desired change to cascade throughout the team. As a consequence of this time lag, there is a possibility that some partners will not only get fatigued, but even disoriented during their journey.

Your partners are asking themselves, "Can I trust that we will actually achieve the outcomes that were promised?" And if you are one of those practice leaders, who with the very best of intentions, has already had a couple of prior initiatives fall flat, your partners may also be reflecting upon, "How can I be assured that if I invest the non-billable time and effort, that the rug won't be pulled out from under me and some new strategy or program announced, just as I'm getting the hang of things?" The gravity of your failed prior change efforts, combined with the pull of their previous comfortable ways of behaving exerts a constant and massive force.

Every transition period soon transforms into a prolonged vacuum between the old reality and the pending one. In this in-between time, neither the old rules nor the new rules work. It is the time when everything seems to be up in the air; chaotic, unreal and confused.

Consider one of your partners, we'll call George. Unconsciously, George compares his personal return on investment with respect to his existing behavior versus the new behavior being advocated. The old behavior involves minimum effort and the ego gratification of feeling powerful doing what is comfortable. The new behavior requires lots of effort and not that much immediate reward. Should George trust that the rewards will improve? Should he believe that eventually, his new behaviors will translate into better performance for the firm and thereby a more rewarding future for him personally? Unfortunately, George is alone in his contemplation.

Repeat this scenario by the number of partners required to change their personal behaviors in some way, and it is easy to see the magnitude of your challenge.

Now if George loses faith or his trust is eroded, or he simply gets tired of exerting the effort, the gravitational pull of old habits quickly overpowers any initial momentum. It's easy to see why your grand new strategy might not transform your firm, or its bottom line.

Change initiatives can often fail to be implemented because partners get fatigued with putting in the energy required to walk some new path with an unproven return on their investment. Partners become disillusioned by the vapor of trust, when the concreteness of the past has worked and might continue to work just as well, with only some fine-tuning. Why Change?

Let's be optimistic and suggest that you have partners who are committed to going the distance. Six months go by. George has been working diligently. He feels as though he has made some progress . . . but how much progress? He is not sure. He now wonders about the rest of his partners, "Are they working at this as hard as I am?" He suspects that he is among the minority and that most of the others are not really taking this as seriously as he is. George just isn't sure where things stand. He is starting to feel disoriented and wonders why he should keep moving forward.

Now, as is always the case, George wants to do his part, he cares about how his fellow partners view him, and really does want to be seen as a team player – he just doesn't want to be the only "sucker" putting in all the extra effort!

Knowing that this challenge exists for George and others, here are a few actions that you can take to nurture your partners to follow through:

Appoint An Implementation Champion.

It may be a given that your executive committee and all of the partners support the change. However you need to manifest that support with some dedicated attention. The best way to do that and to achieve success with your new initiative is by appointing some senior and respected partner to devote the necessary non-billable time to serve as an "implementation champion" – someone who will provide constant support, care, and nurturing to those (like George) who are taking their walk in faith.

In those cases where you are attempting a large-scale change effort, you may need to appoint a number of implementation champions and invest the time required. In those instances where that might be impractical, the best course of action would be to begin your change initiative with a smaller, contained pilot launch.

Your implementation champions must know what to look for and what behaviors to reinforce. What is it specifically that you are looking for? Are you looking for concrete results or well-intended efforts? My strong contention is that you begin any change effort by focusing simply on reinforcing and recognizing well intended efforts. Concrete results will come later. Remember that your partners are not going to be great at something they have never done before or feel slightly uncomfortable with, in their initial efforts. To demand results at this stage will only intimidate and demoralize people and cause them to return to their old habits.

Focus on what's working. In an attempt to fix what seems to be broken, people assume there's something wrong (with the plan, the concept, or even the people). What is often overlooked is all that is already working. Cement, for example, goes through a curing process. There's a point at which it may look solid, but is still soft and (great for kids) pliable. Is there something "wrong"? Of course not.

Whether your plans call for completing a brief bank or changing the culture of your firm, there are always things that are working – every day – in your plan. When you focus your attention on what's not working, all you'll see is what's not working. The natural cycle of enthusiasm is greatly influenced by where and how you focus your attention. If you focus on the "lack of enthusiasm" or "lack of change", then you are actually causing the enthusiasm to diminish and change to cease. Great leaders know this, and instead put their attention on what IS working. They'll focus on the enthusiasm that still exists, and the efforts (however small) that are occurring. By doing so, these leaders understand the natural cycles of motivation and will influence the process to continue to resolution.

If you aren't going to measure, then don't bother.

You've heard it before: "What gets measured gets done." It's still true. An effective measurement system that scans both the lagging (outcome) measures and leading indicators to allow mid-course corrections can and should become your framework for managing the implementation of your program. Keeping track of what is being done (ensuring everyone is pulling the rope in the same direction) can only be accomplished with a measurement system that is tied to your strategy.

The best measurement system is one that creates a "dashboard" of the few, but critical, key indicators. This dashboard should include lagging indicators (often financial or client satisfaction data) that will allow you and your team to clearly see and evaluate the results that have been achieved. It should also include leading indicators (like scheduled meetings with key clients or planned service enhancement actions to be taken) to monitor the progress of change and make course corrections as necessary. Many teams have a slew of financial measures they pay attention to and, while the financials are important, they also are retrospective. They can only tell you where you have been, not necessarily where you are going

Each partner's progress needs to be charted, monitored, and communicated. Without that intercession, George is left to imagine the worst. And if George does not perceive that progress is being made, what is his motivation to want to continue?

People cannot and do not suspend judgment and conclusions for long. Lacking any information or conclusions from practice leaders, they soon form their own. George and his colleagues may assume that if things were good, they would hear about it. As they are not hearing anything, that must mean that things are really appalling.

Achieving success requires monitoring and communicating at the individual level. Each of your partners needs to know that he or she is going in the right direction, behaving in the desired manner, making some progress, and that the firm or group is collectively moving toward the desired result. Concurrently, those same partners need advice, counsel, and continual hands-on assistance on how specifically they can make further improvements.

CONCLUSION

Getting your team to align their behavior with your proposed strategy for the future usually means that each partner must, to some extent, change the way they work and think. And since we all know that people resist change, therein lies the problem, right?

The point here is that it is not really change that your partners resist. In fact, each of your partners frequently and voluntarily makes specific decisions in their lives to create and embrace some new change. What these partners really resist is the loss of control over the professional lives that they've worked so long and hard to create. When we say "change" they think: "I used to have this figured out, if it changes will I know what to do? Do I have the skills and support I need to be successful? What if I fail?"

There is good news in this message. If it is not truly a resistance to change, but fear of a personal loss of control that some of your partners are experiencing, then as a leader how big a step is it for you to figure out how you can help your colleagues begin to retool and regain control?

Regaining a personal sense of control is, in large part, a process of regaining personal competence. With competence comes confidence; and with confidence comes commitment.

If we as leaders, can stop thinking about how to best sell our fellow partners on our latest new strategy, program, direction, initiative - and focus instead on helping our colleagues reestablish control over their professional lives, our implementation challenges will become far less formidable.

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IT IS CLEAR

that many firms are entering a high stakes mating ritual. (Of course some are just serial dating!) Imagine your ideal partner. A partner with similar business objectives. One whose strengths, strategy and vision when joined with yours could forge a powerful breakthrough combination.

There are four general concerns that your partners will raise. Is there a cultural fit – will we enjoy practicing with these people? Is there a practice fit – will they have excellent work for us and vise versa? Will client conflicts become an even greater concern? And, what will the financial impact be? Mistakes will be made. Some firms will become road-kill while others will suffer as victims of poor integration.

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