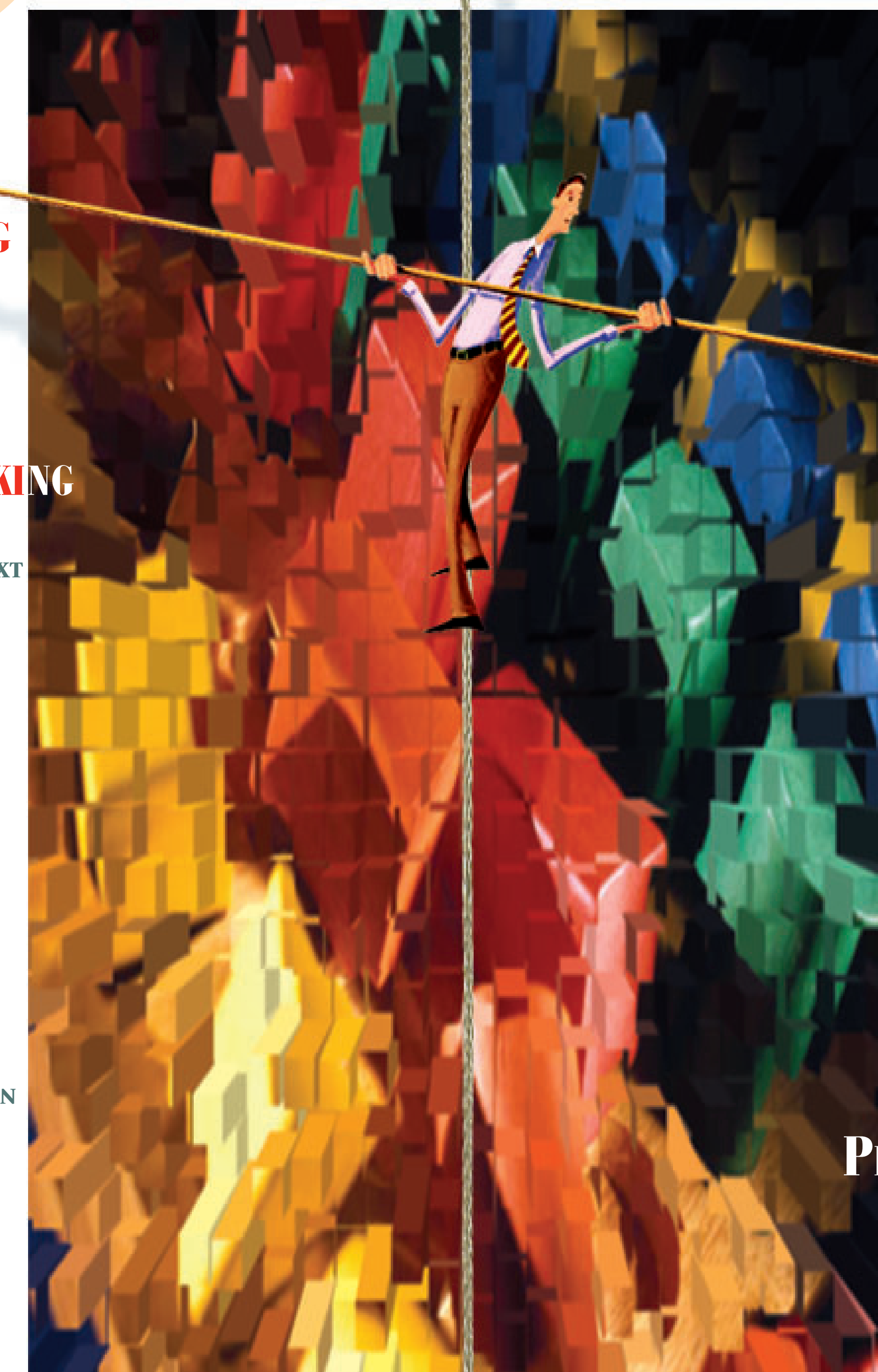
EDGE International Review

WINTER 2005

EDGE INTERNATIONAL



Streamlining Work
by Nick Jarrett-Kerr

Groundbreaking Research:
Motivating the Next Generation
by Karen MacKay

Leveraging Culture
by Ed Wesemann

Global Networking At Its Best
Balancing Expansion and Integration in the International Markets
by Friedrich Blase

Minding The Seminar
by Gerry Riskin

Ten Myths About Innovation In Professional Service Firms
by Robert Millard

www.edge.ai

WINTER 2005

EDGE International Review

To Our Friends and Clients,

We are pleased to complete our first year of publication of the Edge International Review.

Our intention in the creation of this journal was both to celebrate the 20th anniversary of the founding of our consulting firm and to raise the level of dialog on management and competitive issues facing law firms around the world. We have been gratified by the response from our readers who tell us that our publication routinely sets the standard for their management reading.

Twenty years ago, when Edge we were founded as the Edge Group in Edmonton, Canada, globalization was a seminar topic. Today it is a fact of life and no where is that more clear than the make up of our firm and its practice. This monthís articles come from Edge partners around the world.

Setting the theme for this issue is an article by Friedrich Blase from Frankfort on Global Networking. As he points out, law firms donít have to have global offices to create an international network. From the U.S., Ed Wesemann, one of the worldís foremost experts on law firm culture, explains the tie between culture and profitability in his article, Leveraging Culture.

Recognizing that law firms often consider themselves to be risk and change adverse, Robert Millard from Johannesburg points out Ten Myths About Innovation in Professional Service Firms. Change adversity in law firms sometimes shows its self in some of the most routine functions as UK partner, Nick Jarrett-Kerr discusses in Streamlining Work. Gerry Riskin from the British West Indies proposes some techniques for getting more out of CLE presentation in his article, Minding the Seminar.

Finally, Karen MacKay from Toronto presents Ground Breaking Research: Motivating the Next Generation. Karen surveyed law firm partners and associates from around the world to understand what motivates them and how the constructs of motivation are changing.

We appreciate your comments and suggestions. If you would like additional copies of Edge International Review, they can be downloaded from our website at **www.edge.ai**. While you are there please note that there are over 100 articles on a variety of management topics available for free download.

Our continued best wishes for a successful 2005.

EDGE INTERNATIONAL

EDGE INTERNATIONAL

Box 700, 21 Standard Life Centre
10405 Jasper Avenue
Edmonton, AB T5J 3S2, Canada,
review@edge.ai

Canada/USA:..................**1 800 944 EDGE**
UK: **0 800 964 911**
Australia: **1 800 123 366**
South Africa:..................**0 800 999 849**
Germany: **0 800 101 7063**

 Edge International Review is published by Edge International as a service to its clients and friends.

CONTENTS

Publication designed by Jim Prokell

by Robert Millard, **EDGE INTERNATIONAL**

10 TEN MYTHS ABOUT INNOVATIONS IN PROFESSIONAL SERVICE FIRMS

"Innovation" is one of the most used and abused buzzwords in 21st Century management vocabularies. For some, it conjures up visions of enthusiastic groups clustered around flipcharts, eagerly brainstorming ideas. For others, inventors poring over workbenches, thinking up brilliant new ideas. The truth is more complex. Innovation is more a process than a product of brilliant insight. It is a skill that can be learnt and taught. In many highly profitable firms, it is woven deeply into the culture of the business. It is a fundamental building block of business strategy.

In innovation, we find the solution to changing markets and more effective competition. In it lies the key to client satisfaction. It is the path to the "holy grail" of strategy, namely to drive competitive advantage by changing the competitive landscape in your market in ways that competitors cannot replicate. Often, though, it is less dramatic. It can drive incremental advantage in small steps that, over time, slowly build up the gap with the competition. At the Olympic Games, innovation would be a marathon more frequently than a sprint.

This article explores ten myths that are often held about innovation, and how it applies to professional service firms. It describes how new knowledge can be generated, developed and implemented. It provides guidance on how firms can acquire the skills needed to use innovation to drive their competitive advantage.

MYTH
1. INNOVATION IS ONLY ABOUT RADICAL CHANGE

Radical, disruptive innovation that fundamentally changes the competitive landscape in the market is best known. Examples include Masons, a British multinational law firm that developed a hugely successful 5000 page internet site called Out-Law, targeting those involved in IT and e-commerce. The Out-Law brand includes a print magazine with readership of 27,000; an extranet-supported retainer arrangement for businesses too small to have in-house legal counsel; and Out-Law Compliance, a comprehensive legal review of web sites. This fundamentally altered the position of competitors that target the same market but deliver legal services in the conventional way.

Likewise Blank Rome LLP, of Philadelphia. With over 450 lawyers in 11 offices, the firm implemented an interpretive educational programming methodology to approach professional development in a fun way. These included Connections, a formal mentoring program to support working relationships; learning aids such as "Find It," a hand-held library research tool; a "Tip-Bit" Program that consists of technology information printed on candy bars; and a board game called "Anatomy of a Matter."

Disruptive innovation is high risk territory. By definition, one is working with ideas whose time has not yet really come. Investing 'ahead of the curve' reduces short term profitability and is a gamble. Where it succeeds, rewards are huge. But the failure rate is well over 90%.

Firms have to be extremely rigorous about evaluating disruptive innovation opportunities, so that precious resources are not wasted on dead ends. Otherwise, "betting the firm" can result, at the extreme, in losing the firm. For many, a safer strategy is to keep a close eye on competitors at the "cutting edge." Then, when a potentially disruptive innovation emerges, the firm can copy it (if it can) before market position is lost. This approach is not without its own risks, though.

On the other hand, incremental change is not about major changes in direction. It is about generating good, new ideas to support existing services, service delivery or internal processes. Individually, the impacts of such innovative changes are far smaller than disruptive innovations. Cumulatively over time, they can generate huge competitive advantage for the firm, so long as the market remains stable. The small wins that the firm does achieve over time also better equip it to deal with opportunities for disruptive innovation that do emerge.

Wragge and Co in Birmingham, England presents a good example of incremental innovation with a remarkable fee prediction and transaction management system. The system costs a legal matter scientifically, calculates staffing needs, predicts the number of hours and the seniority of lawyers required, and helps manage the transaction process. Likewise, The Law Chambers of Nicholas Critelli, p.c. of Des Moines, IA. This firm is a boutique with lawyers practicing as both US litigators and UK barristers. In a departure from traditional law offices, Critelli has designed a high-tech setting without individual lawyer offices. They worked with their architect to conceive a studio setting in which each of seven "studios" is wired with an internal video cable network. Each room represents one of the seven general tasks inherent to any litigation practice.

MYTH 2. INNOVATION IS ONLY ABOUT NEW INVENTIONS & ORIGINAL THOUGHT

Thomas Edison did not invent the incandescent light bulb. It was invented some 30 years before. Likewise, Henry Ford did not invent the production line. The concept was already in use in several industries. What both Edison and Ford did do was take existing ideas, adapt them and develop them to their own requirements, and apply them in ways that were attractive to the market.

Edison's idea came from a laboratory established for the very purpose of inventing things (a 19th Century engineering R&D facility) in Menlo Park, New Jersey. Over a period of six years, this laboratory generated over 400 patents in a wide variety of fields. Many of them proved ultimately to be of no commercial value. A few of them were brilliant innovations that persist to this day.

The secret to Edison's genius lay in his ability to collect, collate and reorganize data from networks of ideas, people, objects and knowledge, to essentially create new knowledge. His inventions were products of the network of people and knowledge that he developed around his laboratory in Menlo Park. It was a messy process. Most of the useful ideas that emerged were nothing more than incremental improvements on what already existed. A very few were radical innovations that fundamentally changed the networks and the markets in which they operated.

The key is that the innovation did not consist of "virgin" knowledge or original inventions. A firm's success at innovating is a result not so much of the brilliance of its innovative thinking, as:

- the quality of its knowledge networks and the ability to examine existing knowledge from new perspectives;
- its ability to identify and articulate areas that, if improved, could yield a source of competitive advantage and to scan the whole market (even sources far from the firm's usual terms of reference) for how others have addressed similar issues;
- its ability to quickly sift through the clutter of ideas and knowledge that bombards the firm on a daily basis, to extract those that have potential relevance and value;
- the rigorous discipline and courage to actually follow through the innovation process, with ideas that really do have merit, sifting out those that fail selection further down the line and translating those that prevail to the end of the process, into different and better business.

MYTH 3. ONE NEEDS BRILLIANT PEOPLE , FOR INNOVATION TO "HAPPEN"

Many of the great life-changing inventions were discovered by people with everyday educational backgrounds or even intellects. The key to innovation in a firm is not in the initial generation of ideas. In today's era of the internet, bright new ideas for how the practice could be improved can be found in about 20 minutes on-line. The key is to inculcate a process in the firm where these bright ideas are discussed and evaluated, informally at first, to determine whether they hold potential merit. If they perhaps do, the key to them surviving further is a mechanism whereby the idea is communicated further, bringing more perspectives and intellects to bear, evaluating the idea's relevance and merit in the firm. If the idea survives this stage, the next is to allocate resources so that it can be fully investigated and, if warranted, implemented.

Basic problem solving skills are far more valuable than brilliant intellects, for uncovering opportunities for innovation at all levels of the firm. Money spent on developing these skills at all levels of the firm, in both professional and support functions, is seldom wasted. Then to have an environment where people are encouraged to pick up the gems that they pass on an everyday basis, evaluate them and talk to others about them

MYTH 4. INNOVATION INITIATIVES NEED TO BE HIGHLY ORGANIZED

Many of Lockheed's innovative ideas in the 1980s came from "skunkworks" (small, decentralized, informal bands of free thinking innovators) that were established almost illicitly, on the fringes of the company. How does one incorporate skunkworks thinking into a professional service firm?

The most effective mechanisms are deliberately informal and unstructured. Getting people to simply share ideas is probably the most important single factor generating new knowledge and fostering innovation in a firm. All firms have more or less the same access to these kinds of people and to public domain knowledge. It is only by harnessing that collective brainpower to develop unique, proprietary knowledge and the innovative business practices and services, that one really develops competitive advantage.

The problem is, the way most firms are organized actively mitigates against the informal knowledge networking needed. Knowledge about clients, services, competitors, the market and emerging trends are contained in a multitude of heads of very busy professionals that are focused on writing fees and practicing their professions, rather than discussing these with their colleagues. In multi-office firms, this is compounded by communication problems between offices, sometimes in different countries.

Knowledge sharing generally consists of storing documents in knowledge management systems and other repositories, in the hope that people will actually wade through to find what they need. This kind of knowledge sharing is also not usually aimed at innovation, but at improved efficiency. Innovative thinking is something that is kept for the odd brainstorming session or the annual retreat.

Good ideas do not wait for brainstorming sessions or annual retreats to emerge. More often than not, they emerge at a time when it would be highly inconvenient to quickly convene a discussion. Standard Bank in South Africa ran a really cool series of advertisements recently showing a person sketching out ideas for high powered finance structures on beach sand, tennis courts and even the misted up side of a shower! So often, the person that thinks of the idea loses it before it can be shared, enriched with further insights and more fully formed.

MYTH 5. LISTENING TO CLIENTS IS KEY TO SUCCESSFUL INNOVATION

Input from clients is one of the key ingredients for incremental innovation. With disruptive innovation, the situation is dramatically different. When disruptive innovation revolutionizes a market, good firms can go out of business, precisely because they are well managed and listen to their clients.

The reason is that while clients usually have a very good idea of how they can be better served right now, they have a far less perfect picture of what services they will need in the future. In fact, clients often see completely no value now, in services and delivery systems that they may demand and expect as commonplace, in the future. Think long playing records and CDs. Until CD players became widely available and inexpensive, CDs were of interest only to techno-freaks.

The innovator who is working on how to align the firm's services to emerging trends in client markets and in new products and services that may be developing, may well be working in directions that are inconsistent with what the client wants. In firms that are too heavily focused on what the client tells them to the exclusion of other 'blips' on the radar, the danger of more innovative firms gaining first mover advantage and stealing clients when the market changes is very real.

This is both an opportunity and a threat. Because disruptive innovations rarely make sense during the early stages of their development, when investment in them is most critical, conventional managerial wisdom in established firms constitutes a barrier to both entry and mobility that smaller, more innovative firms can bank on. But larger, established firms that recognize this dilemma and who proactively foster innovation have more resources to avoid this trap and align their own innovations to the trajectory that the market is on, capturing far more competitive advantage when the two meet.

MYTH

6. INNOVATION NEEDS TO BE UNRESTRICTED BY BOUNDARIES

While firms do occasionally stumble on innovations that yield extreme competitive advantage, either disruptively or incrementally, the success rate is higher when people are proactively searching for solutions to problems. Proactive innovation as a process is something that should be woven into the culture of the firm. The steps in the process are outlined in figure 1.

Proactive innovation starts with defining the problem or the opportunity that needs to be developed. Information is gathered, sometime from highly divergent sources that are completely removed from the firm's business, and the desired outcome defined. The second, highly creative step is to "play" with this information, to generate new ideas. The creative process needs time to simmer. As we have already discussed, insights can come at any time (even in the shower!) Only once a potentially promising list of alternatives emerges, does one move on to evaluation. This involves assessing the suitability, viability and risk involved, to decide which ideas to fund for further development. Innovations that do not receive adequate funding obviously remain only ideas. Once the innovation is fully formed and its value proven, the process moves to implementation.

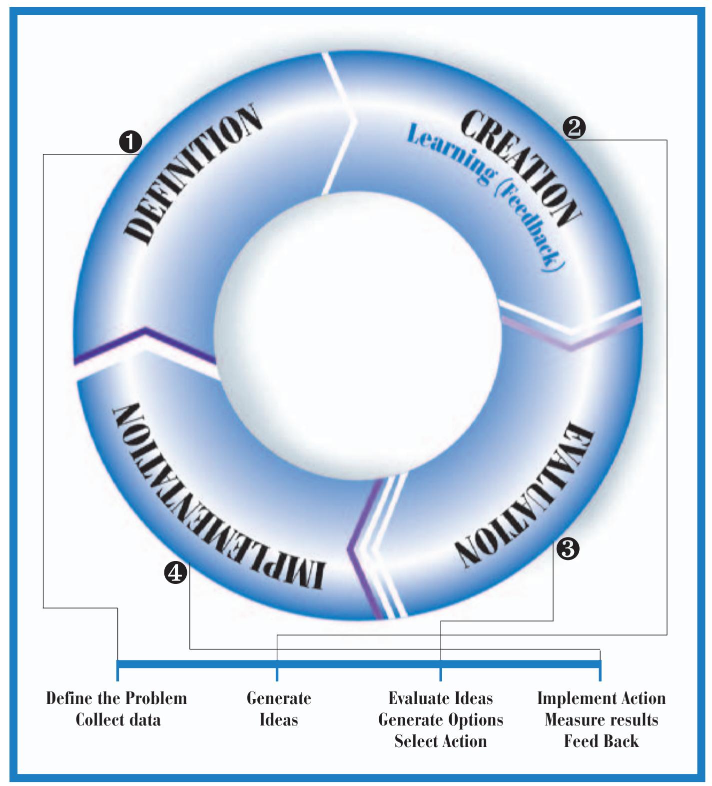


Figure 1: The Innovation Cycle

Woven into the firm's culture and values, this innovation cycle becomes a permanent feature of how knowledge is managed to create new knowledge.

Just a few of the key questions that can focus innovation within useful boundaries in the firm include:

- What can we learn from entirely different organizations, about improving client satisfaction?
- In process driven firms, what can we learn from supermarkets and other commodity based businesses, to drive down the cost of service delivery?
- What service needs will evolve over the next few years, that don't exist now, given research and development that our clients or their suppliers or customers are undertaking now?
- How better can we go about sharing knowledge and generating new knowledge in our firm?

Without being unnecessarily restrictive, innovation can (and should) be 'herded' towards ideas that could yield the most value for the firm.

MYTH

7. INNOVATION IS MOSTLY ABOUT TECHNOLOGY

The major strides usually associated with disruptive innovation, have been technology driven. The telegraph, the telephone, the internal combustion engine, commercial flight, affordable computers and the Internet all fundamentally impacted upon our lives.

From a professional firm's perspective, however, innovation is far more an organizational issue than a technological issue. While technology is an important driver, the challenge in the firm is getting the process of innovation entrenched through the firm. Like a spider's web, the network on which the exchange of ideas relies requires constant maintenance, reinforcement and expansion. All of the law firm innovations described in Myth 1, for instance, were more driven by technology rather than being, in themselves, technological innovations.

Innovation can be used to find new ways to serve clients, dramatically improving their levels of delight. It can be used to find time to mentor junior professionals. It can be a source of ideas on how to balance the requirements of the practice of one's profession with the demands of management. In short, it can be applied to any arena where the focus is on finding new ways to do things.

MYTH

8. FAILURE IN INNOVATION CANNOT BE TOLERATED

Of course, there are mistakes and there are mistakes. Some 'bet the firm' mistakes can be lethal and such bets should only be taken when based on odds that are very close to certainty and the advantage to be gained substantial. Other mistakes are negligent or careless, which is also different. Many mistakes, on the other hand, are vital to the process of learning by which the firm generates and regenerates knowledge. What we are talking about here are mistakes made in good faith, in the pursuit of innovation. The quickest way to kill off innovation and the emergence of new knowledge is to punish innovators when their experiments do not work out as expected.

Many ideas that went on to be brilliant successes appeared to be failures to begin with. The Beatles, 3M Note pads, the personal computer and manned flight. Many others remained failures. Innovation is a messy process and the most brilliant innovations are often blindingly obvious once they have been implemented. When a brilliant idea does emerge and is implemented in the firm, the tendency is to think: "That is so simple and working it out could have been done with far less hassle. Let's get more organized about how we think up these things in future." The only trouble is that trying to instill order into the unpredictable and highly creative process of innovation, is the surest way to kill it off.

MYTH

9. TO SUCCEED, INNOVATION NEEDS TO BE DIRECTLY REWARDED

Knowledge creation is not generally rewarded in firms. One has only to look to the firm's performance evaluation and compensation systems to see that this is so. People do as they are rewarded, not as they are told. So professionals will not devote time and resources to innovation and knowledge creation, if there is no value in this for them.

Intuitively, therefore, simply rewarding people for successful innovations should be the best way to encourage innovation. In highly incentivized firms, this has an element of truth. In firms with lockstep compensation systems, it is more difficult. In either, the key is to ensure that one is rewarding the behaviour that one wants to encourage. Does one measure and reward participation in innovation related activities; or only innovations that actually add value? The latter would seem intuitively the better option. However, focusing on results only means that very little of the innovation effort will be rewarded. In a culture where everybody pitches in and helps, it may also be difficult to identify who, specifically, should be rewarded. At the extreme, rewarding only the person who actually produces the result at the end can lead to people keeping promising ideas to themselves, rather than sharing them and so exposing them to a wider variety of insights. Invariably, this hinders rather than helps the process.

Clearly, how innovation is measured and rewarded is inextricably linked to how the firm measures and rewards other less tangible performance drivers like mentoring, management, developing client relationships and knowledge sharing. In all cases, though, in order to thrive, innovative thinking needs to be built into the underlying values of the firm. There is no better way to foster this than to publicly acknowledge and reward good ideas as often as possible. Ideas like a "best new idea of the week" award can ensure that the focus stays on keeping innovation as a process going. It doesn't matter that the award be of insignificant monetary value. The associated peer recognition is immensely valuable and sought after. The value that the innovators derive from peer recognition often overrides monetary concerns, and successful innovation leads to greater profitability so everybody benefits, anyway.

MYTH

10. INNOVATION LEADS TO IMMEDIATE PERFORMANCE IMPROVEMENT

This is seldom true. Usually, the innovation requires a departure, incremental or radical, from "the ways things are done." This means that it moves into areas where the members of the firm have less skill or experience. Until competencies have been developed, this means that the new will be done less well, than the old. It is exactly here that one can often find the reasons for resistance to change in professional firms, especially where accuracy and performance are highly valued.

This is illustrated in figure 2. Changes in the market have caused a situation, service or behaviour in the firm that was previously desirable (the "right thing, done well,") to become the "wrong thing, done well" The situation, service or behaviour has become misaligned with market needs. Innovation is used as the tool to find the new "right thing." The firm then moves to implement this. Because new skills have to be learnt and new knowledge needs to be assimilated, it is usually impossible to make the transition back to "right thing, done well" directly. The firm has to migrate first to the "right thing, done badly" and then drive up its performance in the new area to get back into the highly competitive "right thing, done well" quadrant.

Ironically, therefore, innovation can often lead to a decrease in the firm's levels of performance in the short term.

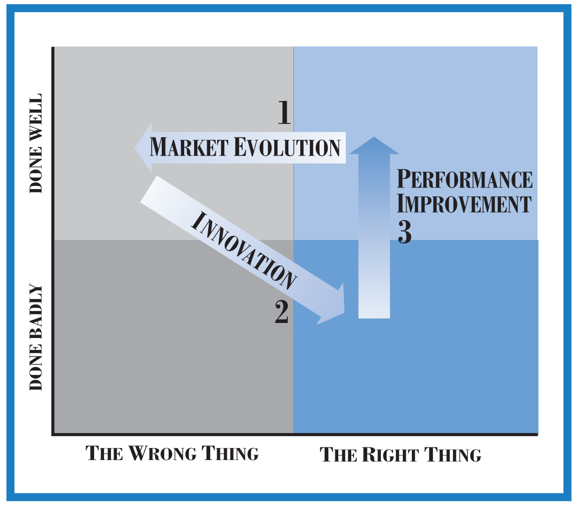
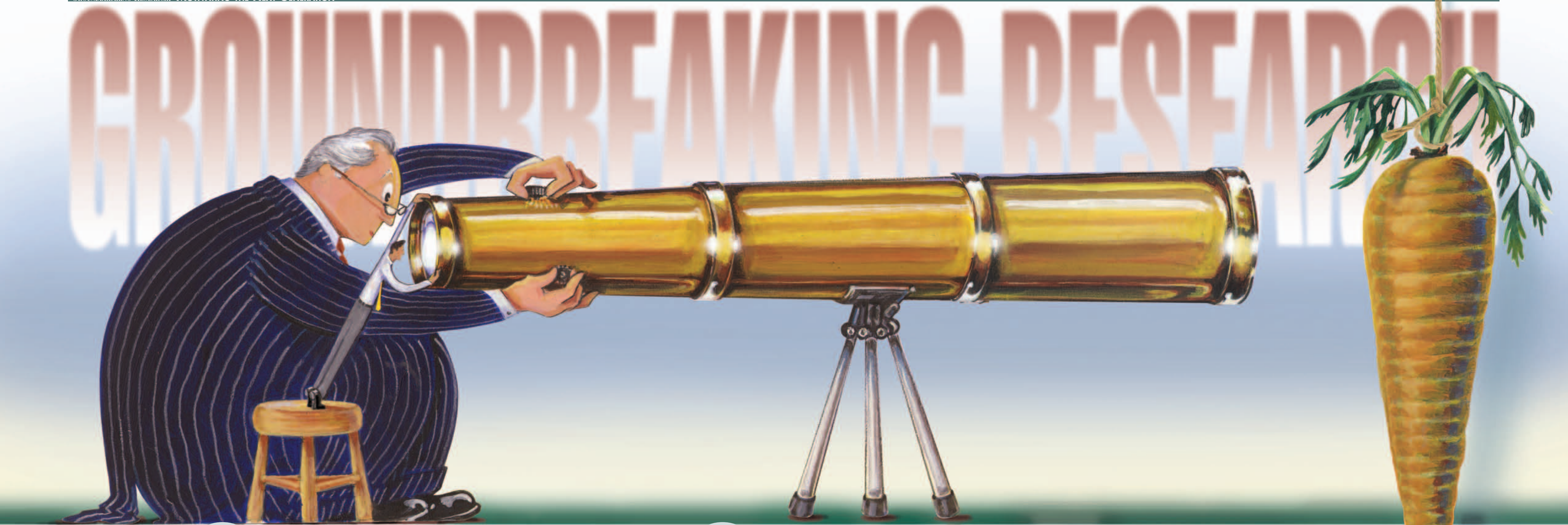


Figure 2:
What happens if the "right thing" becomes the "wrong thing"

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.**



MOTIVATING THE NEXT GENERATION

by Karen MacKay, EDGE INTERNATIONAL

What is it that makes this next generation of professionals tick? What motivates them? What do they aspire to? What do they need to develop as professionals? What rewards them? Curious about all of these issues Karen MacKay surveyed associates and partners around the world. This article explores *motivation*.

Can we motivate others… probably not. The right people are motivated from within. However, the right law firm environment can foster motivation. The wrong law firm environment can neutralize it or even extinguish it. This article is about groundbreaking research to assist senior management in breaking the code of cultural and generational differences to create an appropriate environment for peak performance and high satisfaction.

In a business where the firm's *primary assets* arrive each morning and leave every night, attracting, motivating and retaining talent is critical. Jim Collins phrase from his bestseller Good to Great , "first who—then what" prompts the question, "can we create and sustain an environment wherein the right people (first who) can develop their legal expertise individually and collectively (then what) to deliver competitive advantage.

This task is not assisted by the trend toward portability: "even outstanding performers do not anticipate staying with one organization for their entire career and are always working with the knowledge, at least in the background, that their current position is temporary"

My research goal was to get inside the hearts and minds of lawyers around the world. While there were some existing national surveys of lawyers done in the US, the UK and Australia, there was no global study

THE TEAM

A project of this size needs a team. We are privileged to have worked with:

ELIZABETH HYDE is a lawyer and educator. She is the Director of Professional Development at Miller Thomson LLP, a Multilaw member firm. Elizabeth collaborated with us in the development of the questions, the analysis of the data and in the presentation of our findings at the Multilaw AGM.

BILL NORTHCOTE, Partner and SEAN LAWLER, Associate at Shibley Righton LLP, a Multilaw member firm. Bill got buy-in for the survey from Multlaw member firms worldwide and Sean assisted in the development of questions that would get at the things that are of particular interest to associates.

VIDESKTOP (www.videsktop.com) hosted the survey and provided the technology and support to specifically meet our needs. ViDesktop is the leading provider of online performance appraisal, recruiting and survey software to law firms worldwide.

that would overlay cultural differences on generational differences.

[1] *Good to Great*, Jim Collins, Harper Business,

[2] *2001Coaching: Evoking Excellence in Others*, James Flaherty, Butterworth Heinemann, 1999

We were curious about what lawyers working in private practice aspire to and what motivates them. We were curious about what rewards them and what they need to develop as professionals. *This article, the first in a series, discusses what motivates them.*

WHO RESPONDED

Over the summer of 2004, in collaboration with the member firms of Multilaw, a leading global network of independent law firms, we surveyed partners and associates worldwide. (Findings were presented at the Multilaw Annual General Meeting and this article is published with their permission.)

74% of the partners who responded to our survey were born during the post WWII baby boom between 1946 and 1964. Demographers have described this group as idealistic, revolutionary, highly competitive and driven by money.

71% of the associates who responded were born between 1965 and 1980 – crowned by demographers as Generation X. This demographic group is described as independent, skeptical and resourceful.

There is no right or wrong in these two generations - they just see the world differently.

We asked associates to rank seventeen motivators from "extremely important" to "not important at all". We asked partners how they thought the associates with whom they worked most closely would rank the same list. There was a difference... and it was fascinating.

Also fascinating were the differences in the needs of associates in different geographic regions which in our study were North America, South America, UK/Europe and Asia/Pacific.

Associates were asked to rate the following motivators in terms of their importance, from 'extremely important' to 'not important at all'. Partners were asked how they thought the associates with whom they worked most closely would rate these motivators.

1. **Security**
2. **Status**
3. **Being a member of a team**
4. **Time for personal Life**
5. **Relationship with mentor**
6. **Professional growth**
7. **Opportunities for advancement**
8. **Intrinsic nature of the work**
9. **Recognition**
10. **Autonomy**
11. **Opportunity to develop own clientele**
12. **Effective management of their firm**
13. **Leadership**
14. **Corporate Social Responsibility**
15. **Social contribution of work**
16. **Financial reward**
17. **Achievement**

Time for personal life, professional growth, advancement (to partnership) and security were identified as extremely important and were the top four of motivators as ranked by associates worldwide. These four are now examined in detail.

WHAT TOPS THE LIST—TIME

Time for personal life ranked as extremely important to 44.44% of the respondents worldwide. 1 in 3 associates in North America cited time for a personal life as extremely important. 73% of associates in North America told us their billable targets were 1800 billable hours per year or more and pushing higher. The extreme importance placed on time for personal life may simply be a reaction to the ever-increasing hours required by North American law firms and could be a lesson to firms in other regions. As one respondent put it, "*my firm changed its rules since I started working here. First there was a 1900 hour goal and then it became the rule. Now, making 1900 is the minimum and you should make 2100... Now firm management has decided to implement a requirement of at least 2500 hrs dedicated to the firm. This means that we are now supposed to bill not less than 1900 (if possible more) plus another 600 hrs of practice development, CLE courses, and other things to promote the firm. How can one have a life or even be productive if you cannot take a vacation and when you must work every day 10 to 12 hours, plus pretty much every other weekend of the year to be able to achieve these goals?*"

In the UK, Europe, Asia-Pacific and in South America billable targets in the respondent firms appear to be more manageable. The vast majority have billable targets between 1400 and 1600 hours. While *time* is still very important to associates in those regions as they balance their personal and professional lives, they are more interested than their North American counterparts in professional growth, achievement, security and advancement to partnership—perhaps because their billable targets are manageable.

When partners were asked how important *time for personal life* was to the associates with whom they worked most closely, only 1 in 5 ranked it is extremely important compared to 1 in 2.4 associates worldwide.

Developing as Professionals

Professional growth came in second, ranked extremely important by 37% of associates around the globe while perceived as *extremely important* by only 26% of partners. In fact, firms are doing a very good job of providing associates with consistently challenging work according to 66% of the associates who responded.

Meaningful delegation and challenging work remain key motivators of talented young lawyers. While this is where partners and associates were most closely aligned it can be difficult for many senior lawyers to make it a reality.

Our fondness for giving or receiving feedback is very different depending on our demographic. For senior partners who are still in your firm but who were born before 1945 *no news was good news*. For about 74% of the partners in firms today who were born between 1946 and 1965 feedback is an annual ritual that justifies a raise in pay, a bonus, or both. At worst, the annual feedback ritual brought a message to leave the firm—sometimes out of "left field". They are uncomfortable with feedback but it was a means to an end.

Here's what one associate said: *"I never get any feedback, except at annual performance reviews. Even then, the feedback is worthless because the partners give their feedback anonymously."* Partnerships design feedback processes that they, the partners, are comfortable with. Partners who were uncomfortable getting feedback are likely uncomfortable giving it and therefore go to great lengths to make it anonymous.

For the vast majority of associates in law firms today, feedback is an indication that someone cares about their development as professionals – about their future. As one associate put it, *"I rarely get feedback. It is frustrating to have a mentor that does not seem to care about my future in the firm."* I suspect the partners in his or her firm care deeply about their firm and their younger colleagues. I suspect the partner/mentor does care about this associate's future but each approaches feedback from their own bias.

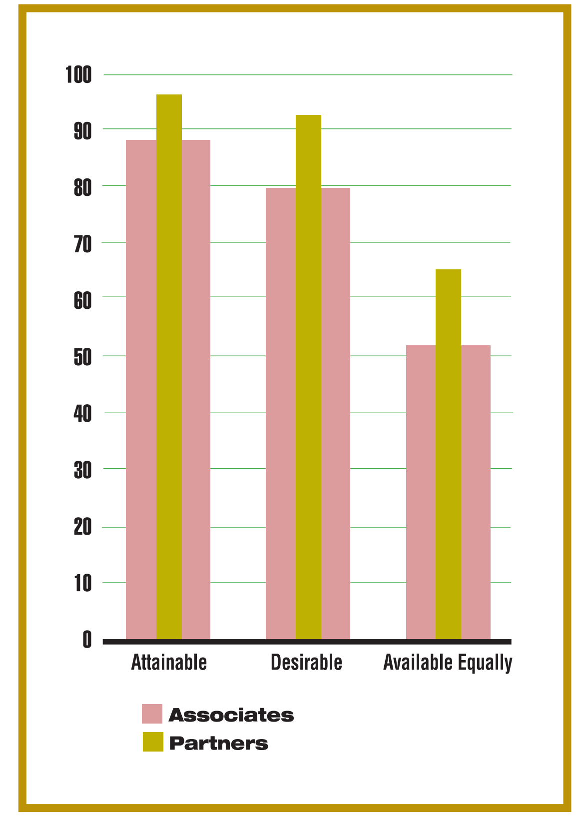
For many partners, their experience with feedback as a young professional was fairly judgmental. Younger professionals today see it differently. *"Scheduling of formal feedback is not the important element, it is more important to know if the work performed is in accord with expectations at various stages of my professional development. So 'ongoing' means as I grow and take on new responsibilities, feedback is provided to guide me"*.

Developing as Professionals

Opportunity for advancement was extremely important to 34% of the respondents worldwide. According to our study, advancement and achievement are most important to young lawyers in Asia-Pacific.

When we asked if partnership was *attainable* almost 90% of all associates said yes, while just less than 80% said partnership was *desirable*. When we asked if partnership was *equally available* to all associates in the firm only 52% said yes. Partners had a more optimistic view as illustrated in the graph; however, this leads us to another important issue.

This is where women feel they have to choose between family and partnership. As one individual put it, *"I have to choose between a career and a family. Making partner may no longer be an option that is workable."* This is clearly one of the reasons why the gender split among our respondents to the survey of 45%/55% women to men among associates becomes 23%/77% among the partner ranks. Does it make sense for this to continue? Can firms continue to lose this significant investment in talent?



Tom Peters, former McKinsey partner, made famous as author of the all time best selling business book, *In Search of Excellence*, said in his most recent bestseller, *Re-imagine:* "There is a Great War for Talent. Great Talent is in short supply. And the supply will get even shorter … as the Age of Creativity and Intellectual Capital accelerates. And accelerate it will. So can we afford to ignore half [women] (or, to be precise, slightly more than half) of our store of potential Great Talent" Well … No." If we cannot fit their needs into the law firm business model profitably, we'll lose a very big investment. Making women happy alumni won't be enough.

To many, partnership means, among other things, increased financial reward. When asked if partnership is attainable one respondent said, *"..it is probably attainable however, I am not interested in becoming a partner of a law firm. I would rather earn less money and have a life"*. For some partnership is akin to winning a pie eating contest where the prize is more pie.

While money has never been on the top of any list of motivators, associates in our survey ranked **financial reward** as 10th on a list of 17. Partners who responded thought that associates would rank financial reward as 3rd. Who raised associate salaries in response to the hot legal job market in the 1990s? How are firms paying for these high salaries? Increased billable hours!

Rounding out the top four—job security

The final motivator in our top four is **security**. Perhaps because of complicated political and economic times, or perhaps because of the relentless downsizing and restructuring of corporations worldwide. Whatever the reasons, a secure future is an extremely important motivator to more than 1 in 3 associates who responded.

Will firms change with the next generation?

When 70% of the partners in law firms today are card carrying members of the Baby Boom things have changed to accommodate the values and motivators of that demographic. This is the group who moved their firms from hierarchy (that was accepted by the generation before them) to consensus driven democracies. This is the group that moved their firms from lock step compensation to the various forms of meritocracies that exist today. This is a group driven by achievement, driven by status and driven by money. Will firms be changed by Generation X as they were by the Baby Boom? Wait a few years and we'll see.

Conclusion

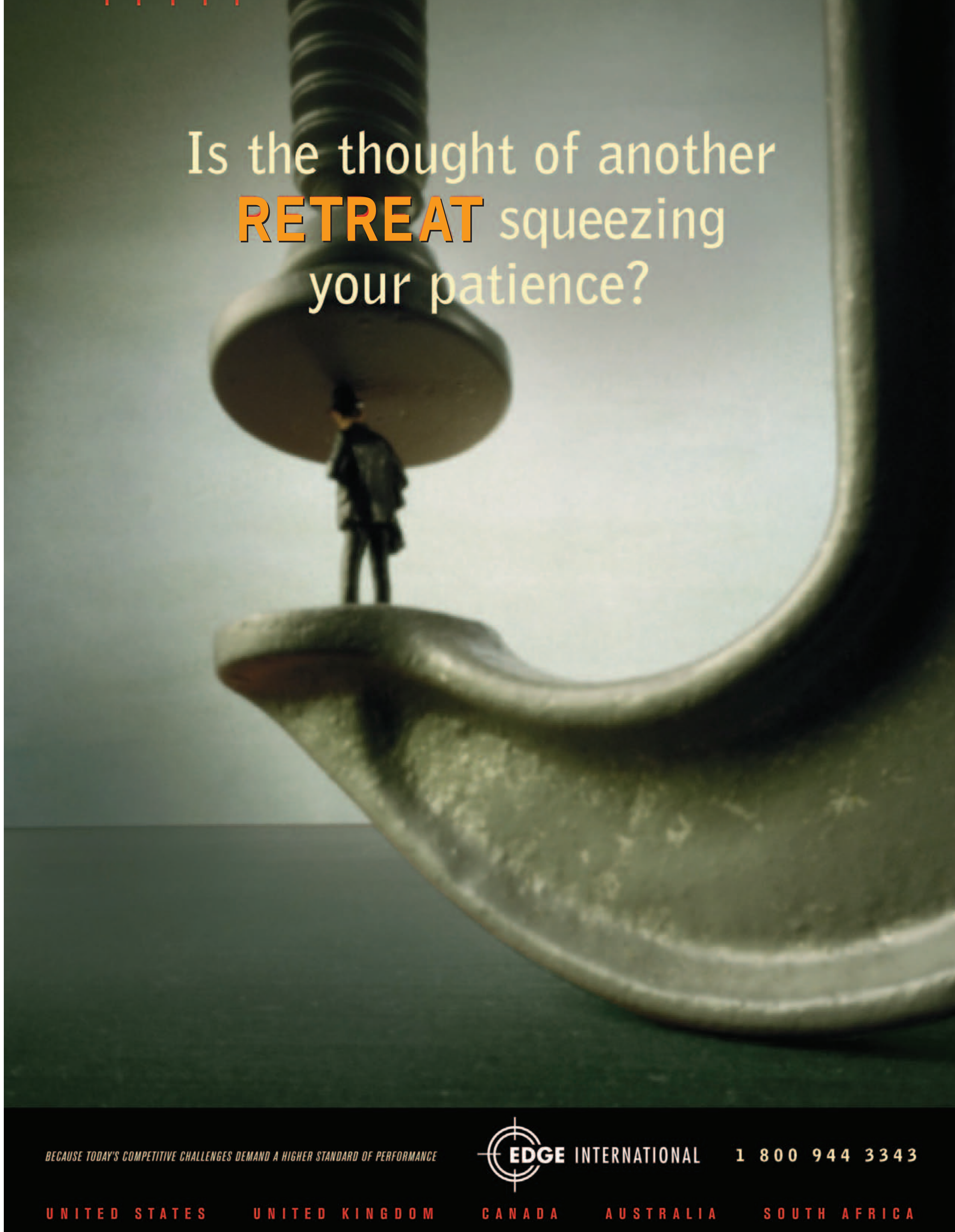
The challenge for law firm leaders is to create a shared vision among the partnership that provides a compelling value proposition to the next generation coming into the firm and indeed the partnership. One managing partner told me recently that one of his greatest challenges is to resolve the tension between partners who want to "strip-mine the firm every year" and those who want to "invest in the future". Combine that tension with the issues across the generations (who simply see the world differently) and the leadership challenge becomes much more complex.

When asked if they were satisfied with their overall experience with their firm 66% of associates indicated that they were, compared to 79% of partners who responded. We congratulate the member firms of Multilaw for taking leadership in investigating these important issues.

The more we dig through the data, the more fascinated I become. The differences between the two prevalent generations in law firms today will continue to provide challenges to law firm leaders for the foreseeable future. In a world where lawyers can cross borders and find opportunities virtually anywhere on the planet, these issues become more and more importan

[3] *Re-imagine! Business Excellence in a Disruptive Age,* Tom Peters, Dorling Kindersley Limited, 2003

Karen MacKay, MBA, *is a partner in Edge International with more than 20 years of professional service firm experience. Karen's current practice concentrates on three key areas. She provides counsel on issues related to all areas of professional staff career development, from recruiting and mentoring to evaluation and compensation. She works with firms in the development of business plans and execution of strategy and, Karen provides counsel on operations and administrative management. Karen has worked on behalf of international law firms ranging in size from 30 to 3000 lawyers. Today she has a number of loyal and long-standing clients who have come to count on her for her knowledge and integrity, as well as for her sensitivity and flexibility in the face of their ever-changing business priorities. Karen is a highly skilled facilitator and speaker who is Myers Briggs qualified and is a Certified Human Resources Professional. She can be reached in Australia at 800.123.366 or in North America at 416.657.2997 or* mackay@edge.ai *or by visiting* www.edge.ai.



by H. Edward Wesemann, EDGE International

Law firms take great pride in their culture as a characteristic that differentiates them from competitors. Yet research by Edge International demonstrates that even more than a source of pride, cultural characteristics directly influence a law firm's profitability.

Leveraging Culture

As any employee knows, each business organization possesses certain recognizable attributes and characteristics. Often they are difficult to describe and people may simply refer to them as "the way things are around here." Some of these characteristics are consistent and always present. Others occur only in response to specific situations, such as in stressful situations or during periods when business is slow. Some attributes are obvious to anyone observing the business. Others are subtle and only appreciated by people intimately familiar with the company. These attributes and characteristics collectively make up an organization's culture.

In many ways, a business organization's culture is similar to a human personality. Culture encompasses more than simply the presence or absence of certain traits. It also involves how those traits interact with each other. While every organization has some form of culture, in few businesses is the culture as pronounced and as important as in a law firm. Law firms have no raw material or capital equipment. Therefore, the sum and substance of a law firm's existence and success is its culture.

Organizational psychology tells us that four fundamental traits comprise any organization's culture, particularly a law firm's culture.

These four traits are:

The Way the Organization Deals with Its People.

This involves the relationship between the firm's management structure and its attorneys and staff. With law firms, the active role partners play in management makes this aspect of culture especially critical. It includes such issues as whether management freely authorizes its staff to determine their own working conditions or whether a strict organizational structure specifically defines such conditions. It includes whether management highly regards individual initiative or whether team operations are preferred. It also involves the degree of importance management places on individuals' capability to improve.

The Way People Deal with Each Other.

Within a law firm, the interrelationship of lawyers and staff members defines many cultural issues. Primary among these is the manner in which decisions are made within the firm's governance structure and the way the firm deals with disagreement among partners and employees. The degree to which internal structures, such as different offices or practice groups, shape the relationships of people also is important. Still, the core values the firm espouses and the degree to which such values are enforced perhaps serves as one of the most important cultural factors.

The Way the Firm Deals with the Outside World.

The manner in which a law firm reacts to changes in the environment and the role that clients play in the firm's decisions and operations greatly influence a firm's culture. This includes the firm's willingness to accept risks and its capability to learn from mistakes resulting from those risks.

The firm's vision.

Although an overused word, vision plays an important role in the culture of a law firm. It ranges from the amount of leadership the firm is expected to provide and the degree to which that leadership is accepted, to the level of expectations expressed to employees. Is the culture to provide strong and carefully crafted expectations or are people expected to sink or swim? Is the future clearly described or does the firm avoid the future for fear of missing opportunities of the present?

IDENTIFYING CULTURE

There is no empirical test to measure the degree to which these traits are present in a firm's culture. Culture is comprised of the beliefs and assumptions held by individual members of an organization. Firms where common beliefs and assumptions are widely held with deep conviction are said to have a strong culture. A weaker culture exists where beliefs and assumptions are less uniform.

> *The same law firm that attracts one candidate with its fast-moving, sink-or-swim, all-consuming culture repulses another who views it as a sweatshop.*

While actual experiences work to form belief systems fundamental to culture, they are unnecessary for the presence of a strong culture. Other forms of cultural transference, such as indoctrination—hearing the same view expressed repeatedly by different people—can create an equally strong culture. However, if members of an organization suddenly experience conflict with widely held beliefs, such experiences can devastate an organization's culture. For example, during law firms' boom years of the 1980s, most firms took great pride in their paternalistic cultures. But when the "white collar recession" of the early 1990s resulted in massive association lay-offs, the impact on many firms' cultures was profound. In fact, it is arguable that the changed motivational construct and high mobility among "generation next" associates is the ongoing result of the conflict between culture and experience that occurred almost a decade ago.

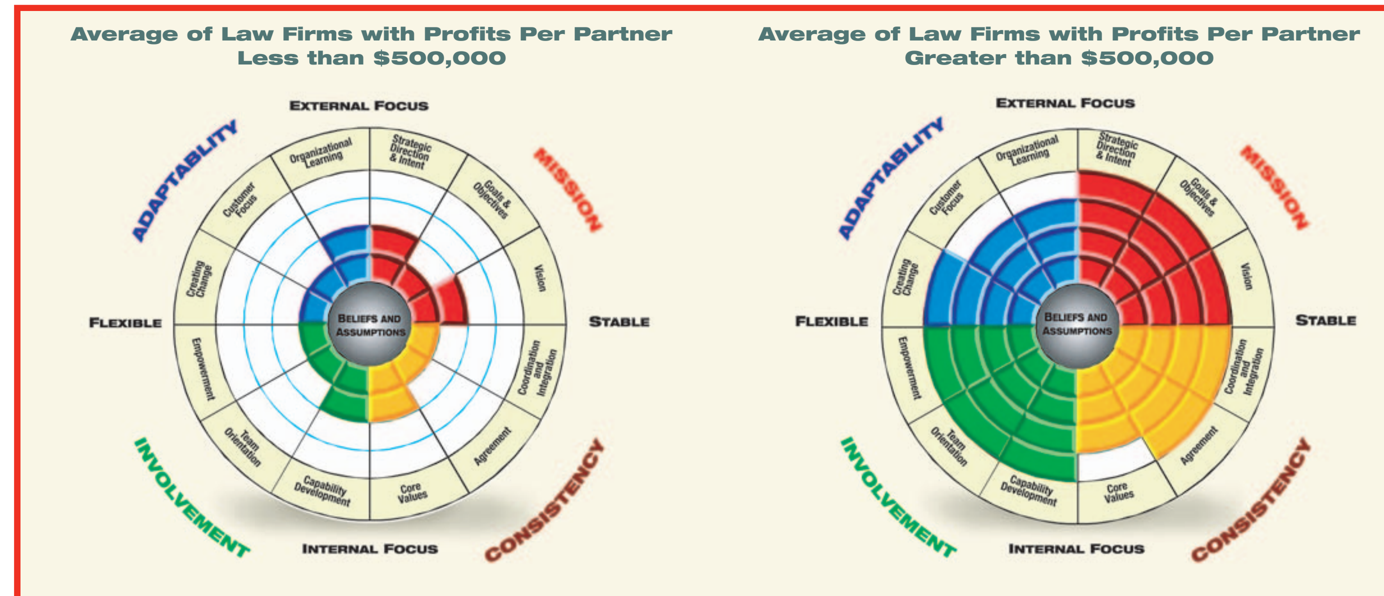
Negative beliefs and pessimistic assumptions can create as strong a culture as beliefs and experiences that are positive. A large Midwestern U.S. insurance defense law firm operates on an entirely "eat what you kill" compensation system, encourages little team work, experiences constant fights over access to associates and paralegals, and fails to censure partners who attempt to steal each others' clients. Yet, the firm still exhibits incredibly strong culture because everyone holds those common beliefs and assumptions.

ONE IMPORTANT POINT: There is no such thing as a good culture or a bad culture. Some cultures may appear more attractive to an outsider, and some cultures clearly drive certain positive or negative outcomes, but judgments about cultures remain in the eye of the beholder. For example, every year top law school graduates interview with large New York law firms. The same law firm that attracts one candidate with its fast-moving, sink-or-swim, all-consuming culture repulses another who views it as a sweatshop. Both may have accurately identified the culture; they simply reacted differently to what they identified.

USING CULTURE TO LEVERAGE PROFITABILITY

The importance of culture to professional service firms is so pronounced that Edge International has worked with the University of Michigan to develop a culture inventory specifically for law firms. The inventory measures the assumptions and beliefs of partners, associates and staff in relation to over 1500 business organizations and almost 100 law firms. The results provide a rather specific and highly unique depiction of a law firm's culture.

As we administered the Cultural Inventory to more and more law firms, Edge International consultants began to study the correlation of certain cultural traits and profitability. What we identified is a consistent pattern of six cultural features in highly profitable firms that are far less prominent in less profitable firms. As one might expect, the cultural differences are a continuum between the most profitable and the least profitable firm. Therefore, to clearly illustrate culture-profit correlations, we divided the firms' cultural inventories according to their per-partner profit. We then calculated the composite inventory scores for firms with profits less than $500,000 and those with profits greater than $500,000. These are shown below.



The six significant differences are:

Leadership.

The most profitable firms have the strongest leaders. These leaders are able to convey a vision that members of the firm accept and are able to translate into a specific firm direction. The less profitable firms tend to be more consensus driven with leaders who are less respected and are expected to exercise less authority.

Expectations.

Among the greatest cultural differences between the two groups of firms is the degree to which expectations are specifically expressed. High profitability firms tend to announce very specific expectations with regard to quality, performance, appearance and virtually every aspect of participation in the law firm. These expectations are not necessarily rules but are more often in the form of mores and folkways, passed on by tradition as much as regimentation. Less profitable firms tend to more vaguely express expectations, often preferring a "sink or swim" approach. Such expectations are typically delivered in the form of inconsistently enforced rules.

Team Work.

The cultures of the most profitable firms tend to emphasize the routine use of teams in the practice of law. Less profitable firms tend toward a more individualistic practice of law, often taking pride in "one riot, one ranger." Consistently, the most profitable firms maintain the most sophisticated practice group structure.

External Orientation.

Less profitable firms' cultures tend to focus on relationships—relationships between people within the firm and the relationship of the firm to its people. More profitable firms tend to be more external with a greater emphasis on its clients and competitors.

Resistance to Change.

It is interesting that the most profitable firms are neither extremely resistant to change nor are they on the leading edge of change. They tend to sit on or slightly behind the curve with new trends and technologies. They avoid taking what they consider to be an avoidable risk.

Core Values.

The most financially successful firms tend to exhibit the strongest core values. While this may sound "touchy-feely", the core values need not be aspirational. In fact, for some of the most profitable firms, their core values are mercenary, built around hard work, long hours, meeting deadlines and similar non-humanistic values. However, for many profitable firms the core value structure is highly humanistic and devoted to internal issues. The issue it seems is not what the values are but rather the degree to which they are consistently enforced.

DRIVING PROFITABILITY THROUGH CULTURE

Changing a law firm's culture is certainly possible but not easy. Culture is based on the assumptions and beliefs of all of the partners, associates and staff within the firm. Therefore, a change of actions is insufficient to produce a change in culture. The entire belief structure of the firm must change, a change reflected in actions. The truth is that these changes are usually contrary to the culture of the firm, and even if the results are viewed as important and positive, the changes to reach those results will be rejected, or at best, viewed with feigned enthusiasm.

Having had the occasion to work with firms that have made modest changes in their culture, we have observed three consistent characteristics that seem to drive cultural change.

The first is the emergence of a strong leader. In the all time best selling business book, Good to Great, Jim Collins identifies a "Level 5 Executive" as a leader who "builds enduring greatness through a paradoxical blend of personal humility and professional will." Since firms that have this type of strong willed leader already possess cultures that are consistent with high profitability, the first step is typically a change in leadership. In fact, in our experience, in every situation with a significant culture change, the firm first underwent a change in leadership, and the new leader came from outside the historical management ranks.

The second observation is that profitability issues rarely drive cultural change. Typically, highly visible events or issues will occur within the firm. These can be negative (several important partners left, a merger opportunity fell apart at the last minute, the loss of a high recognition client) or positive (a surprising success, some positive publicity for the firm). It is this "wake-up call" that spurs insiders to cry out in unanimous demand for significant change in culture. This change often coincides with a leadership change.

The third is the long term nature of culture change. Often we find that an immediate emergency must surface to drive change in law firms. We call this "the burning platform." Yet with culture change, just the opposite seems to be the case. Burning platforms demand immediate, short-term change. Cultural change seldom occurs after the firm experiences a disastrous year financially or a devastating loss of revenue streams. Instead, the change of a culture require and equal mixture of optimism and resolution. This is more typically found in a firm that has experienced some success and has growing confidence in its ability to change.

But the first step for any law firm seeking true long term profitability improvement is an understanding of its present culture and the identification of those cultural attributes that create the firm's fabric. Sometimes a firm determines that its existing culture is too valuable to change. But often, the simple act of identifying the characteristics of its culture propels a firm toward the development of greater profitability through the change and leveraging of its culture.

---

[1] For a detailed discussion of law firm culture and the Edge International Cultural Inventory, see this author's "*Culture Club*," Legal Management, July/August 2001

[2] The concepts of culture described in this article are based largely on the work of *Daniel R. Denison* of the University of Michigan as described in his ground-breaking article, written with *Aneil K. Mishra*, "***Toward a Theory of Organizational Culture and Effectiveness,***" Organizational Science, March/April 1995.

[3] The composite is created by averaging the percentile scores of actual participating law firms in the cultural inventory. Since the scores in the inventory compare the responses of participants from the firm against participants in other business organizations, the composite is an average of an average. However, the author believes that for the broad conceptual point made in this article the interpretation is accurate.

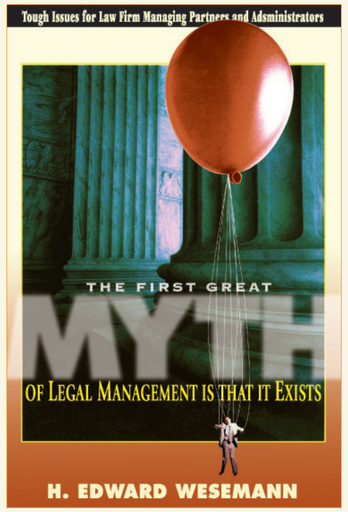
[4] "*Good to Great*" by *Jim Collins*, Haper Business Press, 2001.

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**.

Books & CD's

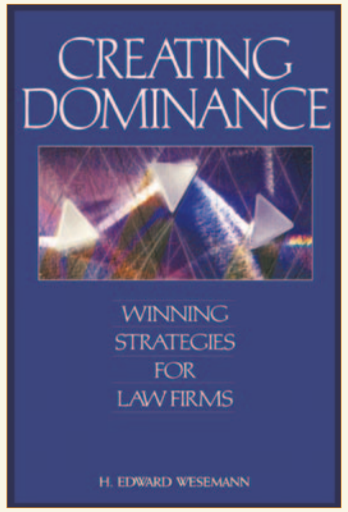
THE FIRST GREAT MYTH OF LEGAL MANAGEMENT IS THAT IT EXISTS
by H. Edward Wesemann

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 good news is as Woody Allen says, "80 percent of success is showing up." The law firm that takes action—virtually any form of action—wins. Hardcover **$21.95**.



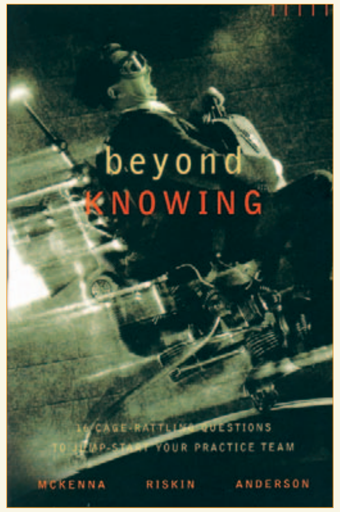
CREATING DOMINANCE:
WINNING STRATEGIES FOR LAW FIRMS
(*TO BE PUBLISH IN SPRING 2005*)
by H. Edward Wesemann

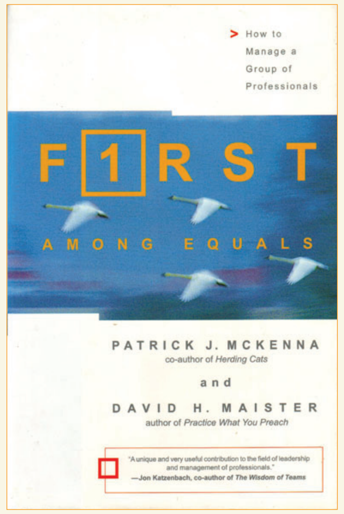
In any marketplace, a few firms dominate and get the lion's share of all the best work. These firms dominate their market and their competitors. This new book by Ed Wesemann, an international expert on law firm strategy, explains how law firms achieve a dominant position and gives specific geographic, practice, growth, pricing and industry strategies to accomplish dominance. Order now and receive a special prepublication 20% discount. Hardcover **$29.95**.



BEYOND KNOWING:
16 CAGE-RATTLING QUESTIONS TO JUMP-START YOUR PRACTICE TEAM
by J. McKenna, Gerald A. Riskin and Michael J. Anderson

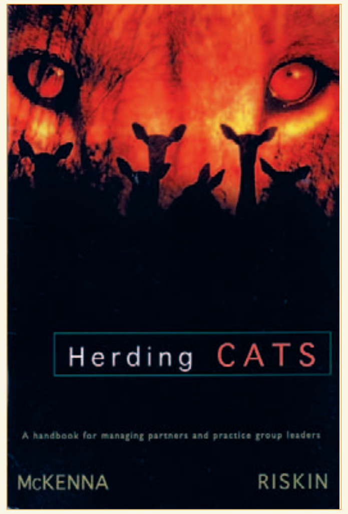
This book is not intended to be the latest diagnosis of prevailing market trends or some serious academic tome…but rather a collection of unusual, quirky, provocative and bizarre questions to clear out the cobwebs at your next meeting, jump-start your creative thinking, launch your partners minds moving in productive directions, pop some new ideas out of your intellectual toaster, and get energized to take action. **$6.95**.





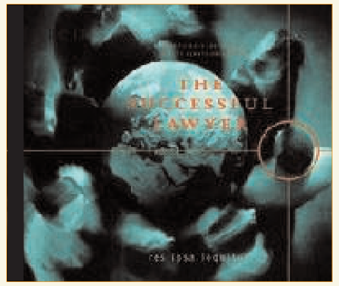
FIRST AMONG EQUALS
by Patrick J. McKenna and David H. Maister

Whether you have just been appointed as a group leader or you are a battle-scarred veteran, you know that managing professional people is difficult! In this strikingly unique "play book", professional service experts Patrick McKenna and David Maister provide real-world examples, a wealth of self-evaluation materials, and offer concrete advice on stressful day-to-day management issues that every leader of professionals will welcome. The authors offer penetrating insights into the basics of coaching, dividing their attention equally between energizing and guiding the individual performer and the group. Hardback **$26.00**.



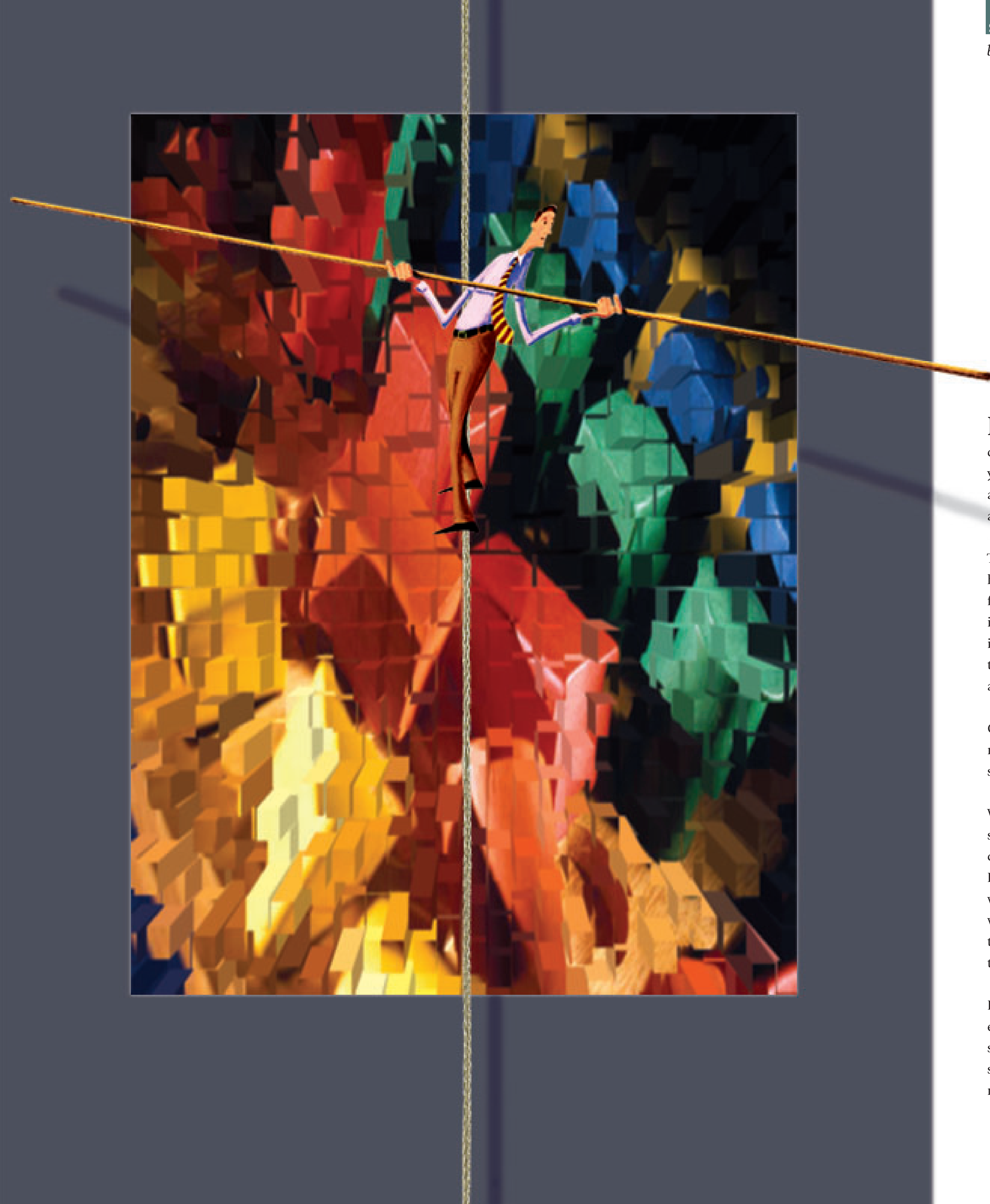
HERDING CATS:
A HANDBOOK FOR MANAGING PARTNERS AND PRACTICE GROUP LEADERS
by Patrick J. McKenna and Gerald A. Riskin

The performance of any professional services firm is primarily driven by the performance of the managing partner and those professionals responsible for leading the practice groups. The essential quality of an individual in this position is the ability to inspire other to accomplish more than they otherwise would. From studying successful law firm leaders, this book gives 18 specific guidelines on how to manage your professional services firm or practice group for extraordinary performance. In Electronic format. **$6.95**.



THE SUCCESSFUL LAWYER
by Gerald A. Riskin

This personal and inspirational six-disc audio CD program is filled with practical and helpful solutions to make your practice not only more profitable, but far more satisfying. Whether you are senior or junior, in a large firm or small, "The Successful Lawyer" will provide valuable principles that will be immediately helpful to you. **$149.95**.



by Nick Jarrett-Kerr, EDGE INTERNATIONAL

STREAMLINING WORK

Process management, case management and matter management are not new concepts for Law Firms. But many Lawyers still prefer to use old and outdated working methods rather than embrace new systems which are designed to improve processes and files management. In this article, Nick Jarrett-Kerr suggests some steps which can be taken to streamline work effectively.

I visit many firms that have introduced case or matter management systems. And yet, most Managing Partners report them as not working as efficiently or effortlessly as they might be.

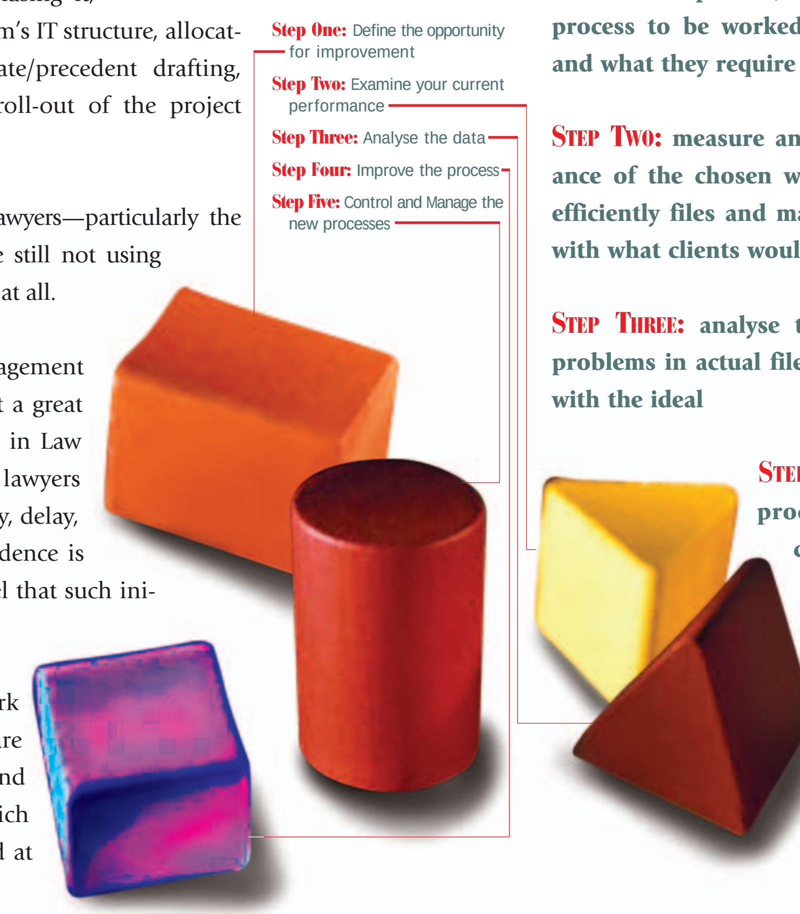
They report that the straightforward bits have been done–agreeing on a budget for acquiring a system, purchasing it, implementing it within the firm's IT structure, allocating responsibility for template/precedent drafting, training and managing the roll-out of the project across departments.

One common moan is that lawyers—particularly the more experienced lawyers—are still not using such systems very efficiently, or at all.

Whether or not a case or management system is in use, I believe that a great deal can and should be done in Law Firms to improve the way lawyers work and to reduce inefficiency, delay, wastage and cost. All the evidence is that clients of every variety feel that such initiatives are long overdue.

In order to streamline work effectively, I believe there are some principles of conscious and systematic improvement which need to be adequately applied at the file and lawyer level.

These principles (adapted from those set out in 'A Manager's Guide to Leadership by Pedler, Burgoyne and Boydell) are as follows



STEP ONE: define what is to be improved; select the work-type process to be worked on, identify its clients and what they require of it

STEP TWO: measure and examine the performance of the chosen work-type—how well and efficiently files and matters are run compared with what clients would like

STEP THREE: analyse the data and causes of problems in actual file management compared with the ideal

STEP FOUR: improve the process and remove the causes of the problems

STEP FIVE: control and manage the new processes, making sure that old customs and working habits do not creep back in.

Any firm which is struggling to complete its roll-out of case and matter management, or which simply desires to work more efficiently, would do well to review its work processes by planning and implementing (or, in some cases re-implementing) these steps stage by stage. For this purpose, a project team with appropriate departmental representation should be assembled, preferably steered by one of the firm's leaders.

Step One: Define the opportunity for improvement. Too often, it is assumed that only repetitive bulk work (like residential property work, or personal injury litigation) is in need of process improvement. In fact, most clients would like to see standard forms, templates and matter management systems introduced in all areas of legal work. As an example, the British Venture Capital Association is, according to a recent edition of Legal Business, currently seeking feedback on proposals to introduce model documents to VC deals. Legal Business comments "There is an argument that 90% of deals are a well-trodden path and come down to the same points".

Re-designing work processes can take place against a vision of what the Project Team feels can be achieved by way of streamlined service

Step Two: Examine your current performance. The key here is the collection of specific data from at least three areas, from clients, from internal file and systems data, and from the firm's people.

Client Data We know that clients want speed and efficiency and do not like to pay for the cost of unnecessary work, such as documents dictated from first principles instead of using a template or standard form. But it goes deeper than those generic lessons. What are the clients actually saying about our service? What are the main sources and types of negative comment or even complaint? How do they rate us in comparison with our competitors?

Internal Data File analysis is an often overlooked area, dealing only with issues of compliance. Useful data can, however, be collected to reveal processes and working methods which can be improved. Other internal data can reveal productivity per lawyer, average costs per case, recovery rates, inefficient levels of infrequently turned-over work-in-progress, and effective billing rates.

Internal Staff Data Feedback from your staff is enormously helpful both in terms of the parts of the systems which do not work well and also in relation to individuals who are not facing up to new working methods. By what (or sometimes by whom) are your staff irritated? What dissatisfies them and what would they like to change?

Step Three: Analyse the data. It is not enough just to pick the letters, forms and precedents commonly in use and make them part of the case management system. What is vital is to work out systematically what is inefficient about current methods of working files—including matter strategies, processes, file management, workflow and resolving problems. To achieve this, all the information and data which is collected needs to be systematically considered and the root causes of any problem areas identified. Inefficient processes will need to be uncovered, but it is often the case that the root cause of any problems is the failure or reluctance on the part of lawyers to deal with changed ways of doing things.

Analyse Data

Analyse and review files to find examples of:

- Waiting time between steps
- Incidences of delay
- Iterations and unnecessary work
- Poor matter strategy
- Use of the wrong level of lawyer
- Poor/inadequate delegation
- Inefficient use of secretaries
- Poor client reporting
- Failure to use standard forms and precedents

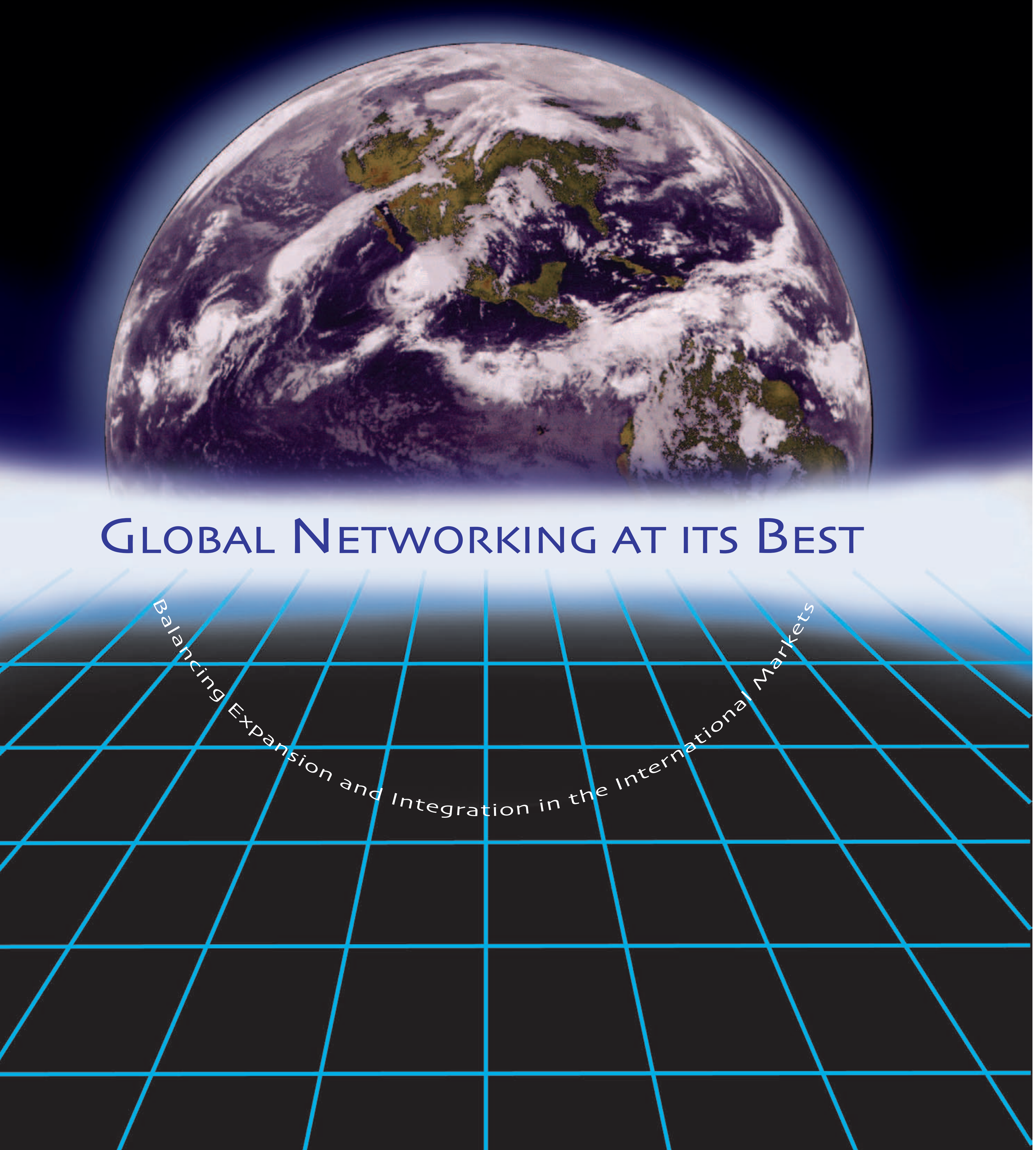
Step Four: Improve the process. Re-designing work processes can then take place against a vision of what the Project Team feels can be achieved by way of streamlined service. This step needs to be taken innovatively and with a streamlining mindset which constantly challenges and questions. Key questions at this stage are

- How can we do this differently?
- What documents and steps in this line of work can be systemised into precedents and templates?
- Can we run files in a simpler fashion?
- Where can we make efficiencies?
- What steps, formerly carried out by secretaries, can lawyers carry out cost-effectively?
- What steps, formerly done by lawyers, can be commoditised and carried out by secretaries, juniors, paralegals or technology?
- How can we get more for less?
- Which are the areas for development and where are the cuts and efficiencies to be made?
- What changes do we expect to see in the next five years? During this stage, there needs to be a great deal of work with the whole constituency of lawyers to ensure that buy-in is obtained.

Step Five: Control and Manage the new Processes. This is perhaps the most difficult step of all. The main problem is that new working practices take time to become familiar—more time in the first instance for a busy practitioner than his/her old working practices. In addition, busy lawyers will be reluctant to spend time (which they may feel they can ill afford) training and learning new ways. Some partners, particularly those in their 50's and 60's may feel exempt from new working practices. But if the project team has managed to work through all the steps, with full feedback from and communication with the lawyer teams,

then the chances are considerably increased that real beneficial changes in working practices can be implemented and stay implemented.

Nick Jarrett-Kerr *is a partner with Edge International. Nick is a Solicitor and the former Managing Partner of a large UK national Law Firm. He specialises in Professional Service Firm Leadership and Strategy. He can be reached by email at* jarrett-kerr@edge.ai *and by phone on +44 (0) 1761 463115*



Global Networking at its Best

Balancing Expansion and Integration in the International Markets

by Friedrich Blase, **EDGE INTERNATIONAL**

The elements of the internationalisation that began for most professions in the 1990s have changed profoundly over the past couple of years. All players aspiring to succeed in international markets need to focus on finding the best mix of geographic reach and operational synchronisation. The constant shift in client expectations means that the race is far from over.

> **network** *n.* [...] **2** A chain of interconnected people, operations [...].
>
> **integrate** *v.* **1** to combine or form (a part or parts) into a whole.
>
> (source: The Oxford Study Dictionary, 1992)

How can you become a global leader in your profession?

If you had posed that question to an executive in a management consultancy, a law or audit firm some ten years ago, many would have argued that you needed to have offices and capabilities in principal markets, and that you needed to somehow link their practices, i.e. create "one firm" to pass clients and knowledge around.

The term "one firm" refers by no means to a legal structure. Today, national entities are part of an international organisation. The degree of integration differs from being a subsidiary (example: BearingPoint), a network member (PricewaterhouseCoopers) or an alliance partner (CMS Legal) with some firms having adopted hybrid structures (Accenture, DLA Piper Rudnick Gray Cary). Even the cooperative efforts by some firms that remain independent and thus often bear a national and an international brand (ADVOC, PKF International) can still be seen as an effort to link their practices.

What drives firms to become an international player is as different as the professions themselves, but it is almost always influenced by the need or the desire to deliver full service to large and lucrative clients. If those clients act internationally – as most do, firms have to follow them or risk losing them.

Elements of an internationalisation strategy

There are principally three ways of achieving an international presence. Either you grow organically with few lateral hires, you tie-up with other local firms or you do a mixture of both. Organic growth generally means that expansion is slow, while the link between the practices is quite strong resulting in better integration and preservation of culture. Tie-ups or mergers allow for rapid expansion of the network, but create a less homogenous practice spectrum. Management consultancies by-and-large followed the former model, while the global leaders in auditing and accounting firms have chosen the latter. Amongst legal advisers and financial services firms we find all variations and combinations.

Both expansion and integration are business-model based elements of an internationalisation strategy. Expansion into other markets by adding offices, teams and partners that maintain their own practice can diversify the revenue base and reduce financial risks, if the risks are spread amongst the various parts of the firm. Also, economies of scale as well as sharing of resources can generate cost savings, but these are offset by the increased cost of entertaining the international network. Unless work starts to flow through the expanded network, there is no contribution towards profitability. That is achieved by integration. Less visible on the firm's notepaper, integration is the much larger chunk of any internationalisation strategy. It means facilitating the flow of clients, information, knowledge, products, and services through the organization. It also means the concerted effort to develop the business quantitatively (clients, engagements, staff, utilisation) and qualitatively (higher value-added products and services, more skills and specialisations, better leverage). Integration gets the internationalising firm to the honey pot: it drives profits and it creates market and thought leaders.

Professional service firms' track record

In the past ten years most firms performed better on expansion than on integration (see also figure 1). Almost all that have added offices in new markets, found teams with needed industry expertise or complemented key service offerings with additional capabilities in particular markets. On the integration side of the equation, the results are mixed. Some firms, especially those that expanded early, made significant advances. The big accounting firms are good examples for bringing their network structures closer together, some of them undergoing substantial structural, organisational and managerial changes. Most firms, though, neglected integration. At least since the end of the bullish capital markets, cross-selling activity and internal referrals decreased. As profitability came under pressure, investments in infrastructure, technology and networking that foster integration across offices and practice areas faced the axe. While firms introduced some form of matrix structure to the organisation, in many cases partners consider them burdensome, bureaucratic and useless for business development purposes. When markets were good, partners were investing willingly and enthusiastically into joint efforts. But as they have to stretch to achieve their personal financial targets, activity in practice areas, industry groups or client teams has been reduced to passively attending fruitless meetings.

Financially, internationalisation often came at a heavy price. Especially firms that grew through mergers faced enormous additional expenses as mergers failed or did not develop as expected. Even though revenue in the enlarged firm increased significantly, today's profits linger often at pre-millennium levels. Has the ratio of profits to sweat equity deteriorated since 2000? For most partners it probably has, while a few earn considerably more than before they joined international practices. It is just that these beneficiaries are rarely found in the firm's principal office whose partners led (and paid for) the expansion.

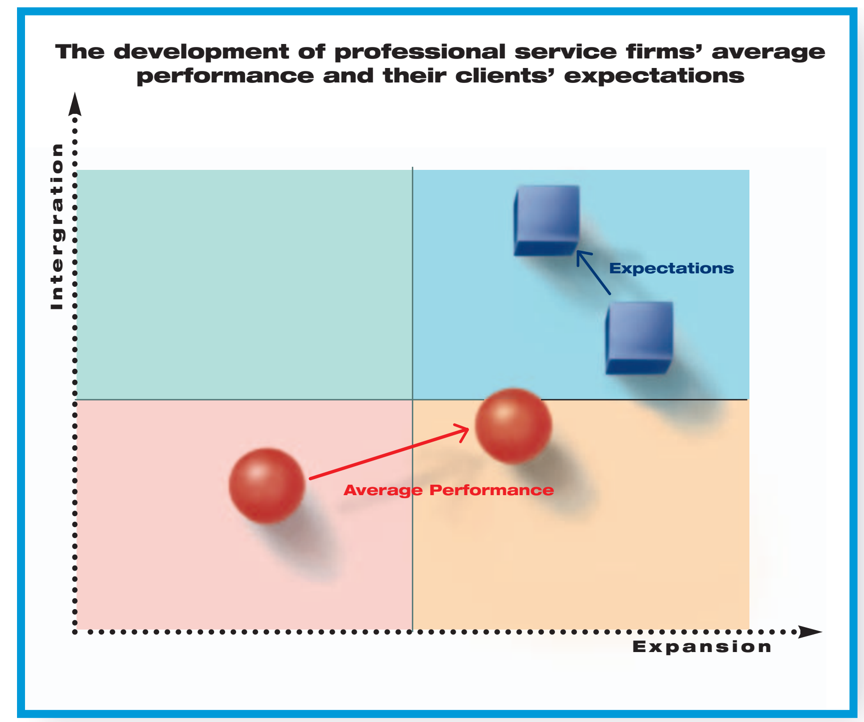
Reasons for sluggish integration

The development is partly understandable. At first, clients' preferences deemed expansion more important. As they reduced their number of international advisers in legal, accounting, auditing or management matters, the race was on to grow internationally. Firms needed to react or face the prospect of being left behind. Additionally, a certain level of interaction between offices and practice groups happens automatically, when you expand. While certain bits of work and information are passed on within the firm, management is lured into believing that integration will take care of itself.

As the international network develops, a lack of good management becomes apparent. A cross-border operation requires a huge amount of creative planning and bold implementation, if it is to be more than just an amalgamation of local practices. In 2002 David Maister, renowned professional service firm management expert, commented cynically about the law firms' abilities in this respect: "Managing a global network is rather like trying to do a doctorate in management when most law firms are still in kindergarten when it comes to management. […] I do not think the well-managed global law firm is impossible in principle, but I would bet against the ability of the majority of firms to introduce the culture and managerial processes to pull it off. It takes a level of managerial skill that the firms have not demonstrated domestically, never mind internationally." Almost certainly, this criticism is also verifiable for ambitious international firms in other professional service sectors.

The e-commerce revolution, the Y2K problems and the introduction of the Euro-currency as well as inflated stock markets around the globe disguised the need for sound management following each network enlarging manoeuvre. The circumstances warranted volumes of work and little pressure on prices. Exceptional growth rates can be the result of good management, as well as the perfect cover-up for bad management. While in the former case the relationship is causal and constructive, in the latter it is coincidental and destructive. Although expansion may add to the size of a body, integration hones it. Growth can cover up a failure of tuning—until it stops. The problem is that honing, and thus integration, requires a certain determination as well as discipline and endurance as it causes pain.

Figure 1:



The level of expansion can be measured in indexed ratios of revenue, employees, offices and geographic markets served. The degree of integration can be measured by the level of internal referrals, the firm's expenditure on facilitating network activity, as well as indexed key management level indicators, like depth and use of information and knowledge resources, budgeting and controlling procedures, work delivery and service standards or quality control and supervisory systems.

Clients expectations require more integration

A growing number of clients with international operations are developing more sophisticated selection procedures for their external consultants. In each professional service market one finds an abundance of capable advisers on the one hand and a reduced number of projects to go around on the other. Clients use that disparity to their advantage by asking for more. Even a smaller piece of work from a larger corporate client is attractive to most firms. Today, all professional service sectors are reporting massive pressure on prices in the competition for new work. Management consultants are told to keep junior professionals off the client's premises and invoices; lawyers are pitching for panel seats with fee arrangements that border the professionally acceptable. Still what clients want more than anything else is to know that they will be buying value for money wherever the work is undertaken. As a CEO explained recently:

"Maybe we used to ask our advisers to follow us round the globe like suppliers. But now we want to work with them only, if we are satisfied that they can deliver over there as well as or better than anyone else." For the balance of professional service firms' integration and expansion, this attitude translates to a substantial shift of the target zone in favour of integration (see also figure 1).

Consequences for competition in international markets

The development global markets has three broad consequences that will affect future professional service firm competition in international markets:

First, the race for international client work is far from decided. Some of the firms that previously served clients' needs best, are now no closer to meeting clients' expectations than other firms that were heretofore significantly behind. In the current climate, those who have spent time and money on integrating their practice are getting a boost: clients' expectations are migrating towards them. It also means that networks, alliances and co-operative models, which clients and markets often did not see as contenders for their work, get a fresh attempt – provided they integrate to deliver across the width, breadth and depth of their practice better than their competitors.

Secondly, management of the integration effort is the key to near-future international success. Any firm must put in place the right structures, incentives and reporting systems that further the integration of their knowledge-based workflow. That does not necessarily mean heavy investments, but it does mean that all undertakings must be geared towards integration. If a firm fails in these efforts, it may well face the breaking away of key clients, significant revenue streams and ultimately offices and practices. We are already seeing this in the legal services as well as to a certain extent in the auditing firms.

Thirdly, what clients want today may not be what they need tomorrow. The shifting of client expectations will almost certainly continue. Hence, professional service firms should also prepare for the pendulum to swing in favour of expansion again. However, that should mean no fall back to old habits, but a lift up onto a more sophisticated level. A strategy that drives the firm well past client expectations both in terms of geographic reach and operational synchronisation stands the best chances of long-term success. The firm that pursues and monitors progress of both factors will leapfrog ahead of the competition.

Friedrich Blase *is a partner in Edge International and heads the firm's office in Frankfurt, Germany. He supports professional service firms in their development and implementation of expansion und integration strategies. He advises in change management projects and performance reviews. A German-qualified lawyer with international exposure, he has been awarded a number of prizes for his work and lectures at several universities. He can be reached by email at* **blase@edge.ai**

EDGE International Presentations and Seminars 2005 Schedule

Succession Planning for Law Firms

LONDON, M/**14 March 2005**

SPEAKERS:

Nick Jarrett-Kerr, Edge International
Friedrich Blase, Edge International
Robert Millard, Edge International

Succession planning is the major challenge facing law firms—whether identifying the right candidates as partners, department heads, or law firm leaders; or finding ways to make room to promote the young and ambitious. The combined threats of increased partner mobility, and challenges to profitability, make it all the more important to get these decisions right. This one-day conference explores the problem areas and offers a range of innovative solutions.

For details visit: www.clt.co.uka

Standing Out From the Crowd

CANADA
TORONTO, M/**16 May 2005**
U.S.
PHILADELPHIA, TU/**17 May 2005**
U.K.
MANCHESTER, TU/**25 October 2005**
BIRMINGHAM, W/**26 October 2005**
LONDON, TH/**27 October 2005**

SPEAKERS:

Patrick McKenna, Edge International
Ed Wesemann, Edge International
Nick Jarrett-Kerr, Edge International

How different is what you are doing right now—the strategies that you are employing now—from the four or five key competitors in your marketplace? If your answer is "not much" then how are you ever expecting to surpass their performance? As firms race to benchmark each other, they simply become more alike. Mee-tooism remains the dominant force in competitive differentiation. This one-day workshop deals with the specific strategies that law firms can use when they are in a highly competitive marketplace with little differentiation among many law firms all competing for the same clients.

For details visit: www.mblseminars.com.

Seamless Service in Mult-Office Law Firms

U.S.
NEW YORK, TH/**16 June 2005**
U.K.
LONDON, TU/**12 July 2005**

SPEAKERS:

Karen MacKay, Edge International
Stewart Saxe, *Partner.* Baker & McKenzie
Michael McKendry, *General Counsel,* Husky Injection Molding Systems, Ltd.

Firms spend extraordinary amounts of time and money attempting to market themselves to existing and prospective clients, and to financially benchmark themselves against their competitors. Just as necessary, but all too often neglected, is the quality audit of the firm's own performance —because firms don't really know how to do this. This one-day interactive session will explore how multi-office law firms can maintain quality across a wide-array of offices, practices and cultures.

For details visit: www.mblseminars.com.

Enhancing, Utilizing and Defending Reputation

U.S.
NEW YORK, TU/**3 May 2005**
SAN FRANCISCO, TH/**5 May 2005**

U.K.
LONDON, W/**5 October 2005**

SPEAKERS:

Gerry Riskin, *Partner.* Edge International
Sue Stapely, *President,* Quiller Consulting
Larry Smith, *Director,* Levick Strategic Communications

The most valuable asset a law firm has is it reputation. It is a firm's primary marketing tool and the basis of much of its client services. This one-day sessions deals with the factors that make up a reputation and what a firm can do to enhance or damage it. The session is designed into three parts to consider reputation from the law firm and client's viewpoint, from the position of the public relations professional and from the perspective of the media.

For details visit: www.mblseminars.com.

by Gerry Riskin, EDGE INTERNATIONAL

MINDING THE SEMINAR

It is customary to evaluate the presenter. Were you taught, provoked, educated, entertained; did the presenter know his or her subject, prepare in advance, get you involved, get the entire audience involved? Oh, how deliciously comfortable it is to evaluate that presenter who put it all on the line for her/his audience.

I am suggesting a radical change for every attendee: hold up a mirror and take a close look…a very close look (not so deliciously comfortable at all).

Don't misunderstand—an entertaining, engaging presenter can "hold the audience" better and create an environment that fosters learning. I believe that each and every attendee has a personal responsibility to gain optimum value from attending.

"Evaluated" describes how we grew up. We wrote exams, turned in papers, and received grades. We worked very, very hard to score well, to succeed. That was school. Now, as attendees, nobody is watching. It is part of our "right of passage" that we no longer need to subject ourselves to the evaluation of others. Now it is all about self-discipline. Alright then…if it is up to "self" then let's explore how an individual can fulfill the obligation to "self" (and therefore, indirectly to firm).

Treat this article as a personal assistant to help you optimize every learning experience from here forward. We will look at content and action, as well as a checklist that I hope you will find helpful.

CONTENT

In most presentations there is some content-something to be learned. Did you learn it? A good test is whether you could now teach it. Doctors practice the protocol of "watch one, do one, teach one." I have suggested to law firm clients that those who attend CLE at the expense of the firm should not be reimbursed until they have presented what they have learned to others within the firm. At a minimum, an "optional lunch" should be arranged for those interested enough in the subject to show up.

> *So, even if we have assimilated content, unless we have a resulting action plan that moderates our behavior, no matter how slightly, then the experience alone has no value.*

ACTION

The reason we look for content in the presentations we attend is in order to figure out whether there is a better way to do something or to discover something we are not doing which would produce a desired result. In plain words, if there was something worth implementing then the test is whether or not we can and will. So, even if we have assimilated content, unless we have a resulting action plan that moderates our behavior, no matter how slightly, then the experience alone has no value.

CHECKLIST

I believe that when we attend CLE, we owe it to ourselves to self-evaluate. You can create your own questions, but here are some that make sense to me.

- **Did I attend the whole session** (*was I on time, did I get back from breaks on time and did I stay until the end*)?
- **Did I concentrate and focus** (*i.e., refrain from checking emails on my wireless device, or take documents to read or work to do*)?
- **Did I take notes in sufficient detail that I remained focused and could now recount the salient points to someone who was not in that room?**
- **Did I look for the merit in the points being made?** (*Did I consciously avoid minimizing the potential value of new ideas in order to justify the ease and comfort of the status quo?*)
- **When the presenter was a little drab** (*or worse*)**, did I take even more detailed notes to force myself to pay close attention; concentrate?**
- **Did I add my own thoughts and inspirations to those of the presenter, and incorporate them into my notes?**
- **If afforded the opportunity, did I pose a worthwhile question not merely to demonstrate my intellectual prowess but to learn as much as I could about the presenter's point of view, whether I agreed with it or not?**
- **Did I introduce myself to the presenter for possible future follow-up and did I network with others in attendance who might be anything from sources of referrals to resources based on the subject matter?**
- **Did I complete the presenter's evaluation thoroughly and thoughtfully enough that the presenter could learn and improve** (*thus contributing to future audiences*)**?**

- **Did I create and add to a list of possible actions I might take as a result of the experience so that I might have a "menu of options" from which to choose should I decide, in my judgment, to do so?**

If I were still a Managing Partner today, I might customize a checklist suitable for the firm or by practice and industry groups and ensure that my people received one before an event. I would also have "someone"-maybe our training professional or maybe a group head-but someone follow up with individuals and assess the value of what they attended and gauge their attitude and contribution toward the event. I would definitely arrange an internal presentation following it-even if only to a handful of people-and I would record that and edit it down to have in our library as a resource. What are you going to do?

Gerry Riskin *is a former Managing Partner with a truly global practice and has conducted retreats for law firms and associations of law firms around the world. Gerry is the co-author of* **Practice Development: Creating the Marketing Mindset, Herding Cats and Beyond Knowing**" *and the creator of the acclaimed audio production* **Successful Lawyer®**. *He has also served the Conference Board of Canada, is a Visiting Fellow of The College of Law in London and a Visiting Professor to the Gordon Institute of Business Science at the University or Pretoria in South Africa. Gerry resides in Anguilla, BWI, and can be reached by email at* riskin@edge.ai

CULTURE

is what defines a law firm. In a business where all of the assets ride up and down the elevator every day, the glue that makes a law firm work is its culture. In fact, research has demonstrated an indisputable direct correlation between profitability and culture.

But ask a law firm managing partner to describe the firm culture and you'll hear euphemisms like "collegial" or "democratic."

The fact is that most firms really don't know what their culture is and can't describe it. Yet a recent survey of large law firms showed that one of their partners' greatest fears was "losing their culture." How can a law firm preserve what it can't describe, doesn't recognize and won't communicate"?

The Edge International Cultural Inventory is based on 15 years of research by Dr. Daniel Denison of the University of Michigan School of Business, involving more than 44,000 respondents from over 1,800 businesses, including over 100 law firms. The database allows the identification of the specific traits that determine an organization's culture.

It's a simple choice. A firm can continue to growth, take in laterals, merge and hope that its culture won't change. Or it can devote a partner meeting or retreat to understanding and protecting its culture.

Of course, all firms are collegial and democratic...aren't they?

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

EDGE INTERNATIONAL 1 800 944 3343

CANADA	UNITED STATES	UNITED KINGDOM	SOUTH AFRICA	AUSTRALIA
1 800 921 3343	1 800 944 3343	0 800 964 911	0 800 999 849	1 800 123 366