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The Five Levels of Strategy

by Rob Millard

Risky business

by Gerry Riskin

Email Will Never Be The Same – All Dressed Up and Everywhere To Go

by Richard L. Upton

Enterprise 2.0 and Reinvention of the Firm

by David Terrar



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Dear Clients and Friends

This edition focuses firmly on strategy. Rob Millard presents an innovative new model for thinking about it. Gerry Riskin writes on what history may define as a critical event in the history of the legal profession, namely a law firm listing on a stock exchange. The Legal Services Bill in the United Kingdom will shortly have firms in that jurisdiction following suit shortly.

The Bill has already fundamentally altered the relationship between the lawyers and non-lawyer business executives in UK firms. In a recent survey, 93% of UK law firms said that they think that having non-lawyer professionals as equity owners will improve their businesses. The British Government is now fast-tracking elements from the Legal Services Bill, which will enable 25% of legal partnerships to be drawn from other professions by the end of 2008. How long it will take for this trend to jump the Atlantic remains to be seen.

We have two guest contributors. Dick Upton writes about how email might be improved by embedding useful data and enhancing a firm's email branding. David Terrar, a technology consultant in London, writes about social networking tools and how these are poised to reinvent the way that we collaborate and communicate in firms (partly by heavily reducing email!) David's organization, Blogtronix, and Edge International have joined forces to help law firms use social networking to dramatically improve their strategic and collaborative processes.

As always, we welcome feedback!

Our best regards,

The Partners, Edge International

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The Five Levels of Strategy



By Rob Millard

MUCH HAS BEEN written about how conventional models of strategic planning fail to achieve what is needed in today's rapidly changing world. It is obviously still critical to have a clear sense of direction and to know what the firm needs to do to ensure its ongoing competitiveness and profitability, but it is no longer enough for that to take the form only of a static 'strategic plan.' In a global survey of strategy in professional service firms conducted by the Managing Partners' Forum in August 2007, 40% of North American firm leaders reported that they had managed to execute less of their firm's strategy than they would have liked, *given changing circumstances*. A 2006 survey by Edge International revealed an even higher (significantly higher)

incidence of strategy failure amongst North American law firms. Furthermore, according to research conducted by several other major organizations including a recent study by McKinsey & Co (Dye and Sibony, 2007) this trend is by no means limited to the legal profession.

A wide range of pressures exist today, many of which are completely new, that are inexorably driving up both the rate and intensity of change in the professions. Clearly, a new way of thinking about strategy is required.

Pressures on Profitability

According to Dan DiPietro of Citibank (DiPietro, 2007,) growth in law firm profitability over the past five years has been almost solely attributable to the ability of law firms to escalate their rates at more than the inflation rate.

The other three key drivers of law firm profitability in the "profits per partner" equation (Maister, 1997- see figure 1 below) have not fared so well:

Utilization (i.e. total number of hours worked by fee earners) has remained level over the past five years (at a brutally punishing rate in some firms) and in fact associate utilization has dipped slightly since the late 1990s.

Margin (i.e. fees minus overheads, divided by fees) is under pressure, not only from normal inflationary pressures but more so from demand-supply driven increases to associate salaries and, to a lesser extent, non-legal management professionals too.

Leverage (i.e. the number of non-partners or equivalent divided by the

Profits per Partner = Rate × Utilization × Margin × Leverage

$$= \frac{\text{Fees}}{\text{Hours}} \times \frac{\text{Hours}}{\text{People}} \times \frac{\text{Profit}}{\text{Fees}} \times \frac{\text{People}}{\text{Partners}}$$

Fig.1: The formula for profits per partner (Maister, 1997)

number of partners) has also remained more or less constant.

How sustainable is a business model that relies solely on driving up the rate that one charges clients, when those same clients are under increasing economic pressure to cut their own operating costs? The answer is provided by the Managing Partners Forum strategy survey, where firm leaders reported that increasing client demands, downward pressure on fees and the difficulty of balancing long-term growth with short-term

profitability tied for first place as the most important strategic issues that they face today.

Globalization, Talent and Technology

Indian law schools now produce roughly the same number of graduates as those in the USA, but they start work with a salary of about \$8,000 per annum. Even if this rate doubles and quadruples as outsourced workflows to India and similar jurisdictions increase, it will still be significantly less than in western commercial law firms.

Supply and demand dictates: the stream of work being outsourced to emerging markets will increase dramatically as the talent pool increases in those markets and clients become aware of the potential for significant cost reductions. The technology to transmit large amounts of data and deliver competitive results already exists. Some firms will view this reality as a threat; others will view it as an opportunity and will seek to exploit outsourcing opportunities before their competitors do, so growing market share.

Thomas Friedman wrote in his book "The World is Flat" (Friedman, 2006) of the emerging 'perfect storm' of three interlocking drivers that will reshape the world in the 21st Century. These are:

- Technology that has the reach, the bandwidth and the computational power to enable business to be conducted real-time on a global basis
- Young people entering the market who grew up with a far wider range of collaborative and other technology than any previous generation and who are completely at ease with this new technology
- The entry of new countries into the global knowledge economy (largely driven by the technology, especially the internet)

Law firms are not immune to these drivers. In fact, their business models seem to be set to undergo an even greater metamorphosis over the next few years as protectionist structures (especially the prohibition of ownership of law firms by non-lawyers and international barriers to practice) fall away.

The environment that gave rise to the 'tournament of lawyers' model (Galanter and Palay, 1994) of associates toiling away for low pay in return for the promise of the utopia of partnership has all but disappeared. Today, the number of associates at the largest 250 commercial law firms in the United States has increased by 76% over the past decade, but the number of law school graduates has only increased by 7% (MacEwen, 2007.) Many of those graduates choose careers other than private practice. Of those that do enter the commercial firms, most defect within five years. A compensation

"In the Managing Partners Forum strategy survey, increasing client demands, downward pressure on fees and the difficulty of balancing long-term growth with short term profitability tied for first place as the most important pressures facing law firm leaders."

frenzy has ensued. Newly minted attorneys in large commercial law firms may now earn more than mid-level managers with more than a decade experience, in their clients' organizations. The gap between compensation amongst these top commercial firms and the rest of the legal profession, where compensation has barely kept up with inflation (see figure 2) and other professions has also widened dramatically in recent years (NALP, 2007.) Whether this trend continues or not will depend largely on:

- Whether US law firms increase enrolment to increase the supply of entry level graduates suitable for employment in major commercial law firms;
- The inherent growth in the US of demand for sophisticated commercial legal services;
- The degree to which clients move towards outsourcing these sophisticated commercial legal services to less

expensive jurisdictions.

At the top end of the professional pyramid, firms are also having to scramble for alternative models to accommodate reduced partnership opportunities to preserve gearing (at least partly to dance the "profits per equity partner" tune for the published rankings) while battling to retain senior talent.

In the United Kingdom, the Legal Services Bill is poised to usher in a whole new era where ownership of law firms is not restricted to solicitors.

This raises all sorts of possibilities for external equity funding and even public ownership. Professor Stephen Mayson of the Nottingham Law School in England has predicted that over 3000 British law firms may go out of business in the next few years (Byrne, 2007) because they will not be able to evolve to adapt successfully to the new circumstances.

Age discrimination has also been outlawed so mandatory retirement ages are now illegal in the United Kingdom.

In Australia the world's first publicly owned law firm, Slater & Gordon,

listed on the Australian Stock Exchange in May 2007. In India, changes to the legislation prohibiting foreign law firms from opening offices and foreign lawyers practicing law in that country are imminent. In China, the number of international law firms operating in that market is steadily increasing as new and innovative ways are found by western firms to circumvent the restrictive trade practices there.

A New Way of Thinking About Strategy

It is clear that the rate of change in the market is accelerating rapidly. Never before has it been more critical for firms to have a clear vision of where they are going, coupled with what we in Edge International call the '**dynamic resilience**' to successfully adapt and to absorb whatever the market throws at them!

To develop processes and structures to provide the continuous stream of strategic information that decision makers need in order to craft the best possible strategy for their firms; to ensure that strategy is actually executed. Simply put: to "*get good at*" strategy!

Yet the Managing Partners' Forum survey also revealed that most law firms only use the most rudimentary of analytical and other strategic tools when crafting strategy, and few of the most important kinds of strategic information. Clearly, there is scope for crafting better strategy, and so to create more competitive firms, simply by correcting this!

Viewing strategy as having five distinct levels can help to provide a framework for firms to think through how they should go about strategy differently:

Level 1: Conceptual strategy

In the older strategic planning models, this level took the form of a "Vision" or "Mission Statement" which contained the firm's overall strategic objectives.

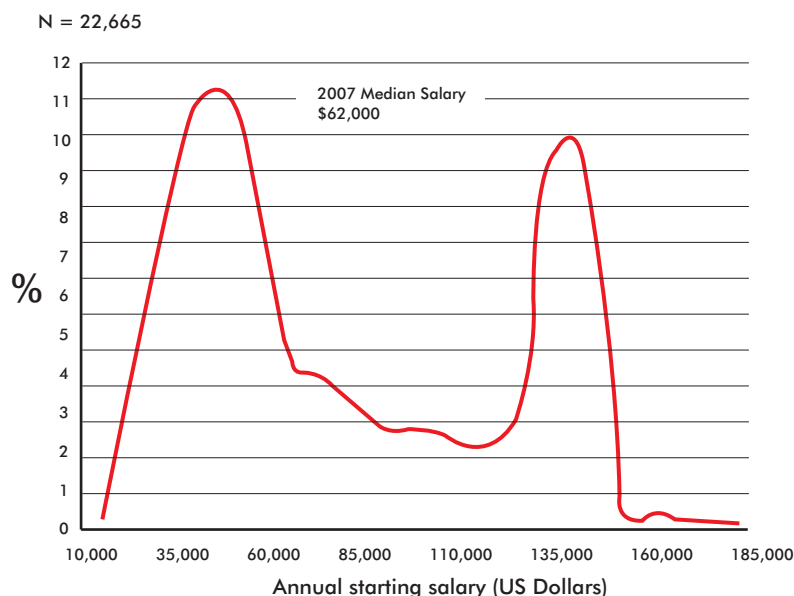


Fig. 2: Distribution of Full-Time Salaries in the US legal profession. The graph is based on 22,665 salaries. A few salaries over \$200,000 are excluded for clarity. The two gaps clearly show the widening gap between starting salaries for associates in the commercial law firms (the peak on the right) and other forms of legal practice (the peak on the left) (NALP, 2007.)

Never before has it been more critical for firms to have a clear vision of where they are going, coupled with the foresight, agility and what we in Edge International call 'dynamic resilience' to react to whatever the market chooses to throw at them as they make their way in that direction.

These documents were usually too generic to be of any use for proper planning, though, consisting as they did of abbreviated platitudes about client service, attracting and retaining talent, being a great place to work and delivering superior financial performance. Our approach to this level of strategy borrows current mission planning doctrine from the US Air Force.

It involves the crafting of a narrative that is:

Clear and unambiguous (so that

the firm's strategic intent is clear to all.)

Compelling (so that it captures the imagination and 'sticks in the mind' of those working in the firm.)

High Resolution (so that each person in the firm can make the document relevant to his or her specific level and function in the firm.)

Modular (so that it can be easily changed when circumstances dictate.)

This narrative richly defines the "desired future state" that the owners of the firm wish to achieve,

typically over a three to five year time frame. This is achieved through a process of considering the strategic options and issues facing the firm, testing owner and sometimes employee perceptions regarding these in a survey, and finally facilitating a two day retreat to consider the results and, together, to craft that "desired future state."

If the strategic issues that emerge are particularly complex, technological options exist to broaden the process into a (secure) online discussion, using sophisticated enterprise blogging technology, over several days, prior to the retreat. This has the wider advantage of opening the process to a far greater number of people in the firm, without their having to leave their desks (or their client work.) In Edge International, we call this approach "brainstorming," using the analogy of a beehive, where bees communicate and cooperate in highly constructive ways without central control. The proceedings of the online discussion are moderated and can be reduced to a written document that is distributed to the firm's owners for study prior to the retreat.

The "desired future state" document becomes an overarching guideline, governing everyday business activity in the firm and also outlining the key strategic issues that need to be addressed. When decisions need to be made, this document provides context to inform which alternative is more closely aligned with the firm's strategy. The narrative is usually about five pages in length and is a "living" document that should be formally revisited; we suggest at least every six months or so.

Where two or more mutually exclusive 'desired future states' emerge from the discussions, further facilitated debate or investigation is usually required to achieve consensus.

Level 2: Actualizing Strategy

This level of strategy is about moving the firm from its current state, to the



Fig. 4: The Five Levels of Strategy discussed in this article

desired future state. In other words: execution or implementation. In the older models of strategy, this took the form of a strategic plan that was a static and comprehensive description of the route that the firm must travel.

Instead, our approach is to focus on immediate, short-term action. We help the firm sketch out in generic terms what needs to be done to achieve its desired future state, and then we move immediately to defining a number of strategic projects that the firm can commence immediately in order to move in that direction. This represents a substantial shift away from the old fashioned notion of strategic 'grand plans' to small, achievable and controllable action steps.

We recommend a strong project management approach. Project milestones, responsibilities and resources required are identified, documented and allocated. Each project is broken down into its constituent actions and measures are considered to ensure successful execution.

To draw the military analogy again, these strategic projects are similar in concept to the individual "missions" that are executed by subordinate commands (e.g. fighter squadrons) to achieve the overall commander's military strategy or desired future state. In terms of process, the first tranche of projects are usually agreed and documented at the retreat described under Level 1.

Once a strategic project is concluded, the firm reviews it for 'lessons learnt' and then moves on to the next project.

As with Level 1, "*getting good at*" Level 2 strategy is largely a matter of understanding what the concept well, deciding to adopt it and then constructing the systems and structures to enable it. If the firm lacks adequate action orientation in its culture for such an overt project management approach, in which case an intervention can be designed to proactively evolve

the firm's culture to improve action orientation. This would, in itself, be a project too. Alignment of systems such as performance measurement and perhaps even compensation may also be projects that are required.

So far as is sensibly possible, we recommend 'ring-fencing' individual projects by defining each separately and allocating separate "buck-stops-here" responsibilities, resources and performance metrics. Ring-fencing is a powerful tool to promote accountability and to ensure that action and resources are focused on the most important areas.

Level 3: Situational Strategy

This is the level at which the firm focuses its efforts of developing **dynamic resilience**. There are two aspects to this:

Competitive Intelligence

The first aspect is developing a competitive intelligence capability (sometimes also called a business or market intelligence capability) to track key variables in the market; to consider their implications; and to develop short term strategic shifts when appropriate to address changes in these

variables. Such variables may include the following:

- Client satisfaction levels
- Macro-economic environment
- Employee satisfaction
- Actions by key competitors
- Changes in the industries of key clients

The faster one can identify a change in the market; craft a strategy to address it; and execute that strategy in the firm, the greater the possibility of sustained competitive advantage that is greater

than one's competitors. We recommend that careful thought be given to identifying a small number of the most important key metrics that the firm needs to track in order to know what is going on inside the firm and outside in the market, and then develops specific protocols to track these by:

- Collecting data on specific key market issues
- Collating the data, making sense of it and interpreting it for useful conclusions
- Converting the resulting intelligence into the format that is most useful for decision makers in the firm, and
- Communicating this intelligence to those decision makers.

This competitive intelligence cycle is illustrated in Figure 4. The intelligence

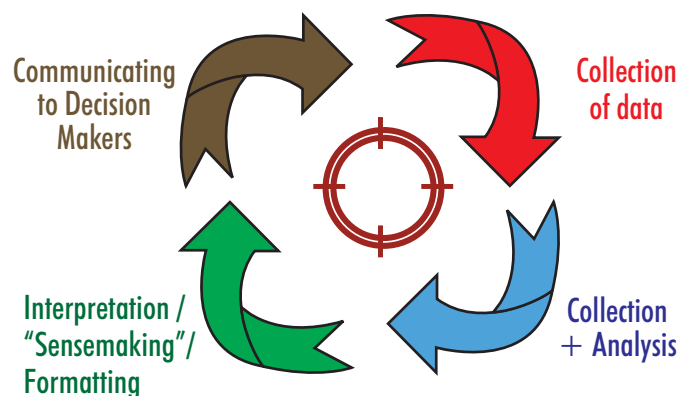


Fig. 3: The Competitive Intelligence cycle

feeds back into the strategic decision making processes that drive changes to Level 2 and Level 1 strategy.

Organizational Fitness: The second aspect is the firm's Level 3 strategy to develop a higher level of 'organizational fitness' in order, firstly, to be able to execute its Level 2 strategic projects but also, secondly, to be able to respond to a range of market conditions and also unexpected events as they occur. This involves attention to accumulation and development of

resources (financial, human, technological, systemic etc) and **skills** (business development, skills transfer, client relationship development, knowledge sharing etc.) The process involves determining what level of each would be required to address a range of “what-if” scenarios (loss of a key fee earner or client; major change with a client, change in the macro socio-economic environment in one of the firm’s markets; becoming aware of a potential lateral hiring opportunity, etc.)

The deliverable at this level would be a skills and resource inventory, plus development of a strategy to bridge identified gaps and in some cases even to execute the skills training involved. (Edge International is one of the world leaders in highly sophisticated, experiential skills development for professional service firms, especially in the area of client relationship building, dealing with conflict and business development skills through a well-proven program called *Rainmaking*.)

Tying organizational fitness directly back to strategy ensures that effort and investment is focused on executing that strategy and that time and money is not wasted on development issues that are peripheral (or even contrary) to the firm’s strategy.

Level 4: Generative Strategy

Once the first three levels of strategy are in place, the firm can turn its attention to developing its ability to innovate; to constantly reinvent its services and service delivery mechanisms. Innovation is linked to culture but this is so obvious that it is as inane to simply state that, as it is to state that obesity is linked to eating too much. The question really is: what strategy does the firm need to adopt in order to foster innovation and to keep innovation focused on issues that are strategically central?

Formal and informal research over decades leads to the inescapable

Innovation is linked to culture but it is as uselessly inane to simply state that, as it is to state that obesity is linked to eating too much.

conclusion that the process of innovation, when it has worked well, has been largely unplanned, informal and even illicit. Lockheed Martin’s “skunkworks,” that were informal groups of individuals working on the fringes to develop solutions to problems without mainstream managerial control or even approval, are a good example. It is this very messiness that dictates against acceptance in professions where neatness and accuracy are prized, though. On the other hand, advances in social networking technology now create opportunities for mechanisms to allow such informal groups to operate within firms, inexpensively and informally, without interfering with the day-to-day practice of the firm. These create virtual layers at which people in the firm can share knowledge and collaborate without interfering with the formal structures and systems in place.

Level 5: Meta-Strategy

This, in essence, is what this article is all about. Meta-strategy is the firm’s “strategy about its strategy.” It transposes all four other levels. The point of meta-strategy? In a hypercompetitive environment, it is critically important for a firm to understand exactly what it is doing in

order to craft and execute good strategy. Just as every firm is different intrinsically, so ideally should be its approach to strategy.

Meta-strategy includes answering the following questions (for instance) about the strategy process itself:

- How is the firm’s desired future state to be defined and, as necessary, amended?
- Who holds strategic decision-making authority and what are the boundaries of that authority? To what extent and how is this delegated down into the firm?
- What critical areas does the firm’s leadership need current and accurate information on at all times and what processes are required to provide that?
- Of the wide array available, what specific tools to analyze data and drive strategy does the firm prefer?
- How alignment is to be reached between strategy and shorter-term priorities?
- What ‘brutal truths’ need to be faced?
- How would one define the firm’s strategic philosophy?
- Is the firm primarily externally competitive, constantly measuring itself against its competitors, or whether the competitiveness is focused inwardly on continual self-improvement? Is the dominant culture or mindset of the firm that of a “hunter,” or that of a “farmer?”
- Is the primary focus the maximization of short-term profit or long-term growth?
- Is the firm focused primarily externally on client need, or internally on the aspirations of the firm’s owners?

Within limits, there is no right or wrong answer to any of the above and the reality is usually somewhere in between but with a bias in one

direction. Understanding and accepting (or changing) how that bias is orientated creates considerably greater organizational self-awareness, though, and so more congruent strategy!

Concluding Remarks

Designing a robust and sensible strategy process is one of the most urgent and valuable things that any firm needs to do today. Strategy is simply too important and too complex to be approached on an 'ad hoc' basis any longer. Doing so risks losing what assurances are possible that the firm will remain competitive and optimally profitable as the world changes around it. To sum up: the key is to craft a carefully considered process that is a dynamic framework comprising:

- A clear desired future-state (Level 1)
- A series of carefully considered strategic projects over time to drive execution (Level 2)
- Carefully focused competitive intelligence to forewarn decision makers when a change of course or speed is required, coupled with the development of the resources and skills (i.e. organizational fitness) to be able to be dynamically resilient under a range of possible futures (Level 3)
- Initiatives to foster innovation and emergent new ideas, coupled with quickly identifying the good ones so that they can be developed further and the best of them actually translated into action (Level 4)
- Careful selection and fine-tuning of the strategy processes, tools and data sources that make the most sense for your own firm's particular circumstances (Level 5.)

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In England, he presents a regular half-day master class on law firm strategy for Central Law Training. In the USA, he is a popular presenter on law firm strategy for the Association of Legal Administrators and serves on the strategic planning committee of the Law Practice Management Section of the American Bar Association. Rob publishes a blog 'Adventure of Strategy' (www.robmillard.com) that is rapidly gaining recognition internationally as one of the foremost in its field. As a young man, he served as a company commander in one of the premier infantry regiments of the South African Army and as a game ranger in the 8500 square mile Etosha National Park in Namibia.

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Historically, as trained professionals, we have been in great awe of those few professionals who seemed to possess the magical powers to attract and retain business. Many of us have been under the impression that these abilities must emanate from some secret source of knowledge, accessible only to a select few.

Thousands of articles have been published, but it remains painfully clear that effective business development is not the result of more knowledge. While some are naturally competent at working with clients, most of us must learn those skills. The difficulty with developing these capabilities has been in teaching them in a way that is practical and usable in the normal office setting.

Now there's RAINMAKING®. A dramatic departure from conventional approaches, RAINMAKING® develops the specific skills that are needed by professionals throughout the day for effectively handling a variety of client episodes.

The real difference in RAINMAKING® is that it provides a totally new way to teach these critical skills. While existing efforts have been content with simply reading articles or discussing complex theories, they overlook a fundamental fact: we learn by watching good examples, understanding basic steps to follow, practicing the skill, and receiving feedback. RAINMAKING® doesn't focus on lectures. Instead it isolates critical business development and client-relations skills, and breaks them down into a few key steps. RAINMAKING® includes practice followed by feedback. This practical combination promotes usable "on assignment with clients" application.

The result is high performance "Rainmakers" possessing skills that enable them to approach client interactions with the energy and confidence necessary to be effective. Mastering these skills is a prime determinant of successful performance for professionals and their firms. Those who succeed will thrive. Those who don't will stagnate.

THE RAINMAKING® TRAINING PROCESS

How do we teach a professional the skill of handling telephone inquiries from new prospective clients, the process for securing retainer fees, courting prospective client contacts, or cross selling existing clients on other services provided by the firm? The best learning process developed so far is called Behavioural Modeling. It involves five elements:

1. A FRAMEWORK FOR UNDERSTANDING. This is similar to the checklist provided to pilots to outline the required steps to take off and land an airplane. The framework is important to understanding the various elements of the example. In the RAINMAKING® program, participant workbooks provide a framework for understanding. Each contains a brief overview of the topic, its importance, the three to six key steps the professional is to follow, and a rationale for each of the key steps. The balance of the written materials include checklists or forms to aid participants in practicing the skills.

2. A DEMONSTRATION. If a picture is worth a thousand words, then an example or model can convey a complete story. In the RAINMAKING® program, sessions begin with a demonstration where a volunteer from the group handles a particular episode in a realistic manner. These demonstrations are an important element of the program.

3. PRACTICE. Watching someone drive a car does not build sufficient skills. Practice is essential to acquire a skill. Practice is at the heart of the RAINMAKING® program. Practice builds the skill itself along with the confidence to try it in the real world following a training session. Practice is the vehicle in which the individual gets comfortable with applying new behaviour to everyday client interactions. By a careful learning design, every practitioner has the opportunity to practice becoming a competent Rainmaker. Real life situations are used. In each module of two hours, more than half of the training time is spent in practicing the specific skill.

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

4. FEEDBACK. Providing feedback lets participants know how they are doing. Similarly, they are directed on how their behaviour can be improved. Feedback is provided by several means within the RAINMAKING® program. First it comes from the other professionals, constructively passed on to participants. Feedback comes from the program leader who is constantly working with the participants during their practice sessions. Finally, because steps and principles have been carefully spelled out, one is able to be highly self-analytical about his or her own performance.

5. TRANSFER. This final phase ensures that skills acquired during the session are applied by the professionals back in their offices - in their "real world". Participants commit themselves to applying their newly acquired skills with clients. Following the implementation of these skills, participants report their progress at each subsequent training session.

A COMPREHENSIVE TRAINING SYSTEM

This particular training effort is designed to be completely self-contained, such that it can become your firm's own internal program, led by your own professionals, and capable of transferring skills that already exist within your firm. There have been over 300 professional service firms throughout the world, ranging in size from small boutiques to firms of over 1000 professionals using this program. The fourteen-skill building modules contained in this program include participant workbook materials, a leader's implementation guide, on-site coaching of your internal leaders, and ongoing implementation assistance.

There are several valuable results which the program is designed to achieve:

- **It transfers the knowledge and skills about client relations from your senior professionals to your younger practitioners:** This program is predicated on the realization that for most firms, 10% of your firm's

professionals already possess exceptional client relations skills. The key is transferring this know-how and skill to the majority of your people.

- **It shortens the learning curve by speeding up development of client relations and marketing skills in its participants:** The client relations skills it traditionally took ten or more years to acquire through trial and error can now be developed far more quickly.

- **Your own professionals and/or internal support people can deliver the training without the need for outside consultants or "experts":** Outside experts rarely know enough about you professionals, your firm, your clients, or your competitors. Since this program is led internally, your people will be far more candid and open about real situations and opportunities where they may exist.

- **It compliments other marketing programs your firm already has in place such as mentoring, individual marketing plans, industry niche marketing, and total quality management programs:** This program does not pretend to be the only solution to your firm's client challenges, but it does address the neglected area of client relations skills training for your professionals.

- **This program is highly considerate of practitioners time:** There is no pre-reading or post reading required of participants. And, our leaders tell us that on average they only spend about 20 minutes preparing to lead a session.

- **It is highly flexible and modular so it can be delivered the way you want, when you want it, consistent with your firm's needs, time demands and culture:** It's not a cookie-cutter training program. We suggest a one two-hour session be held every month. If time demands on your professionals are such that two hours per month is too much, then schedule less frequently. It's always your judgment call, not ours.

THE RainMaking® MODULES

RainMaking® is comprised of individual “stand-alone” modules designed to help professionals deal with the most frequently faced and difficult client situations.

MODULE 01:

ACTIVE LISTENING

At the very least, an inability to listen can cause confusion and misunderstanding, resulting in the loss of time and revenue. See the tremendous value in positively impacting client communications through active listening.

MODULE 02:

HANDLING TELEPHONE INQUIRIES

One of the greatest untapped resources for business development comes in the form of countless telephone inquiries from prospective clients. Discover ways to convert those inquiries into active on going clients of your firm.

MODULE 03:

COURTING PROSPECTIVE CLIENTS

Many occasions will arise when you will make contact with people who may be prospective clients for your services. Learn how to follow up and take full advantage of those occasions.

MODULE 04:

MEETING THE PROSPECTIVE CLIENT

The first meeting with a prospective client can be unnerving for even the most experienced professional. This

session will show you how to handle the interaction effectively while maintaining a consultative atmosphere.

MODULE 05:

MANAGING CLIENT EXPECTATIONS

Many find out the hard way that clients don't appreciate good efforts that fall short of their expectations. This module teaches the basic steps to creating the ruler by which the client will inevitably measure your performance.

MODULE 06:

REQUESTING RETAINER FEES

One of the most difficult obstacles any professional must overcome is what appears to be the natural reluctance to ask for money. Discover the steps to making the request for an initial retainer relatively painless, for you and the client.

MODULE 07:

CROSS SELLING SERVICES

The one statistically proven business development fact is that the clients you already serve will continue to be the ongoing source of the great majority of your work. Learn the skill of cross selling them on other services your firm provides.

MODULE 08:

TRANSFERRING THE CLIENT

So, you're transferring one of your clients to some other professional in your office because of the specialized nature of the client's situation. What happens if your client feels like they were passed off? Discover how to handle this effectively.

MODULE 09:

ASKING FOR REFERRALS

We just assume that our clients know that we would welcome new business. Unfortunately, referrals happen infrequently if left to chance. This module deals with ensuring an increased ongoing supply.

MODULE 10:

DELEGATING CLIENT WORK

This session will cover the basic steps for moving aspects of client work to other professionals without the traditional frustration faced by both delegator and delegatee.

MODULE 11:

HANDLING ACCOUNTS EXCEEDING ESTIMATES

You've noted that your time on a client file exceeds that which you initially anticipated. What do you do: discount your

time or simply bill and cross your fingers? This module outlines how to handle these situations more profitably.

MODULE 12:

HANDLING CLIENT COMPLAINTS

Central to rendering good service is mastering the skill it takes to deal with client problems. Here we build the skills necessary to handle complaint situations in such a way that we can at times dramatically improve the client relationship.

MODULE 13:

BUILDING CLIENT RAPPORT

Clients who trust and like us tend to perceive services rendered more positively and complain less. Building this rapport is a skill that many possess naturally and others can acquire.

MODULE 14:

PRESENTING ADVICE

Good quality professional services can be appreciated more by clients who not only understand them but who also feel a degree of participation in selecting from the menu of available alternatives (in harmony with the professional's considered recommendations).

To find out more about installing RainMaking in your firm, please email inquiries@edge.ai.



Email Will Never Be The Same – All Dressed Up and Everywhere To Go

By Richard L. Upton

Forward by Gerry Riskin of Edge International

Richard Upton is a savvy guru to the professions – he comes from the creative side but he understands and serves major law firms. In this piece, Richard helps us understand that an individual's professional email has the potential to be more useful and friendly to the recipient and therefore a much more powerful tool to the firm that uses it. Somehow after seeing this, email simply seems undressed (or perhaps under-dressed). Give this some thought in your organization. If you want to explore this further, contact Richard directly (see his email address at the end of the piece).

TELL THE TRUTH. HAS email improved your life? As a business leader, can you honestly say that you, your organization and your employees are more productive, or less, because you can send and receive instantaneous communications, day or night, from anywhere in the world? Do you have more time to devote to important matters, or less?

I know what the answer was supposed to be. Just a few years ago—when people were so ga-ga about email that they affixed happy-face icons to their messages—email was going to make everything in our workday lives easier,

faster and more efficient. Instead, we find ourselves more “time-famished,” as I like to call it, than ever before. Executives typically receive 100 or more emails per day. Some of us spend as much as four hours each day just managing the volume of email, with no let-up in sight. (Forty-one percent of Americans surveyed last year by America Online/Opinion Research said they check their email before going to work; 4 percent check their messages in the bathroom.)

Fortunately, the challenge of protecting ourselves from these relentless demands on our time can and will be met, but only by companies that

approach this challenge with innovative thinking. It is my opinion that the solution to the most vexing problems we face in our technology-enabled economy is to be found in the way we think about them—whether, that is, we view them as we have for the past decade or in new and fresh ways, responding accordingly. (The phrase *paradigm shift* has been overused in recent years, but in this case it may really be the best choice.)

The burden of excessive email and the time pressures it places on us, after all, is only one example of a business-communications process not keeping pace with the needs of contemporary business. It is an especially urgent one, however. It also allows us to explore the ways in which the problems that we must solve also represent opportunities that we can seize.

Consider this. The volume of business emails alone—more than 200 billion in 2006—will surpass the total number of items of mail of *all kinds* delivered this year by the US Postal Service. Think about it.

Every piece of correspondence that your organization turns over to the letter carrier—every sheet of paper and the envelope it goes in—has been very carefully designed to represent your company, right? You've taken great pains, and spent a pretty penny on graphic designers, to get it to look just right. It represents your company; it carries your brand. But how many of us have given anywhere near the same care to the emails we send, although these vastly exceed in volume the number of

pieces of paper that issue forth from our mailrooms?

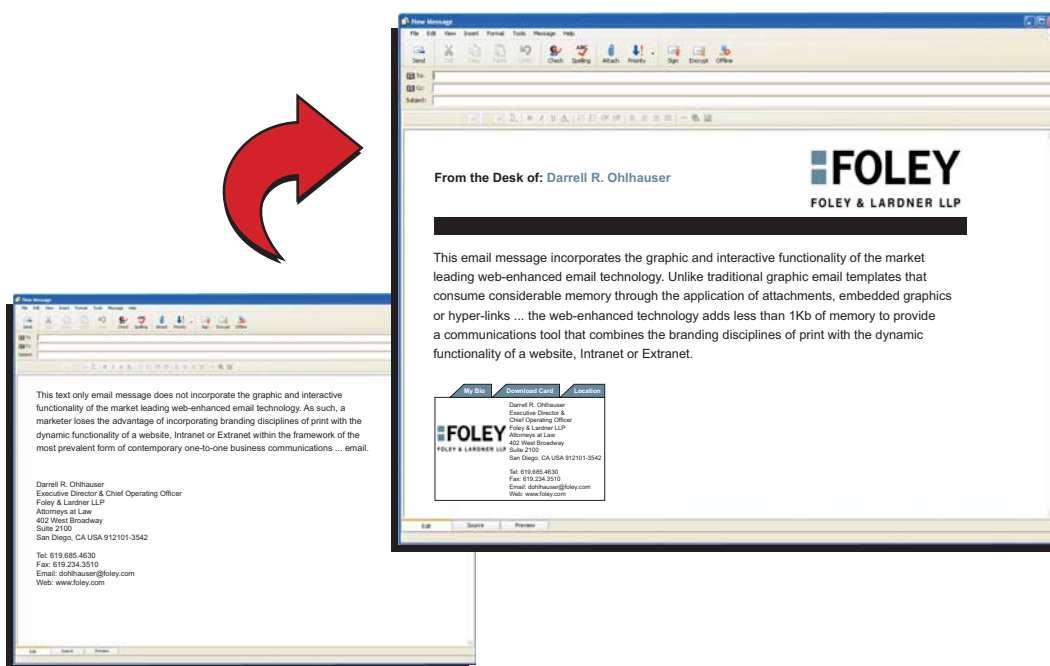
The vast majority of us haven't even bothered to make our emails comply with the basic structure of even the most rudimentary business letter—and the issue here goes well beyond mere aesthetics. We have not done so, I believe, because we fundamentally misunderstand the nature of e-communications and for that reason, rather than our controlling our email, our email controls us.

Most business leaders persist in viewing email as a technology tool when, in fact, it is a medium of communication and actually the most powerful and prevalent one we have. But because we regard email as information technology, we have relegated it to our IT departments, where it remains today.

Now IT departments perform many functions exceedingly well, but we would never think of turning over finance, human resources or marketing responsibilities to our IT departments simply because these departments rely heavily on technology, too.

And because we have failed to see email as the dynamic communications media that it is, we routinely underestimate its capacity to transform our lives for the better and, yes, to give us more rather than less time for the things in our personal and professional lives that matter most. By viewing email as a technology extension, it becomes another complex “black box” that we assume is off limits to being made better—an assumption we would never make regarding other branding or marketing tools that we understand well. I have found few business leaders who appreciate what email can really accomplish. Too many don't understand, to offer but one powerful example, that email can become the permanent (and endlessly updated) repository for the transmission and storage of vital company data, tailored to individual clients, customers, partners—you name it.

Let's take the example of a financial-services company. An email sent by one of its investment advisors to one of its customers could include all of the company's distinct branding elements, its logo, sender's personal



contact information and relevant website links. Even more impressive, however, is the fact that these elements can be added without increasing an e-mail's "weight" and without making it more complex or time-consuming to the sender or recipient.

Also, there's no need for embedded graphics or attachments. As a further example, through the use of "dynamic functionality," this email can also provide real customer value by including relevant financial service information, like interest rates that change in real time, as market conditions dictate.

Finally, because it is updated automatically, this email can include real-time information no matter how long ago it was sent or when it is opened. Thus, this one email becomes the financial-services company's chief means of communication with that customer. This one email can also become this one customer's sole source of such information—the only one he

or she needs. Suddenly, it is no longer necessary to save the bulk of old emails; the information is kept current automatically. Instead of being inert, as it is today, the data becomes active.

The cumbersome process of *cancel-and-replace* is now totally obsolete, and all of us will be better off for it. We will have more impact with our message, more control of our lives and more certainty of our time.

We will also have crossed a threshold in our understanding of technology and our use of it that is difficult to exaggerate. The trap we that have fallen into—understandable enough, considering how intimidated many of us can be by technology—is to have allowed technology to make us alter our behavior when we should have required technology to adapt to ours. That can and must change. With a more dynamic understanding of email and, ultimately, of all e-communications, we can begin to regain control of our lives. Technology can

again be made our servant rather than our master. Forward thinking organizations can already see the possibilities that this offers. If our companies do the same, the time we save will be our own.



About the Author: Richard L. Upton is founder and president of UPTONGROUP. www.uptongroup.com
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Risky business

The world's first law firm IPO has taken place in Australia, and regulatory reform underway in the United Kingdom ensures that more firms will follow. Here's a look at the steps law firms must take and the risks they must address to prepare for this brave new world.

By Gerry Riskin

THE FIRST LAW FIRM IN the world to float shares is Australian firm Slater & Gordon. The 400-person personal injury and class action firm took advantage of recent legislative reform and made its shares available on the Australian Stock Exchange on May 21. The shares rose 40% on the first day of trading and generated \$35 million for the firm before the end of the month. The legal profession will never be the same.

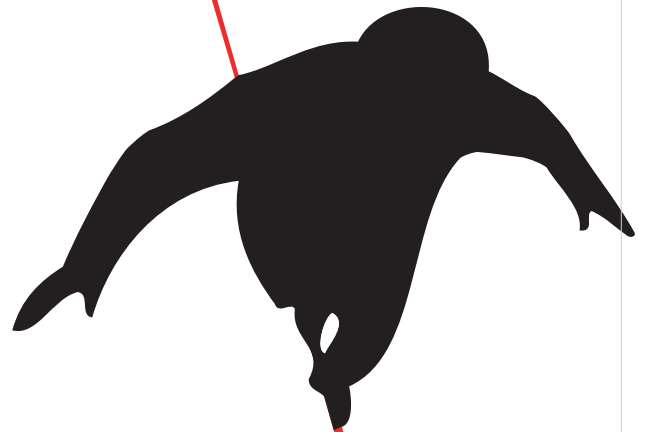
Slater & Gordon went public in order to finance an ambitious growth scheme by acquiring other practices, as well as to create a greater marketing and advertising presence. A week after the IPO was declared, Slater & Gordon acquired D'Arcy Solicitors of Brisbane for \$2.8 million — the firm's sixth acquisition in the previous two years.

It is unlikely that publicly traded law firms will stop at the Australian coast. In the United Kingdom, the recommendations of the watershed Clementi Report are being implemented through the *Legal Services Act*, which will

similarly allow non-lawyer investment in and control of UK law firms. If London-based global law firms can access that kind of capital, their rivals in New York will quickly demand to compete on that playing field too.

In short, the Slater & Gordon prospectus heralds the dawn of a new age for law firms. But that same prospectus also offers an intriguing glimpse of what law firms must demand of themselves — and what they must openly admit to the marketplace — in terms of how they operate now and how they must change in the era of publicly traded law corporations.

This article focuses on insights arising from the summary of risks in the Slater & Gordon prospectus (not to be confused with the more comprehensive risk identification in Section 7 of the same prospectus). Law firms contemplating a future IPO must publicly acknowledge these everyday risks and take steps to minimize or neutralize them to the market's satisfaction.



1. Conflict of duties

Lawyers have a primary duty to the courts and a secondary duty to their clients. These duties are paramount, given the nature of the company's business as an incorporated legal practice. There could be circumstances in which the lawyers of Slater & Gordon are required to act in accordance with these duties and contrary to other corporate responsibilities and against the interests of shareholders or the short-term profitability of the company.

Essentially, shareholders are told that their interests will be considered tertiary to those of courts and clients. This answers the absurd question about whether law is a "business" or a "profession" in the post-Clementi age. I hope this risk survives forever, for that will mean law is still a profession and will remain so.

A law firm can reduce the impact of this risk by having state-of-the-art, early-warning conflict identification protocols (including software) in place. However, the wild card is the discretion that must continue to reside in partners.

The key here is to ensure that all potential conflicts are vetted by a designated committee of the firm, created for this purpose and comprised by at least two senior, highly respected partners — plus, in all cases, the firm's own general counsel. Avoiding clear conflicts is easy; avoiding the murky ones may mean the firm's future.

Law firms contemplating a future IPO must publicly acknowledge these everyday risks and take steps to minimize or neutralize them to the market's satisfaction.

2. Government actions and legal developments

The company's business operations could be adversely affected by changes in commonwealth, state or territory government legislation, guidelines and regulations. Slater & Gordon is subject to regulation by the regulator of lawyers in the States and Territories in which it practises. The regulators' powers include the right, in certain circumstances, to disqualify lawyers from practice.

Legislative change made the Slater & Gordon IPO possible — legislative change could take it away again. More to the point, governing bodies are on the lookout for conduct that could threaten the public interest, and a law firm that invites regulatory action because of unethical or illegal activity could see its share price plummet.

The firm can reduce the impact of this risk by insisting on ethics and practice management training for every lawyer, together with appropriate protocols such as supervision, monitoring and spot file audits (which very few firms now carry out). Such protocols will be the key to detecting inappropriate lawyer behaviour, which usually is not even suspected by the firm before allegations are made.

It is not possible to eliminate this risk. But spot auditing will both reduce it and generate the perception that the firm is doing all it reasonably can.

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- Establishing Shared Ambition
- Inspiring Teamwork and Supporting Values
- Developing A Practice Group Plan
- Assessing The Calibre Of Our Practice

Developing A Healthy Practice

- Improving Profitability
- Effective Delegation
- Measuring Engagement Profitability
- Scheduling Work Assignments
- Supervising Transactions

Getting Better Business

- The Practice Development Package
- Marketing to Existing Clients
- Systematic Listening
- Super-pleasing Clients
- Nurturing Existing Clients
- Attracting New Clients

Building A Team Spirit

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- Giving Recognition And Celebrating Successes
- Encouraging Innovation And Removing Obstacles
- Differentiating With Perpetual Motion



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PRACTICECOACH®

3. Reputation

The reputation of the company could be damaged if it does not meet client expectations or is involved in high-profile, unsuccessful or unpopular legal proceedings.

This is a tough one. What the drafters of this prospectus have not highlighted is the duty to take on an unpopular cause if no other lawyer will. Admittedly, this is a low-probability issue (perhaps higher for a personal-injury specialist like Slater & Gordon). However, the firm should have very strict intake procedures that inform it as to the “reputational risks” associated with new matters.

As for not meeting client expectations, this is clearly a client-relations skill training issue.



While the initial enthusiasm of acquisitions, along with publicizing the fact to existing clients, tends to generate some additional business, the natural forces that tend to damper cross-selling tend to create disappointment.

Expectations are largely creatures of perception (subjective) rather than the interpretation of hard facts (objective). The good news is that well-trained lawyers can shape the expectations of clients in such a way that they can dramatically reduce the probability of falling short of them.

4. Acquisition risk

There is a risk that the company will not be able fully to complete its acquisition program, or integrate acquired firms successfully. Competition from rival law firms may inhibit the acquisition program.

Wow — are we having fun yet? It’s true that there is uncertainty relating to the firm’s acquisition program. Furthermore, many acquisitions falter because of a lack of post-acquisition integration programs. Recent law

practice history is littered with firm mergers that didn’t take or were called off at the last minute. But the legal profession has prospered up to this point without sophisticated management or extensive training. Just like some of the major accounting firms learned to do both of these (when they had critical mass and the resources to do it), law firms like Slater & Gordon, with their new capital resources ought to be at the forefront of management and training.

5. Growth risk

Diversification of services may not attract clients to new areas of operation to the extent anticipated. Costs associated with growth may increase beyond current estimates.

The diversification risk is very real. While the initial enthusiasm of

acquisitions, along with publicizing the fact to existing clients, tends to generate some additional business, the natural forces that tend to damper cross-selling tend to create disappointment. These forces include, among others, internal competition, client-relationship hoarding, and incongruity between compensation systems and desired behaviours.

The key here is to create initiatives and then follow up diligently. If the compensation system is inconsistent with the desired behaviours, then it must be at least fine-tuned — if not completely revamped.

6. Personnel

Reliance on key personnel. Market for quality lawyers is very competitive. Growth is reliant on retaining and attracting the best lawyers.

Here we have financial proof of the adage that law firms' best assets have feet. When the failure to retain associates and partners has a direct impact on share price, suddenly the firm's management committee will start taking the issue extremely seriously.

With high (and growing) levels of staff turnover, firms need to foster professional development and access to challenging work. At the time this article was penned, recruitment was a real challenge and terms like "war for talent" were being bandied about by the legal profession worldwide.

Let's assume that the firm has an even chance of competing for talent. The key question will be whether lawyers can be glued to the firm through the provision of rewarding careers, appreciation and adequate compensation (taking into consideration that a portion of all firm revenue must be allocated to offering a return to the investors).

This can be achieved through leadership and management training for the firm's internal leaders and various practice and industry groups within the firm. It will also require the ability to transcend geographic office locations and create a true "one-firm" culture. Constant cross-firm communications will be needed, while "orphaned" individuals and offices must be avoided.

7. Control

Ownership of a large proportion of the shares in the company is concentrated in the hands of the vendor shareholders, and there are restrictions that apply to the ability of the vendor shareholders and other existing shareholders to dispose of their shares. While there are exceptions to those restrictions in certain circumstances in the event of a takeover or scheme of arrangement, the concentration of ownership may reduce the likelihood of a takeover, and the restrictions may affect the ability of a prospective bidder

to secure a pre-bid stake in the company.

This last risk is admittedly peculiar to the circumstances of a firm that has offered shares to the public. However, if the Clementi reforms proceed as anticipated through the *Legal Services Act* in the UK, there may soon be global legal mega-giants that are the very entities contemplated by this enunciated risk. Should that occur, I think it will all sort itself out based on the firm's general behaviour.

On that note, consider this reference found elsewhere in Slater & Gordon's prospectus:

People development is a priority. The company assists all key employees to form and implement a personal development program shaped by the needs of the individual's current position and likely future positions. With the significant increase in the breadth of the company's operations, succession planning for key roles and leadership development for current and future senior employees are priority issues for Slater & Gordon's management.

Slater & Gordon's execution of this probably summarizes the entire ball game. Do this right and succeed, or else. I wish Slater & Gordon the best of luck, and I hope that the profession can look back with pride in ten years' time on its first public offering.

Perhaps we will all learn from this bold initiative.

But alas, my integrity demands a caution. If Slater & Gordon carries on "business as usual" — meaning, as most law firms manage themselves today — we may be watching shareholders selling the firm back to its lawyers for a few cents on the dollar. I hope not.

Slater & Gordon has created a whole new playing field, and with it must come new standards.

It would be a mistake for it to look to other law firms for its management and leadership role models. It would do better instead to learn from the business schools and translate to the legal profession as required.

Special thanks and acknowledgement for the input of Jordan Furlong, Editor of the National (published by the Canadian Bar Association throughout Canada) where this article will appear in the September edition.



About the Author

Gerry Riskin is a former law firm managing partner, a co-founder of Edge International, an internationally recognized lawyer, author and management consultant, a Fellow of The College of Law in London and a visiting professor at the University of Pretoria in South Africa (riskin@edge.ai, (202) 957-6717).



Social networking tools like LinkedIn or Facebook and tools like wikis and blogs dramatically enhance the way that firms work. Major corporations like Morgan Stanley, Pfizer and Reuters are not alone in having discovered this. So have prominent law firms including Allen & Overy, Linklaters, Kilpatrick Stockton and Fenwick & West.

These tools are driving emergence of a new model of business some call “Enterprise 2.0.” Less bound by restrictions of geography or time, they free people up to concentrate more on serving clients. Using a wiki to collaboratively produce a document significantly cuts down email traffic. (Some report savings of several days per person per year.) Instead of continually mailing updated iterations and having to track the latest version, everyone updates the one document ‘in situ,’ and the system tracks who changed what. Email still has its place in “one-to-one” dialogue but “one-to-many” communication is more efficiently handled with Enterprise 2.0 tools, especially when multiple feedback is required.

Social networking also helps track the expertise needed for a particular matter and manage other information more effectively too. Deployed properly, these tools “connect the firm to itself,” dissolving barriers between “silos” like practice groups and geographically dispersed offices. Firms can also share information externally (e.g. with clients) easier than before.

Edge International has partnered with Blogtronix (www.blogtronix.com), a technology company from Colorado

Springs, to offer a unique service to law firms. Blogtronix’s offering is the most comprehensive platform of its kind. It includes blogs, wikis, document management, social networking and RSS feed aggregation. The product is built on “CIO friendly” technology architected using Microsoft .NET and SQL Server, rather than open source components like PHP or MySQL. Compared to other similar platforms, it is also surprisingly inexpensive.

Reuters use the Blogtronix platform to support ReutersInteractive, the public community site first showcased back in June. Anybody can sign up for ReutersInteractive’s pilot project, currently limited to providing information and resources for investors interested in Clean Technology and green investments. It gives an excellent overview of a world class Enterprise 2.0 collaborative platform.

Besides improving internal corporate collaboration and reducing email traffic, we’ve also discovered another very specific way to use this technology, that we call “brainstorming.” Like a hive of bees, highly productive yet without central control, brainstorming unlocks the combined intellect of your firm and focuses it on specific business issues in an intense online dialogue lasting a couple of days. The concept originated with IBM, who call it “jamming.” Back in 2001 they used a “jam” to review their core values. Thousands of employees across the globe participated in an intense 72 hour moderated online dialogue. Without leaving their desks, the jam allowed

them to debate values and come up with a new corporate value statement. IBM has used jamming several times since, for other topics. Blogtronix and Edge replicate this process in any sized organization from around 100 employees up to the very largest in the world, for instance to obtain input into the firm’s strategy. Rather than taking people away from client work, people spend anything from a few minutes to an hour or so per day participating, from their desks, for two or three days. The process is participative, comprehensive and extremely cost-effective.

Imagine how productive your next partners retreat would be if the discussion revolved around the deep, highly qualitative results of such an intense and wide-ranging consultative exercise, rather than just studying the same old performance data and going through yet another SWOT analysis!

About the Author:



David Terrar is CEO of D Squared C Limited and represents Blogtronix in Europe. He has been in the software business for over 20 years. Following an Applied Physics degree at UCL, he spent 9 years with IBM. He then performed director and senior manager roles at various other IT firms. David writes the Business Two Zero blog and is a member of the Enterprise Irregulars and Social Media Collective blogging groups. Contact Dave at d2@d2c.org.uk.



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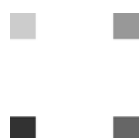
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- Clients are more demanding than ever before
- Differentiating from competitors is almost impossible



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