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Law firm culture as the basis for profitability

Leaders create the conditions that ensure a culture that leads to long-term profitability

By Deana Kardel

Plaintiff law firms can predict the long-term success and profitability of their firm by paying closer attention to two key ingredients: 1) the business development strategy and 2) the health of the firm's culture. Some firms focus heavily on business development, overlooking the firm's culture. This is a mistake as the firm's culture is critical to success.

Culture is defined as the behaviors and belief characteristics of a particular group which are established by the group's leadership. Cultural norms are the accepted working conditions that permeate a firm – both good and bad. Hence, the more attention paid to creating the cultural conditions that support and encourage behaviors that bring out the best in people, the higher the likelihood of sustainable profits.

Managing partners and law firm owners choose, either intentionally or unintentionally, the type of culture they want to establish. A leader must never lose sight of the fact that he/she plays the pivotal role in establishing the firm's culture, and the culture they create is at the very core of the firm's growth, stagnation or decline.

There are several key ingredients to creating a healthy culture. Five of those key ingredients are briefly outlined below. They include: Infrastructure, research, communications, strategic initiatives and rewards/recognition. However, before the various cultural ingredients can be optimized, the firm's core purpose must be articulated.

Create the purpose

Leaders must articulate why their firm should evolve in one particular direction or another. Some call this a mission statement, but I would argue that it is much more because it establishes the foundation that sets the underlying tone of the firm's culture. As the leader, the questions to ask are: Why do you own or run your law firm? What do you have to gain or lose? What is the firm's motivation for staying in business? Is there a desire to grow? How is growth defined? Is bigger better – why or why not? What type of clients fit into the equation? Does the firm seek to have a larger geographic footprint? Is there a desire to sustain a balanced work/family lifestyle? Is succession planning part of the purpose? I would challenge the leadership to keep asking enough questions until it is fully satisfied that the true purpose of the firm's existence is identified.

Infrastructure

The firm's infrastructure is an important cultural ingredient, and there are two components to that infrastructure. They include the organizational chart, and the firm's business model that drives the firm's profit and loss analysis.

Organizational Chart: A key responsibility of a Managing Partner is to ensure that the firm's organizational hierarchy supports the firm's purpose. I would argue that the stronger and more cohesive the firm's leadership, the swifter the firm's progress. Firm leaders are internal spokespeople that exemplify the firm's behaviors, attitudes and intentions. They are at the heart of the firm's cultural norms.

Once the organizational structure is firmly in place, it is important to clearly define every person's job description so that expectations, both up and down and between job functions, are understood. The intention is to ensure a process whereby decisions can be made in a swift and thoughtful manner and the likelihood of infighting is lessened.

The Business Model: How is the firm structured? How is revenue generated and how are profits and expenses measured and disseminated? How are decisions regarding expenses made? Does the firm's business model support its leaders, revenue generators, and support teams? Do leaders have/need autonomous decision-making authority or is authority shared?

Until law-firm leaders solidify their infrastructure, they cannot expect to generate *long-term* profitability. Short-term gains can happen – especially in plaintiff firms – but they are oftentimes generated by chance. On the other hand, long-term gains are sustained by a matter of strategic choice.

Research

When I walk into the lobby of my clients' offices, I can immediately get a sense of the firm's culture. The physical environment and working conditions, the way in which I am greeted, the way in which people interact, the activity in the hallways, the way people are dressed, etc. all impact and reflect the firm's culture.

Managing partners must determine the health of the organization by uncovering its cultural norms. Internal research provides leadership with key intelligence and insights that help to guide subsequent actions.

There are research firms that do nothing but conduct scientific cultural studies. Successful leaders conduct them regularly as an important part of business. They do this because the results reveal the key intelligence that clearly

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identifies problems and opportunities that guide the prioritization process relating to resource allocations. This type of research should be conducted every 18 to 24 months and tracked over time.

Some of the key areas that research should measure include answers to the following:

- Do the people who work at the firm know the firm's purpose?
- How strong is their commitment to that purpose?
- Do they think that they can benefit from the firm's successes?
- Do they understand their roles and responsibilities?
- What percentage of time do they spend on the goal/purpose?
- Do firm members have a strong desire to offer good service?
- What is the level of service satisfaction?
- Is it rewarding to work passionately toward the firm's purpose?
- How much do the people at the firm like or respect each other?
- What most satisfies or dissatisfies clients?

Communication philosophy

Communication philosophies and behaviors at all levels are cued from the top and are displayed in meeting formats, electronic communications, internal social and client gatherings, etc. Core values such as honesty, loyalty, trust, collegiality, and respect can be traced to the leadership's communication attitudes and behaviors. Hence, communications either strengthen a firm's culture or weaken it. Key indicators of effective communications relate to three key areas. They include:

- **Timing:** Are communications prompt? Are communication requests or e-mails ignored or addressed appropriately?
- **Information:** Do communications reinforce the firm's purpose and reasoning? Do they motivate and inspire? Is the tone respectful? Are communications direct and informative?
- **Opportunity Optimization:** Are the firm's leaders appropriately visible and accessible? Does the firm's leadership take advantage of the numerous opportunities that are presented in the course of day-to-day business to deliver motivational messages?

If information is perceived as being withheld, hidden, ignored, or incomplete; effectiveness and profitability advancements can be unintentionally or intentionally undermined. On the other hand, when communications are trusted and clearly understood people realize the bigger picture of success.

Rewards and recognition

There is an interesting balancing act between the behaviors that advance the firm's needs and objectives and those that advance the individual's needs. The key is to create the conditions that bring out the best in the individual. This can be done through effective rewards and recognition programs. Behaviors that get repeated are those that get rewarded – this is a fact of human behavior. Understanding that fact, managing partners must be strategic in rewarding and recognizing the behaviors they want repeated. If there is heavy infighting among partners and/or staff, the perception of unfair rewards and recognition is often at the crux of the matter. On the other hand, when behaviors are rewarded with the purposeful growth plan as its backdrop, a healthy organization is reinforced. Rewards and compensation programs are critical life lines to the long term and sustainable success of all law firms.

The desire is to recognize and reward people who promote the firm's purpose, are personally invested in progress, and are motivated to work in harmony towards success. As a result, people at all levels begin to hold *themselves* accountable for their actions because their behaviors can be directly linked and rewarded to success and failure of the firm on a variety of levels. The end result: A high standard of job excellence and satisfaction becomes the cultural norm.

Strategy and actions

Strategic actions are important and timing is everything. One of the keys to any successful plan is to prioritize and know what initiative should precede the other, and/or which should be implemented in conjunction with another. When the firm's infrastructure is solid, research conclusive, and the culture is healthy, initiatives are easier to prioritize and implement. Additionally, opportunities become more evident and the ability to be proactive versus reactive, peaks.

The goal is to optimize the return on the investment of everybody's time and money while strategically positioning and mobilizing people at all levels towards the same end game – playing to win.

Conclusion

The process of building a successful firm is a matter of purposeful choice – it cannot be left to a matter of chance. Whether or not a firm gets what it is looking for depends upon the managing partner's ability and desire to determine its evolutionary course by properly evaluating its culture and fostering the key conditions that support success and profitability.

All firms evolve and change with time. Some firms evolve and enjoy significant profits, other firms evolve with profits that remain steady, while others devolve and decline. The choice is yours.


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