

The Challenge of Change

Successful law firms in Australia and elsewhere require strong visions, carefully aligned cultures and strategies, and inspiring leadership.

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If one issue will drive change more certainly than anything else, it is the changing expectations of the new workforce. Talented young lawyers coming out of universities are motivated by different things than past generations, and in addition to the drive to do first-class work, they in large numbers want to work in firms with “inspiring leaders who share their knowledge” and who are “committed to making a difference.” It is common knowledge that some of the large firms have turnover rates in the first two years of up to one third of their recruits. This is a critical challenge as recruiting, retaining, and deploying talent is a core strategic driver for most firms in this rapidly changing, highly competitive environment.

Other drivers of change will be customers and clients. As they become more knowledgeable, more discerning, and more demanding, they will force changes in service models. Most large law firms have embarked on relationship and service strategies over the last five years as they became aware that legal expertise alone would not be sufficient to differentiate them. Promoting a service strategy is easy to do, but delivering it is much harder. Many senior lawyers have told me that it is not the quality of their advice that loses clients, but relationship issues and the treatment clients receive throughout the firm.

Service strategies are not effective without service cultures, and these do not occur without discipline and without people who are passionate about service and leaders who model service behaviour and thinking. So, what are some of the challenges for law firms, and especially for their strategic leaders?

WHAT WILL BE THEIR VISIONS?

The issue of vision is on the one hand simple, but on the other extremely complex. What is it that we are trying to achieve? What is it that we are going to put considerable effort into, devote resources to, and tie our strategy and culture to? Profitable growth (which passes as a de facto vision for many) is not a vision. It may be a means to the vision, it may be an outcome of the vision, but on its own it will not inspire collective effort or broad cultural commitment.

To inspire the young lawyers, the vision must be worthwhile, and purpose driven, and be respect and service driven to engage the broader workforce. To be effective the vision should align with individual aspiration so that individuals meet their own needs through pursuit of organizational goals. There is no substitute for discussion of the issue and for the convergence of top-down and bottom-up processes and for debate, dialogue, and broad engagement of the entire workforce. Lawyers typically through their preference for logic over empathy are better at the intellectual engagement than the more relationship based emotional one. Both the heart and the mind are important to inspired, strong, shared vision.

WHAT ARE THEIR MEASURES OF SUCCESS?

What does the firm have to be good at in its journey towards the vision? Certainly the financial measures (profit, revenue, costs, return on investment) are important criteria for success, but most businesses in the corporate world have discovered that they alone are insufficient to successfully guide the journey.

The popularity of the balanced scorecard approach is evidence of this trend. The balanced scorecard proposes that the financial measures are supplemented with external measures (such as client retention, client satisfaction, repeat business expectations, relationships), internal measures (such as staff satisfaction, internal efficiency, supply/service chain management), and learning and development measures (such as innovations, new ideas,

capability development). So, the firm needs a comprehensive array of measures that can be used to track growth and progress toward the attainment of specific targets.

The targets are not the key measures; it's the drivers that lead to those outcomes that should be measured. These are the processes that we have most control over and need to have control over if we are to hit our targets.

WHAT ARE THE REQUIRED CAPABILITIES?

In a time of dynamic change and uncertainty, the issue of capability becomes as important as the agreed strategy. A wide range of capabilities gives strategic flexibility, and as the competitive environment changes so too does it enable the firm to quickly change strategic focus. A firm that has a good understanding of its cost drivers can pursue a pricing strategy when needed, and then move to a service strategy if it has developed service capabilities and has begun to embed the key components of a service culture.

WHAT TYPE OF CULTURE IS NEEDED?

Without the culture to support it, strategic thinking can quickly become wishful thinking. A service strategy requires a service culture, a performance strategy is built around a culture of achievement, and thought leadership is embedded in a culture of learning. Getting the culture right takes time, but also requires careful design. It requires thoughtful analysis of the ingredients and the mix that will support the firm's strategy and vision. Culture is important not only because it drives commitment, but also because it lays the foundation for trust and ultimately for performance.

Trust in any firm – in fact, in any relationship – is built upon four key components: accuracy, transparency, consistency, and accountability. Trust comes when people practice what they preach, when they do what they say they will do, and when the promise of the brand is matched by the service experience. True knowledge sharing requires



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To have this flexibility a firm must determine what capabilities it needs as competitive assets. Does it want the capability to develop and deploy talent, and to bring talent through into senior leadership roles? What about the capability to rapidly share information and learning across practice groups and to bring teams together to turn information into knowledge and into service innovations? Or the capability to build enduring relationships with clients, and to communicate with them through diverse channels or to grow these relationships into strategic partnerships? What about the capability to grow leaders, or to allocate resources strategically, or the capability to efficiently and effectively manage cash flow?

When the firm identifies and understands the process of capability development, it can then put in place a meaningful performance management process with carefully aligned key performance indicators.

high levels of trust within the culture. It is basic psychology that people will not disclose, will not be open, and will not admit mistakes beyond the level of trust that is established. In low-trust cultures, people are circumspect in what they say; in high-trust cultures, they are open to, and open with, others. Research shows that the daily behaviours of leaders at all levels drives trust within firms' cultures.

WHAT KIND OF LEADERSHIP IS REQUIRED?

Effective leaders do things by intent, not by default. Leaders think back from the impacts they wish to have and act accordingly. There is no room for arrogance or for self-indulgent leadership in the business of culture creation. Leaders must model the behaviour sought, must inspire others to follow, and must teach, coach, and mentor.



Leaders today need a repertoire of leadership skills. They must be able to direct as well as to support, to demand as well as to inspire, and to pay attention to the detail as well as to the vision. In law firms, the leadership challenges are particularly demanding.

It is not easy to lead bright people who are highly analytical and who are trained to question rather than to accommodate. It is similarly a challenge to deal with strong egos that at times might put personal intent ahead of the firm's strategic intent, and to build teams among professionals, who are in large measure driven by their needs for autonomy and independence.

As David Maister put it in his book, *First Among Equals*, "Lawyers are trained to be skeptical and analytical so getting agreement on even small points can be difficult. Because managing professionals is so complex, it requires more attention to management (and leadership) not less." If the world is not going to change for law firms, then more of the same can be an effective strategy. Why change a winning formula if the game stays the same? However, if the game does change, and if the trends that are taking place in the broader economy begin to affect the business of law, then the lessons from the corporate world will begin to apply. If so, then law firms will require strong, shared vision, carefully aligned cultures, and strategies and inspiring, energetic leaders. ♦

about the author

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The Australian Legal Practice Management Association (ALPMA) is the peak Australian body representing managers and lawyers with a legal practice management role. ALPMA provides an authoritative voice on issues relevant to legal practice management.

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