

Culture Part 1: Does Law Firm Culture Play a Role in Success or Failure?

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You bet it does -- perhaps now more than ever. Of course this depends on how you define "success." With so much focus on the numbers -- PPPs, RPL, revenues, de-equitizing, equity versus income partners, cutting expenses, discounts and billing rates, utilization, hours -- it would be easy to assume that every corporate law firm is only interested in maximizing profit so that the equity partners continue to take home more. Some have concluded that two primary factors in the demise of Dewey were greed and partner income disparity.

One just has to look at results of the recent [Survey of Law Firm Economics](#), jointly conducted by the National Law Journal and ALM. Despite a decline in revenue per lawyer -- the largest recorded since this was tracked in 1985 -- per partner profits still increased by 7%. How was this accomplished? Firms continued to cut "expenses" and increase billing rates, usually with little regard to clients' views of this. For the most part, cost reductions were accomplished through additional de-equitization of partners, a reduction in hiring and compensation of associates, a decrease in technology investments, and letting support staff go. The focus has been on short term gain.

Periods like the one we are going through now -- when times are tough, money is tight, competition is fierce and there is major disruption in the industry -- really test a firm's cultural strength and fabric. These usually are times when a firm's core values and cultural glue either hold it together or blow it apart, when partnerships withstand the strain or begin to fray.

How are we defining culture?

An organization's culture is an intricately woven fabric of values, standards, traditions, norms, policies, goals, personalities, skill sets, clients, internal and external relationships and history. Given the complexity of these factors and the manner and extent to which they interact, it is logical that no two law firms are ever exactly the same. There are two polar opposites to law firm culture: eat-what-you-kill culture where origination of new business by individuals reigns supreme and partners often describe themselves as solo practitioners sharing space vs. the institutionalized culture where the focus is on client teams and egalitarianism where partners focus on putting client and firm interests before their own. Some firms fall on either end of this spectrum and most fall somewhere in between.

What are the components of organizational culture?

A law firm's culture will play an important role in how it addresses and adjusts to the disruption and challenges of the "new normal." In order to be able to utilize cultural strengths and modify those aspects of the culture that will prevent success in the future, firms must assess and understand what type of culture their firms embody. The primary components that comprise a law firm's culture include:

Values:

- Do attorneys lead and encourage a balanced life or is the firm a "sweat shop" where work must almost always come first?
- Is the firm formal or informal (as reflected in dress, salutations, status consciousness)
- What is the firm's work ethic? Are lawyers expected to contribute 2000 hours? 3000 hours
- Is the focus on profit at all cost? For example, are timekeepers at any level punished or reprimanded for being "too efficient" and not billing more hours to clients?
- Is there respect and allowance for flexible work schedules? Telecommuting?
- Are roles and expectations throughout the firm well defined and monitored?
- How are partners and senior managers held accountable?
- What is the firm's track record on diversity? Does it actively promote, support and advance a diverse work force?
- What is the firm's investment in people/talent management and professional development?
- What is measured and rewarded?
- Are all employees expected and empowered to meet standards? Be innovative?
- How are partners and employees who have a negative or destructive effect on others or the firm addressed?
- Are new attorneys left to "sink or swim" or does the firm provide formal training and supervision?
- How do people communicate? Does the firm encourage or discourage interaction among lawyers and staff? Partners and associates? How accessible are partners to each other and others?
- Does the firm host holiday parties and invite spouses/guests?
- Does the firm stay in touch with former employees and partners or shun them?
- How integrated are lawyers and employees in their immediate communities? Are these activities encouraged and supported by the firm or perceived to be the responsibility of individuals to pursue outside of work time?

Vision and strategy

- How clear are the firm's goals and strategy? Can every partner articulate the strategic vision? Every employee?
- Are all practice areas and offices of equal value or has the firm prioritized strategy based on market need and the competitive landscape?
- Is vision developed firmwide or office by office or practice group by practice group?
- How important are things like rankings, awards and other public recognition?
- In what areas is the firm particularly strong? Particularly weak? Should the firm add any new specialties? In which areas does the firm have national or regional brand recognition?
- Which areas are profitable? Which are most sensitive to fee compression and competitive bidding?
- Which areas represent stand-alone services? Which services are more easily cross-sold? Which services are "loss leaders"?
- What areas or skill sets are now viewed as fungible legal services? Which areas are mature or in decline?
- Which practice areas should the firm de-emphasize or spin off?
- Which service areas are cyclical? Transactional? Relational?

Governance, leadership and management

- How and by whom is the firm led and managed?
- Are leaders trained and rewarded?
- Does power actually reside in those outside the formally elected leadership?

- How does decision-making happen? Is the firm autocratic? Democratic? Dictatorial or managed by consensus?
- How is the firm financially managed? Is it conservative? Does it take risk?

Client/service philosophy and delivery

- Is the firm externally focused, driven by the market and most importantly, by clients? Is this based in research, client feedback and partnering?
- How actively is the firm working with clients to create value?
- Does the firm measure client satisfaction? How is the feedback shared?
- How is continuous improvement encouraged? Required? Measured?
- What procedures are in place to ensure quality control and exceptional service?
- Does the firm insist that all lawyers respond to clients within 2 hours? 4 hours? Same day? on response within we require that all clients receive same day responses?
- How does the firm compensate attorneys that retain and grow clients?
- Is the firm prepared to reassign partners to clients based on client preferences?
- Does the firm have the most efficient and up-to-date technology to support our client work?

Trust and collaboration

- How effectively do partners work together to build and expand client relationships? Or do partners control their own client relationships and resist introducing partners to their clients?
- How well are clients institutionalized in the firm? Has the firm been successful building client teams?
- When you walk the hallways, are there discussions going on behind closed doors or do partners more casually engage in conversations?
- Does the firm structure events (social, partner meetings, practice group meetings) that enhance partner communication and collegiality?
- Is the compensation system considered fair? Does it reward for individual performance or for expanding clients and investing in the firm? Does it compensate for or penalize for individual hoarding of clients and work?

Taking a look at all aspects of your culture will help you better understand what holds the firm together, what makes it distinctive and where the firm might need to adjust its cultural norms in order to survive and thrive over the next few decades. In our post next week, we will address the particular aspects of culture that will be required for the challenges ahead.

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