Strategies to Successfully Change Law Firm Culture:

The Example of Legal Project Management

Recently, Altman Weil was consulting with the senior management of a midsized law firm about its strategic plan and got into a discussion of the importance of measuring profitability by practice group, client, and matter. The CFO dismissed the idea; they had already tried that, he said, but it simply didn't work.

A few years earlier, the firm had spent several hundred thousand dollars on software to measure profitability. Mathematically, the software was indeed a good way to calculate profitability by matter or by client. But when management tried to roll out the new system, there was an enormous amount of negative pushback from partners. The software was too complicated, partners said, and the assumptions too controversial.

More importantly, almost every lawyer who was told that a matter was unprofitable said there must be some mistake and questioned the way profitability was calculated. After months of acrimony and debate, the firm decided to simply stop using the software and put it on the shelf as a costly experiment that had failed. They wrote off all the time that had gone into choosing the software, installing it, and training lawyers to use it. Not to mention the initial investment of several hundred thousand dollars.

Mind you, management still felt that measuring profitability was an important and valuable strategy. Presumably, it just couldn't be made to work in that firm's culture. In any other business, the CEO might have required that the software be used whether people liked it or not. But many law firms are fragile partnerships where firm leadership simply does not have the power to enforce change.

In several decades of working with hundreds of law firms, we have seen many such examples where well-designed strategies have failed because partners refuse to embrace them.

Customer relationship management (CRM) software is another great example. Many firms have recognized the value of tracking client relationships more closely and invested six figures or more in technology to do that. But based on our unscientific count, CRM systems have failed at the vast majority of the law firms that have installed them, due to lawyers' resistance to sharing information about their clients and their unwillingness to put in the hard work of tracking details in the system. Enormous effort was put into the initial stages of selecting software and implementing it, lawyers pushed back, and in the end management gave up and the money was thrown out the window.

The problem of failure to execute is not limited to software. "Key client programs" to improve service to top clients sound like a great strategy when they are committed to paper, but, when the time comes to act, many lawyers just keep doing what they've always done. Practice group planning is another problem area. When 81 managing partners responded to the *Altman Weil Practice Group Performance Survey* a few years ago, we concluded that "Law firm practice group performance…is mediocre at best across a series of measures." For example:

> Sixty-three percent of law firms say they have a formal Practice Group planning process, but planning quality is inconsistent and many firms fall short on plan execution. On average, on a scale of 0 to 10, firms rate the effectiveness of Practice Group planning at 6.0 and the effectiveness of plan implementation at a meager 5.6.

For every firm that has successfully implemented a strategic plan, several others have failed to execute.

As Drucker Said…

We could go on, but there is really no need. You could probably add several recent examples from your own firm. As management guru Peter Drucker has famously (if apocryphally) said, "Culture eats strategy for lunch."

Several decades of consistent financial success have led many law firms to develop cultures that are frustratingly resistant to change. As Richard Susskind noted in his widely quoted book, *The End of Lawyers?,* "It is not easy to convince a group of millionaires… that their business model is wrong."

In a series of Web articles entitled "Leadership and Culture," Sean Culey noted that:

> Every organization has its own unique culture, defined as the set of deeply embedded, self-reinforcing behaviors, beliefs, and mindset that determine "the way we do things around here…" It controls the way their people act and behave, how they talk and inter-relate, how long it takes to make decisions, how trusting they are and, most importantly, how effective they are at delivering results… Studies have shown again and again that there may be no more critical source of business success or failure than a company's culture—it trumps strategy and leadership every time.

For example, consider the attitude toward perfectionism at many law firms. As consultant Ron Friedmann wrote in his blog several years ago:

> Clients often want to know if there are any major risks: "Let me know if there are any boulders in this playing field." Lawyers often hear that and think they need to find not just the boulders, but also the pebbles. The fear of being wrong—and of malpractice—runs deep. "Perfection thinking" makes it hard to approximate, to apply the 80-20 rule, to guide in the right direction but with some imprecision.

When lawyers were getting paid by the hour and most clients didn't seem to care how many hours it took to reach perfection, the mindset was reinforced by the compensation systems that are still found at most law firms: the more hours you bill, the more you are paid.

But clients are increasingly questioning hourly bills and/or asking for fixed fee alternatives. When realization goes down far enough, firms will gradually be forced to change compensation, as Jackson Lewis did when it recently announced that associates will no longer be compensated for billing more hours. Instead, they will be rewarded based on factors tied to results such as efficiency and client service.

Strategic Challenge to Increase Efficiency

For anyone who follows the legal marketplace, it will come as no surprise that corporate clients are exerting enormous pressure to receive greater value from their law firms and that law firm profit margins are being squeezed as a result. What remains a surprise to many firms is how urgent the need for change is and how difficult it is to get lawyers to change their behavior.

It's something we've seen both in our consulting work with law firms and in the results of several research studies. When, in Altman Weil's "2014 Law Firms in Transition Survey," 304 managing partners opined on which of 14 current trends were most likely to be permanent, 94 percent put an increased focus on practice efficiency at the top of the list. That's right, 94 percent. When have you ever heard of 94 percent of lawyers agreeing about anything?

Other surveys have found similar results. In the *American Lawyer's* December 2014 report on its "Law Firm Leaders Survey," Michael Heller, Cozen O'Connor's CEO, sums it up very simply: "Law firms are being forced to completely change the way they practice law."

Cultural Resistance to Demands for Efficiency

Clients are demanding efficiency and law firm leaders are struggling to figure out how to provide it. But as long as compensation systems reward lawyers for putting in more hours, it will be a tough nut to crack. Firms must stop focusing on simply generating more revenue, whatever it costs, and instead focus on the much harder issue of generating greater profits. As one managing partner put it in our recent research, "I have a $10 million practice. But that could be a disaster for a firm, because it could cost them $11 million to get $10 million. But nobody ever talks about it that way."

What *are* firms doing about the demand for greater efficiency? Not nearly enough.

When the "2014 Law Firms in Transition Survey" asked, "Has your firm significantly changed its strategic approach to efficiency of legal service delivery?" only 39 percent said yes. (Thirty-five percent said no and the remaining 26 percent said changes are "under consideration.")

As negative as these figures seem, in our day-to-day experience the reality is much worse. In many cases, firms that have "changed their strategic approach" have done so only on a piece of paper. In the trenches, most of their lawyers are still practicing the way they always have.

In 1962, Professor Everett Rogers published his influential text *Diffusion of Innovations*, which is now in its fifth edition. The book explains the elements that determine how quickly a new idea spreads. In this context, the most important idea is his argument that the people who adopt a new idea are distributed in a normal curve in several sequential categories: innovators (2.5 percent), early adopters (13.5 percent), early majority (34 percent), late majority (34 percent), and laggards (16 percent).

At some point, Rogers argues, successful social change reaches a critical mass when the number of adopters is large enough so that the speed of adoption becomes self-sustaining and further spreads the idea. It is, of course, very similar to the central idea in Malcolm Gladwell's best seller *The Tipping Point: How Little Things Can Make a Big Difference*. According to Gladwell's definition, a tipping point is "The moment of critical mass, the threshold, the boiling point."

The introduction of Legal Project Management (LPM) is a good indicator of a law firm's commitment to improved practice efficiency. The field of LPM is so new that there is still some disagreement about exactly how to define it. For this article, we use the very broad definition proposed in the book *Legal Project Management, Pricing, and Alternative Fee Arrangements*: "Legal project management adapts proven management techniques to the legal profession to help lawyers achieve their business goals, including increasing client value and protecting profitability."

While there is no systematic data as to exactly where LPM stands on Professor Rogers' continuum, based on our experience talking to a wide number of firms, we strongly believe that LPM is still at the early adopters' stage. The bad news is that clients want faster progress. Many law firms have done an excellent job of putting out press releases announcing that they are leaders in LPM, and indeed many individual lawyers have achieved success. But when it comes to changing the way an entire practice group or firm does business, they have fallen far short.

The good news is that innovative law firms still have an enormous opportunity to get ahead of competitors. We believe that the key issue for most firms today is to find the LPM tipping point for each practice group. In our experience, the required percentage varies widely depending on the pressure the group is under as well as on the internal political dynamics of a practice group led by a few strong leaders versus one in which each lawyer acts as an independent agent.

Clients are certainly not impressed by law firms' efforts to date. In Altman Weil's "2014 Chief Legal Officer Survey," 186 in-house general counsel rated how serious law firms are "about changing their legal service delivery model to provide greater value to clients" on a scale from 0 (not at all) to 10 (doing everything they can). The median answer was 3, a ringing indictment of the low level of effort.

In this context, LegalBizDev recently published the book *Client Value and Law Firm Profitability*, which summarizes in-depth confidential interviews with chairs, managing partners, and other leaders from 50 AmLaw 200 firms. Many of those leaders reported gaps between the firm's strategy and what actually gets done.

To assure that strategies are executed properly, you've got to start with metrics. As consultants are fond of saying, "What gets measured gets done." When law firms outline strategies without metrics, the follow-up quickly gets fuzzy. You've got to have a way to show people they are making progress. Defining effective metrics is not easy. In the case of LPM strategies, where metrics exist, they tend to be subjective measures of increased client satisfaction and new business. As the field matures, more sophisticated measures are likely to emerge.

In most other businesses, implementation is clearly seen as a four-step process that includes goals, actions, scorecards, and accountability. Most law firms never get past the first step of setting the goals. They fail to identify the actions—specific measurable behaviors—that are required to achieve the goal.

Some identify the actions but lack a scorecard or measurement system to track who is taking action and whether it is working. And the few who do have a scorecard often lack accountability. The lack of centralized power at many firms means that it is every partner for him- or herself.

Proven Tactics to Change Culture

Change is inherently difficult, especially for lawyers whose mindset is steeped in following precedent and past practices. But there is a large body of research literature on how to change corporate cultures. It has been successfully applied to the legal profession to increase adoption of LPM.

In his book *Leading Change*, John Kotter, professor emeritus at Harvard Business School, noted that:

> Real transformation takes time … Most people won't go on the long march unless they see compelling evidence within six to eighteen months that the journey is producing expected results. Without short-term wins, too many employees give up or actively join the resistance.

Kotter listed many benefits of short-term wins, including the fact that they:

- Provide evidence that sacrifices are worth it
- Reward change agents with a pat on the back
- Help fine-tune vision and strategies
- Undermine cynics and self-serving resisters
- Build momentum

Most lawyers will change their behavior *if* they are provided with convincing evidence that it is in their own self-interest. If partners whom they respect and trust say that an aggressive fixed fee deal became profitable because of the way it was managed, or that a lawyer working on an hourly basis avoided a write-down with a difficult client because he or she used project management tactics, the others will listen.

So, one key tactic to promote change is to focus on short-term wins with clearly measurable objectives. Instead of trying to train everyone in the firm to be more efficient, seek out lawyers who are motivated to change and help them to find their personal "low hanging fruit" that will prove LPM's benefits to others in the firm.

For example, in 2012 LegalBizDev was asked to introduce an LPM program at Bilzin Sumberg, a Florida-based firm of about 100 lawyers. A few months before speaking at its annual retreat, we began coaching three lawyers on LPM. In weekly telephone sessions of about 30 minutes each, our coach walked the three lawyers through key problems and issues that they were encountering in their practices and how best practices from other firms might apply.

They selected real world matters to analyze and identified the key issues that were most critical in each situation, using the templates, job aids, and checklists in our *Legal Project Management Quick Reference Guide*. Then they reviewed the best practices described in the book and discussed exactly how to apply them to increase client value and protect profitability. At the retreat, the three lawyers then discussed their results.

One pilot participant was Al Dotson, a member of the Executive Committee and the practice group leader of its Government Relations and Land Development Practice Group. By the time of the retreat, Dotson's coaching had already led to new business.

Dotson represents real estate developers and contractors in highly complex matters that involve a series of government regulatory agency approvals, and his developer clients loved the approach because they use project management to run their own businesses. One of them was so impressed by a legal project plan Dotson had produced that he asked Bilzin to take on a significant amount of new work.

As a result of the discussion of this quick win at the firm retreat, a number of other partners became interested in seeing if LPM could help them increase new business and realization. All 51 partners were offered the option to complete the same coaching program that Dotson had received. Over the next 15 months, a total of 26 partners volunteered for and completed the program, representing just over half of the firm's partnership.

At that point, belief in LPM had reached critical mass and developed enough momentum that no more coaching was needed. The partners themselves and Bilzin's internal staff took ownership of the effort, moving it forward and sustaining progress. The first quick wins had led to more wins and ultimately changed the firm's culture.

This example also can be related to a second principle John Kotter described in another book (*The Heart of Change*, coauthored by Dan Cohen, a principal at Deloitte Consulting). Kotter and Cohen interviewed over 400 people who had been involved in change efforts at 130 companies to understand why some change initiatives had succeeded and others had failed.

They concluded that the managers who failed had used an approach that could be described as ANALYZE-THINK-CHANGE. They focused on rational arguments, compiled spreadsheets, and developed PowerPoint presentations to show workers all the intellectual reasons why they needed to change. This type of systematic approach can be effective in a stable and controlled situation, they concluded, such as when you need to cut your printing costs or reduce your commute time.

But in most corporate change efforts, it does not work because "the parameters aren't well understood, and the future is fuzzy."

As noted, at law firms there is an additional challenge: The lack of strong central authority leads to a lack of accountability. It's a lot easier to get things done when someone is in charge; someone who can penalize people if they fail to execute. The nonhierarchical structure of most firms makes it very difficult to hold people accountable.

In change efforts for complex situations like the evolving marketplace lawyers now face, Kotter and Cohen found that successful managers relied on the sequence SEE-FEEL-CHANGE. Instead of trying to appeal to the rational mind, they focused on making an emotional connection, which is exactly what Bilzin Sumberg did as it gradually expanded successful LPM initiatives to create a new LPM-based culture.

It would be nice to be able to report that, once a majority of Bilzin's partners had completed their coaching, their LPM work was done. In fact, it was just beginning.

It is true that the firm's clients quickly saw significant benefits in reduced costs and greater responsiveness, which in turn led to new business. But when LegalBizDev interviewed firm leaders for follow-up reports over the next few years, they consistently used phrases like "baby steps," "infancy stage," and "aspirational rather than obligatory" to describe the firm's current use of LPM.

Well, they should see the other guys! We spend our lives looking behind the curtain at a wide variety of law firms as we work with them to increase efficiency. Many firms have individual lawyers or practice groups that are quite advanced in LPM but, in our opinion, there is unfortunately not a single firm on the planet that can say that LPM has truly taken hold among all its lawyers.

There are dozens of firms that have put out more press releases than Bilzin announcing their LPM success. But in our experience, none has achieved behavior change more quickly or more cost effectively than Bilzin. LPM aims to change habits that have been reinforced over decades, and that kind of culture change will always occur one small step at a time.

According to Paul VanderMeer, Bilzin's director of knowledge management, "The more successes we have gotten, the more converts we obtained, and the more that LPM has permanently changed the way we do business."

One of the most important steps that Bilzin took to monitor and sustain progress was the formation of an LPM committee chaired by Michelle Weber, the firm's executive director. Practice group leaders are required to report regularly to the committee and to the managing partner about how they are applying LPM and what works best.

"We're following this so tightly because it's an enormous priority," says Weber. The result is that best practices are spreading. Many changes have been quite simple but still extremely effective. For example, she noted that:

> As matters come in, we routinely have a discussion at the outset with all team members, including paralegals, so that everybody understands what the scope is. At the same time, we discuss the task codes that everyone's going to use so we don't have major problems with consistency later.

Al Dotson, who was one of the three lawyers in the initial pilot test of LPM coaching, recently said he is now using LPM principles "in just about every matter that I have here. These principles are flexible and important enough to apply to nearly everything that I do." For example:

> I routinely set up nonbillable team meetings to ascertain the status of the work at any given stage to avoid duplication of effort, to identify issues sooner rather than later, and to communicate quickly with the client if there are any issues. This is done early and frequently throughout the project.

A number of other proven tactics for changing behavior also have accelerated success at Bilzin Sumberg and other of our clients. When LPM first became popular around 2009, some firms experimented with training every lawyer in the firm in the hope of spreading innovation like jam across the entire firm at once. It is a common approach among firms and is part of the "CLE syndrome" that's especially pervasive among professional development directors. It allows the firm to check a box and put out a press release proclaiming success.

However, from a broad behavior change point of view, almost all these training programs were failures. Typically, a few lawyers changed their approach, but the vast majority just finished the class and went back to work the way they always had. As the managing partner of one firm that invested in extensive LPM training put it:

> Project management will probably have the longest-term positive impact but it's been the biggest challenge, because when busy lawyers start scrambling around, the inefficiency creeps right up.

It is much more effective to start by identifying a small group of lawyers who are most likely to be early adopters, by virtue of both the challenges they face (*e.g.*, those who must manage fixed fee matters) and their personal openness to change.

The "tone at the top" is also extremely important. Enthusiastic support for LPM from senior management is very helpful in assuring acceptance. We have seen some firms succeed with a "bottom-up" effort that spreads LPM from the trenches with only lukewarm leadership support. But things go much faster if leaders are enthusiastic enough about LPM to keep pushing the effort past the inevitable speed bumps.

You may want to take a look at the third edition of the *Legal Project Management Quick Reference Guide* for additional examples of how proven tactics from the change management literature can be applied to law firms. In terms of what we're talking about here, the most important point is simply that law firm cultures can be changed relatively quickly *if* you carefully apply proven principles from other professions.

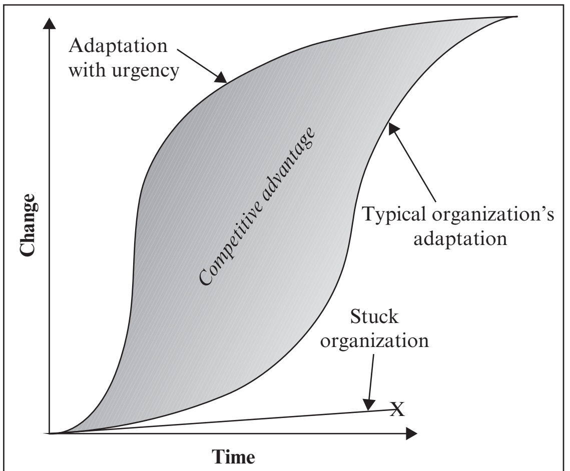
What Should You Do?

If your clients don't care about efficiency and are willing to pay whatever it takes to handle their legal matters, you may not need to do a thing. Yet. Just keep delivering services the way you always have, pile up those billable hours, and pray for the client's health.

But even if you are one of the lucky few in this shrinking slice of the profession, it is worth asking whether you are sure your clients don't care about cost. Is it in the best interest of your clients for you to remain inefficient? What would happen if a credible competitor offered a better deal? We would argue that it is prudent for every lawyer to consider whether LPM could help protect your practice in an ever more challenging profession.

For everyone else—all the lawyers who know that the demand for efficiency and cost-effectiveness is already here or coming soon to a client near you—it is critically important to meet those client demands for efficiency as quickly as possible.

Shlomo Swidler developed the following curve to illustrate the relationship between the speed of change and the competitive advantage it produces:



As this curve suggests, firms that change quickly will have a significant competitive advantage over those that adapt more slowly, and an even greater advantage over those that never change at all.

At the management level, too many firms are reacting to clients rather than taking a leadership position. We talked recently to one managing partner about an embarrassing meeting with the firm's largest client. The general counsel described hiring a new legal project manager for his law department, and said "I'd like to arrange a meeting for him with your legal project manager."

The managing partner not only did not have such a person at his firm, he wasn't even quite sure what LPM meant. But, being a skilled politician, he said, "We'll make that happen," and then tap-danced his way through the rest of the meeting. Then he went back to the office and started asking questions about who was working on LPM. The result would have been much better if less tap-dancing had been required.

Fortunately, the research results for *Client Value and Law Firm Profitability* supported the idea that law firm leaders see change in this area as critical. One key question asked directly was, "Will firms have a competitive advantage if they change more quickly?" Eighty-five percent of respondents said yes and only 5 percent said no. (The other 10 percent didn't know.)

The results of failure to change quickly could be severe. As one managing partner put it, "The firms that are most effective are going to do well, and I don't think everybody will survive."

In a November 2014 *American Lawyer* article entitled "Big Law's Reality Check," Aric Press reviewed a significant amount of data showing that, while a small number of law firms at the top have reason for optimism:

> It also seems clear that not every firm is going to make it through the next several years… During the good times it took extreme cases to bring down an enterprise. The limited recovery has shrunk the margin for errors in judgment and execution. The good times were forgiving. Today's times are much less so.

Or, as investor Warren Buffet famously put it, "Only when the tide goes out do you discover who's been swimming naked."

As one AmLaw 200 senior executive interviewed for the book *Client Value and Law Firm Profitability* summed it up, "Firms that can't deliver more value will fail."

It is all too easy to identify law firm initiatives that have failed and to attribute the failure to the implications of that classic observation, "culture eats strategy for lunch." As clients continue to demand greater value and competitors continue to become more aggressive, only the firms that actively move to a more business-like culture are likely to prosper.

Changing culture is never easy, but other businesses have learned how to do it effectively and law firms must learn from them:

- Develop internal champions for every initiative. The ideal champion is not the managing partner or chair, but a group of respected partners who can point to the success they have achieved.
- Aim for short-term wins.
- When wins are achieved, communicate them effectively throughout the firm.
- Choose an area like legal project management where it is clear that there will be benefits to both clients (in greater value) and the firm (in profitability). It will help reduce hurdles for many reluctant lawyers.
- Get everybody to understand the new initiative as an investment, not an operating cost. Investment and cost are obviously two totally different things, and under-investing in any initiative will almost certainly lead to failure.
- Don't form a committee that will postpone action until it is convinced there is a perfect solution.
- Do support lawyers who are willing to experiment to find out what works best for each client, practice, and personality.
- If things don't work out precisely as hoped the first time, recognize that that is the nature of innovation and adaptation. Learn from it and try again.

Or, as partner Camden Webb of Williams Mullen put it after completing one of our LPM programs:

Just do something. This will spread project management, because when lawyers succeed, others in the firm will imitate their success. ■

—Jim Hassett and Tom Clay

Jim Hassett founded LegalBizDev (www.legalbizdev.com) *to help law firms increase client satisfaction and profitability by improving project management and business development. He has written three books, including the* Legal Project Management Quick Reference Guide *and the* Legal Business Development Quick Reference Guide. *Reach him at* jhassett@legalbizdev.com *or 800-49-TRAIN.*

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