

How an Emerging Management Strategy Can Affect Legal Services

Many words describe a law firm: *prestigious, profitable, reputable, tenacious*. The list can go on and on. But there's one word that's rarely seen and that's unfortunate because it could make a huge difference in how successful a law firm can be. That word is *balanced*.

To survive and thrive, an organization must be balanced and a law firm is no exception. For a law firm to be healthy, balance is a must on many levels: Balance between billable hours and career development; balance between productivity and motivation; balance between change and maintaining status quo; and balance between activities that bring in business today and those that build business for the future.

Unfortunately, what many firms are choosing to measure simply doesn't create a balanced organization. The measures that most firms rely on are:

1. Revenue
2. Billable hours
3. Realization rate
4. Profit margin

These measures place an unhealthy, heavy weight on financial results and ignore other critical areas. These financial gauges only tell you how you've done, what has happened at some point in the past. They are only lag indicators—they can't tell you how you will do in the future.

A balanced management system uses indicators that let you see into the future and make mid-course corrections. It's a system that measures what goes on in the real world—a business scorecard.

The Balanced Scorecard

This balanced approach certainly considers financials, but it also delves deeper into internal operations and evaluates customer satisfaction as well as the development of your people. It's a management

process being implemented around the world called "The Balanced Scorecard."

Developed by Harvard professor Robert Kaplan and Dr. David Norton, the Balanced Scorecard is being used by half of the Global 1000 companies, according to a study by Bain & Company, an international management consulting firm. *Harvard Business Review* cites it as one of the most powerful management tools ever, and the Gartner Group, a consulting firm in Stamford, Conn., estimates that, just last year, 40 percent of the *Fortune* 1000 companies implemented this comprehensive system. It has been used to create dramatic turnarounds at companies such as Mobil, Cigna, and Sears.

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The process takes a "balanced" view of an organization using measures in four categories: financial performance, customer knowledge, internal business processes, and organizational learning and growth. It lets organizations link objectives, initiatives, and measures to align overall strategy.

Can the Balanced Scorecard work in a law firm?

"Organizations are 80 percent the same, so don't let the other 20 percent fool you," says Norton. "The common denominator is a desire to improve the position of the firm in the future. In our work with hun-

dreds of organizations, which include professional service firms, government agencies, manufacturers, cities and nonprofits, we've seen that it's all the same."

Strategic planning has to be done right the first time or it can be ineffective at best, destructive at worst. Resistance, resentment, and sabotage are common results of a poorly designed and implemented strategic planning process.

Norton says good organizations need good people running effective processes that serve customer needs. He says the key is to create "linked strategies" between each of them and to develop measures.

"You need a strategy, you need to integrate it into everyone's thinking and into their everyday jobs," says Norton. "The Balanced Scorecard is an effective tool for translating strategy into action."

Another Scorecard expert agrees with Norton. "I almost fell for the party line that law firms are different," says David Freeman, a lawyer and law firm consultant from Boulder, CO, who now specializes in integrating the Balanced Scorecard into the strategic planning and implementation process.

Paradoxically, Freeman says it was when he stepped outside of law firms and began consulting with some of the largest and fastest growing companies in the world that he really understood how the strategy was also applicable to law firms. "Industries and professions may have their shades of difference, but the underlying business principles are the same," he says. "As a general rule, an organization that has well-prepared and motivated employees, that creates efficient and effective internal processes, and that satisfies client needs, will generate superior financial returns."

Alignment, Integration, Planning

An organization becomes an organization under the premise that its parts together create greater value than the parts standing alone. In reality, how-

Balanced Planning and Implementation Success Factors

Law firms don't just pull "balance" out of the air, it takes a well-thought out planning and implementation strategy to move the firm's focus away from simply the financial gauges and toward the performance model that comes when customer knowledge, innovative business processes, and organizational growth are added to the mix.

The following steps can help a law firm stop concentrating on lag indicators that measure past results and shift to a goal-oriented strategy:

1. Understand external competitive and market forces and internal strengths and weaknesses
2. Enlist senior leadership support
3. Develop a sense of urgency
4. Develop a shared vision and mission
5. Utilize a collaborative, cross-functional planning process

6. Enroll a wide group of stakeholders
7. Implement a Balanced Scorecard
8. Create alignment and integration across the firm
9. Assign accountability for accomplishing strategic initiatives
10. Develop an implementation plan and provide necessary resources
11. Establish clear expectations and performance goals for everyone
12. Create a balanced compensation system that rewards behaviors that drive implementation of strategy
13. Communicate and celebrate successes early and often

(Courtesy of David Freeman, <whetstoneconsult@aol.com>)

ever, as most organizations increase in size, the pieces tend to become increasingly isolated, operating as individual silos, and synergies become lost.

“I’ve seen many firms go down the same path. They grow and they separate,” says Betiayn Tursi, a law firm marketing specialist for 26 years and currently National Director Of Marketing at Loeb & Loeb. “Fiefdoms expand and they compete for resources and to protect their assets, their clients, to the detriment of the whole firm. A process that would break down those walls would be worth its weight in gold.”

The firm’s leadership must find the balance between maximizing the number of billable hours and the need to build for the future. Firms must allocate financial and human resources and develop a realistic step-by-step plan for turning strategy into reality.

Freeman says planning must bring together all the elements and factions that make up a law firm. “Links must be forged between people, processes, customers, and financials, as well as between practice groups, support staff, administration, and other departments,” says Freeman. “An effectively designed Balanced Scorecard approach can achieve alignment and integration, which will result in a higher performance firm.”

One of the best ways to get the Balanced Scorecard into an organization is to tie it to the strategic planning process, according to Freeman. However, putting a new initiative into a firm, especially one as all-encompassing as a new management system, is usually a recipe for failure, written off as just another “program of the month.” Strategic planning has to be done right the first time or it can be ineffective at best, destructive at worst. Resistance, resentment, and sabotage are common results of a poorly designed and implemented strategic planning process. Many firms are just beginning their forays into strategic planning and don’t have the experience to make it work.

“You can send a few gray-haired senior partners off to a room and they’ll come back with a plan, but what happens then?” asks Freeman. “It’s become an old story of how the strategic plan sits on a shelf gathering dust. Most people in an organization never see it, they don’t know how it affects them, and therefore no behaviors change as a result of it.”

A well-designed plan pulls as many people as possible into the process. The secret, suggests Freeman, is to get key internal stakeholders from across the firm involved in the planning. People need to get on board by building the plan themselves. Participation from all levels in a firm will go a long way in creating a well thought-out plan, and people will buy into it when they’ve helped create it.

“A collaborative, inclusive process develops leaders throughout the firm who are motivated to see the plan they created become reality,” says Freeman. “They become the plan’s champions; they communicate it throughout the rest of the firm. For perhaps the first time, everyone in a firm knows the strategy, and understands how each role fits into the bigger picture.”



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John Robinson, co-chair of the Strategic Planning Committee at Fowler, White, Gillen, Boggs, Villareal and Banker in Tampa, says he knows first-hand the value of collaborative planning. “We brought in a consultant to take us through a collaborative planning process a few years back to determine our long-term strategic plan,” says Robinson. “A well-designed collaborative process takes personalities out of the picture and develops a focus on overall issues. We got out of the box, developed a roadmap with timelines, and had much greater follow-through because people cared about implementing the ideas they came up with.”

Implementation, Management, Compensation

The best plan in the world is worthless unless it can be implemented and managed. “The greatest challenge in a time-sensitive profession such as law is making a plan real,” says Freeman. He says many strategic planning initiatives fail because there isn’t enough support at the leadership level to get it done. The firm’s leadership must find the balance between maximizing the number of billable hours and the need to build for the future. Firms must allocate financial and human resources and develop a realistic step-by-step plan for turning strategy into reality. Also, all employees must be clear on their roles.

Role clarity by itself, however, is not enough, according to Freeman. “All employees should know how their goals and their performances are being measured. A well-integrated planning process will align individual, practice group, and departmental measures to collectively [comprise] overall firm goals,” he says.

Choosing the proper measures, then, becomes a critically important exercise. Measuring the wrong things will motivate the wrong behaviors. A balanced management system looks at strategy, establishes goals, and determines the appropriate measures that chart progress toward achieving those goals. The balanced system will set goals and measures in the four categories (financial, customer service, internal processes, and people development) to drive short- and long-term initiatives. The Balanced Scorecard system gives leaders a tool with which to monitor, measure, and manage the firm from a comprehensive point of view.

Another crucial factor in implementing the Balanced Scorecard is a compensation system that drives desired behaviors. Typical compensation models focus mainly on achieving short-term financial goals. This fails to motivate activities that support long-term health. Freeman suggests a rewards program that balances traditional short-term goals with longer-term initiatives that are identified in the strategic planning process.

One possibility is putting a portion of compensation at risk. “A pay for performance model gets some skin in the game,” says Freeman. “Strategic initiatives have owners assigned to them, performance criteria are set, and a portion of pay is tied to achieving the goals. This has been a powerful motivating force.”

Like any delicate ecosystem, many interrelated forces must be in balance to support a sustainable environment. An organization is no different. Recognizing the need and creating a plan to manage the balance is the key to maintaining an organization’s health.

—Doug McPherson