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Mission and core values will spell success or failure for a firm

Why do law firms fail? What makes some firms work while others don't? The answer can be found in four places:

CULTURE

Every organization needs purpose. And every organization has organizational character that is often called culture. Purpose (or mission) is the underlying reason that the firm is in business. Culture is the operational dynamic that characterizes how people within the organization operate every day — with each other, with colleagues and with clients. The purpose and the nature of the culture is the foundation for organizational success or failure.

Successful firms embrace this and work to develop and articulate a mission statement. From experience, that mission cannot be to grow and make money. Growth and making money are outcomes of mission and strategy that are effectively developed and executed but should not be confused as purpose.

Mission is about passion. For example, Boyar & Miller states as its mission "to provide service beyond expectations, build lasting relationships and make a meaningful difference in peoples' lives." Firms that fail often lack the passionate purpose that is so essential to doing what law firms do.

Successful law firms have core values that set the behavioral framework for everyone in the firm. They are the fabric that holds the entire organization together and are the source of problem solving and conflict resolution. Experience suggests that people at all levels of the organization can relate to core values as the context for productive organizational behavior.

Simply stated, mission and core values are the most important elements of a successful firm.



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STRATEGY

Every successful organization has strategic focus. Successful law firms have a clear and concise strategic plan. Struggling firms typically do not. Strategic focus should encompass two perspectives:

- The present and the future.
- Internal and external.

This provides four distinct reference points for strategic planning:

- Internal and present. For example, systems and processes.
- Internal and future. For example, training and development of people.
- External and present. For example, nurturing client relationships and referral sources.
- External and future. For example, branding and new business development.

All of the lawyers in the firm need to be involved in the development and execution of strategy. Successful strategy development needs to be collaborative; leaders who dictate strategy will be sorely disappointed when they fail to inspire execution.

COMPENSATION STRUCTURE

Probably the most controversial issue in law firms is the manner in which lawyers are compensated. The two predominant models are:

- Formula-based.
- Discretionary-based.

Two important tenets should shape firm leadership's approach to compensation.

The first is that, if the objective is to build a sustaining organization, the system of compensation should both create alignment among the professionals and serve the best interests of the clients. Incentives drive the decisions that lawyers make regarding who works on what matters. Clients must benefit or the system is flawed. The risk of a flawed system is client dissatisfaction, which can lead to failure.

The second tenet is that firms should applaud effort but reward performance. Lawyers are by nature competitive people and expect to be well paid for hard work. However, a firm should refrain from re-

warding hard work if performance is not there. Accurate assessments of performance and performance-based compensation are critical.

Firms with purely objective formulas that compensate for effort with no discretion to recognize outcome (versus output) will struggle to achieve fairness in the system. Lack of fairness can breed discontent. Rampant discontent can lead to failure.

LEADERSHIP

The final influence on the success or failure of law firms is leadership. Successful firms always have strong leadership. Struggling firms typically lack strong leaders with good business sense.

In the legal industry, leadership starts with competence. People respect competence and will follow those perceived to be great lawyers. Competence leads to the opportunity to build trust. If the leader builds trust, then people will follow.

Trust comes from a belief that the leader is committed first to the success of the organization, and individual accomplishment follows firm success. If constituents believe that the leader is selfish and self-absorbed, there will be no trust. Lack of trust is a cancer. It will kill an organization faster than anything. It breeds gossip, politics and discontent. Those are characteristics of a firm spiraling to extinction.

Once competence and trust are established, loyalty follows. Loyalty gives leadership the room to make decisions and implement firm strategy. Successful firms have strong competent leaders who are trusted and whose constituents are loyal in their support.

So, why do law firms succeed? Some combination of the following is present: a clear and well-articulated mission; a healthy culture that provides a fabric for organizational behavior; a coherent strategic plan, a compensation system that aligns interests and rewards performance; and strong and trusted leadership. ■

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