

# Five Keys to Law Firm Success

BY BILL BOYAR

Illustration by Gilberto Saucedo

**W**hat makes some firms work while others fail? The answer can be found in five crucial areas — fundamental purpose, culture, strategy, compensation structure, and leadership.

## Fundamental Purpose

Every organization, regardless of industry, needs to be grounded in a fundamental purpose. Purpose (which is sometimes also called “mission”) is the underlying reason that the firm is in business. It can be the reason that people get out of bed in the morning. It can be what drives the team.

Successful firms embrace this and work to develop and articulate a mission that reflects its fundamental purpose. 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 with purpose.

Mission is about passion. For example, the mission of my firm, Boyar & Miller, is to “provide counsel beyond expectations, build lasting relationships, and make a meaningful difference in

peoples’ lives.” It’s a powerful and passionate reflection of how the firm’s professionals and staff take on the world every day. Clients respond favorably to firms that bring passion to the table. Firms that fail often lack the passionate purpose that is so essential.

## Culture

Just as every organization needs to be grounded in a fundamental purpose, every organization has an organizational character that is often called culture. 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 law firms have core values that set the behavioral framework for everyone in the firm and strive every day

to operate consistently with those core values. In successful firms, the leaders “walk the talk.” Core values are the fabric that holds the entire organization together and the source for 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. However, when the leaders in the firm fail to operate consistently with the values of the organization, the firm faces issues of trust, loyalty, and lack of confidence with the leadership of the firm. Successful firms confront behavior that is inconsistent with the core values, while firms that fail often tolerate such behavior. The typical example is the high performer who makes a significant economic contribution to the firm but who disregards its core values. If the leadership of the firm fails to confront such behavior in a way

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that is sufficient for the rest of the team, trust and confidence in the leadership will weaken. Weakened trust and confidence leads to people seeking other environments in which to work. If not addressed, that can spiral to failure.

### Strategy

Every successful organization has strategic focus. Successful firms have a clear and concise strategic plan. Struggling firms typically do not. Strategic focus should encompass two perspectives: (1) the present and the future, and (2) internal and external, which provides four distinct reference points for strategic planning: (a) internal and present; (b) internal and future; (c) external and present; and (d) external and future.

Examples of these four points of strategic focus are: (a) internal/present — systems and processes; (b) internal/future — training and development of people; (c) external/present — nurturing client relationships and referral sources; and (d) external/future — branding and new business development.

Every lawyer in the firm needs to be involved in the development and execution of strategy. Successful strategy development needs to be collaborative; leaders who merely dictate strategy will be sorely disappointed when they fail to inspire execution. One of my favorite expressions — strategy without execution is meaningless — can be so true in a law firm environment. As with many fundamental concepts in successful businesses historically rejected by lawyers, the development and execution of strategy is alarmingly novel to law firms. Now that law firm leaders appear to be receptive to strategy as an important component of successful organizations, the challenge is to develop strategy that is meaningful, valuable, simple, and executable. And the further challenge is to inspire the execution of such strategies. The successful firms today are embracing formal strategic plans and the importance of efficient execution of those plans. Firms that believe their real purpose is to bill time and make money often consider time spent on strategy as a distraction and they inevitably fail.

### 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 and discretionary-based.

Two important tenets should shape 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 rewarding 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. The current approach to associate compensation of paying for hours billed according to a scale might have the short-term effect of improving recruiting or retention, but at what cost? In the long run, a successful organization will pay for performance, with performance measured both quantitatively and qualitatively. Contribution has to be measured in a multitude of ways. A firm that does not recognize this will ultimately struggle with satisfaction and retention.

### 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; 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 and a commitment to executing that plan; a compensation system that aligns interests and rewards performance; and strong and trusted leadership.

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