

Definitely Mabey

Culture – glue or repellent – your choice

While there has been a real focus of late on leadership, structure, innovation, strategy, and cost reduction, I am a pretty simple guy from a quaint little community in Nova Scotia and like to start with the basics. And culture is the base on which all firms are either built or destroyed.

In conversations with my friend and colleague, Karen MacKay, we concluded that a simplistic but functional definition of culture is the way that:

- people relate to each other (consistency);
- people relate to the firm (mission);
- the firm adapts to its environment (adaptability); and,
- how work gets done (involvement).

From this definition it should be easy to see why culture can be either the greatest enabler or disabler of longevity and prosperity, particularly in these vexing times for many lawyers.

Denison Consulting confirmed that based upon a sample of 127 public organizations surveyed between 1995 and 2010, organizations with higher culture scores have greater profitability, sales growth, and market-to-book ratio than organizations with lower culture scores.

I know the standard caveat will be tossed up that none of those studied were law firms and we are different but as I have pointed out in past columns, firms and lawyers are simply fooling themselves if they continue to think because the law is a profession that it is somehow immune from the laws of business gravity! [The Denison site](#) is worth checking out.

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The thought that culture can be scored likely has caused a few (OK, a lot) of eyebrows to be raised but, again, take it out of the scientific/mathematical context and put it into the context of the surveying of your stakeholders and it starts to have meaning.

For example, if you were to survey your stakeholders on adaptability you would likely focus on several key aspects such as the firm's willingness to create the change required both in response to internal and external stimuli; the real degree of client focus embraced by the firm; and the level or degree of

organizational learning and the extent to which it is encouraged and supported.



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Obviously high ratings of the firm in this particular aspect would be supportive of a culture that has a strong, external focus. A strong, external focus quite simply is critical for those law firms looking for longevity (again nothing I ever say in this column is rocket science rather simply intuitive).

Conversely, low ratings of the firm in this area could well speak to a sense of foreboding and a lack of confidence in the ability of the firm to meet the current challenges. When this happens over any extended period (which certainly seems like a shorter time frame than in the past) key stakeholders begin expressing their concerns about the culture with their feet! Obviously we have seen a recent example of what happens to longevity in even the most established firm when this cultural awareness occurs.

One point that should be made before moving on is the need for balance amongst interdependency of consistency, mission, adaptability, and involvement to ensure a strong culture. Like anything, too much of a good thing can become a weakness.

So, aside from the obvious, how does culture impact prosperity (assuming you are not striving for a poor but happy firm)? The interdependency referred to above plays a direct role on profitability. For example, cultures that are seen to be strong in consistency (core values, co-ordination, and integration) as well as mission (strategic direction, and goals and objectives) generally possess a strong market presence that converts to increased margins (note I did not say hourly rates).

"So, how does culture impact prosperity..."

Likewise, cultures seen to be strong in adaptability (client focus and organizational learning) as well as involvement (team orientation and capability development) generally possess / experience high client satisfaction, which converts to an increase in both leverage and rates.

Finally cultures that are seen to be strong in consistency (core values, co-ordination, and integration) as well as involvement (team orientation and capability development) generally possess / experience higher utilization of their professionals (which in addition to professional happiness) converts to higher client service levels.

One formula that has stood the test of time is that:
profitability = utilization x rate x margin x leverage

Without overstating my powers of manipulation hopefully the connection between prosperity and culture is a penetrating glimpse into the obvious.

Now having identified its impact on longevity and prosperity, it is equally important to identify the ways in which firms can foster / embrace a culture that supports both goals.

People in general, and lawyers in particular, tend to look for complex answers and solutions to this question resulting in a failure to execute! The answer quite simply is found in the three Cs:

- **Communication:** you cannot really over invest in your efforts to ensure timely, accurate, and complete communication among all the stakeholders;
- **Consultation:** you have to demonstrate empathy to understand what is important to your partners and then actually consult with them on these issues. That means really

listen to their ideas and understand their real concerns rather than impart your ideas and decisions; and,

- **Commitment:** to make all stakeholders, management, and firm leadership feel included, be accountable for acting in a manner that supports the culture the firm shares as its aspiration.

Until next month, as Jack Welch said:

"Culture drives great results." Does your culture do this for you?"

Comments or Questions?

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