

Definitely Mabey

Three universal truths raised by the Heenan Blaikie story



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At last count there were over 25 issues/reasons identified by the legal press (blogs, newspapers, magazines, etc.) that led to the unfortunate demise of Heenan Blaikie. To be clear, the misfortune I speak of is not the disappearance of the law firm itself, but of those who were affected as a result through no fault of their own but rather because of the seeming ineptness of others.

I expect speculation will go on for years about the key reasons with no real resolution!

However, there are three universal truths raised by the Heenan Blaikie meltdown that all law firms should heed no matter how immune they feel they are.

1. The times have changed and to not adapt will be terminal for your firm

I have always been a supporter of listening to wisdom and I don't think it has been expressed any better than it was by Nancy Koehn, the chair of business administration at the Harvard Business School, at the last World Business Forum:

“Currently we are in a time of great turbulence: financial, social, economic, demographic...” She went on to call it “punctuated equilibrium” and advised the “search for steady, a state, a system to which we will return is over... We are now in a new world in which the unexpected is the new normal, and we had all better get used to it.”

I don't think anyone has indirectly described the state of the legal profession any more succinctly. Those lawyers not wanting to make any changes in the belief “the way it was will again be the way it is” need to take heed of Koehn – that era is over and it is not coming back.

While her solution is a refrain we have heard time and time again – leadership – Koehn defines it in a way that had it existed may have at least reduced, if not eliminated, the possibilities of Heenan Blaikie going the way of the Dodo bird. Her take on leadership was:

“We don't need more information. We need leaders who can translate information into knowledge, knowledge into understanding, and understanding into wisdom so we can make smart choices.”

2. Partners need to act like owners

Law firms and their management/administration are falling prey to the same finance measurement challenge that has wreaked havoc with other business sectors: how to invest in the long term when they are evaluated on short-term performance. Owners, on the other hand, are supposed to think about their firm or company for the long term not the short term. This may mean a redefinition of what success is and is not.

It is not profits per partner. It is not cutting partners in order to improve this year's profits per partner because when you cannot improve them sufficiently, partners seeing this as the measurement of whether a firm is successful or not move on to the next firm that can.

Before you misinterpret my comments, partners who don't act like owners need to be dealt with directly and on a timely basis and if they can be rehabilitated then their future needs to be freed up so they can pursue a career outside the firm.

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Law firms have fueled their growth not with increased productivity but rather with rate increases. As a result, when the rate increases stop or even reverse and lawyers are still practising the way they always have, there is less money to go around. The old adage hits home that if you always do what you always did you won't always get what you always got! This short-term thinking runs contrary to the decisions owners should be making.

Changing the way in which lawyers practise law is expensive and time consuming but the alternative is a short-term strategy the timeline for which is growing shorter as clients relentlessly pursue rate/fee reductions.

3. It is all about the culture

Without a shared culture "rough weather" can and will result in many lawyers looking for a new port. While still much is made of firm culture, fewer and fewer firms are protective of it or institutionalize it in newer generations. As a result, many cultures have weakened over time and unfortunately firms don't recognize it until they need it, which is too late.

Carlos Brito, CEO of Anheuser-Busch InBev, also spoke at the most recent World Business Forum and his talk contained a number of points with direct relevance to law firm culture including:

- It is important not to dilute a winning culture as companies (e.g. firms) grow. Find people that care about the company;
- It takes the same amount of energy to dream big as to dream small, so invest your energies in big dreams;
- You have to hire people who, with the right training, will be better than you and treat your best people the best;
- Talk about the good and the bad with the same urgency and clarity. If people only talk

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about the good news you don't know what's happening in your business;

- Acknowledge those that work hard but remember effort doesn't always produce results;
- When there is the right amount of pressure, people learn faster, work harder, and produce more;
- Consensus is an impossible science. Alignment is what's important; and
- Contributions matter – treat the star players like stars because it's fair as they are not like everyone else.

To hear is optional, to heed is not.

Until next month I leave you with an unattributed quote:

"Yesterday's failures are today's seeds that must be diligently planted to be able to abundantly harvest tomorrow's success."

Comments or Questions?

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