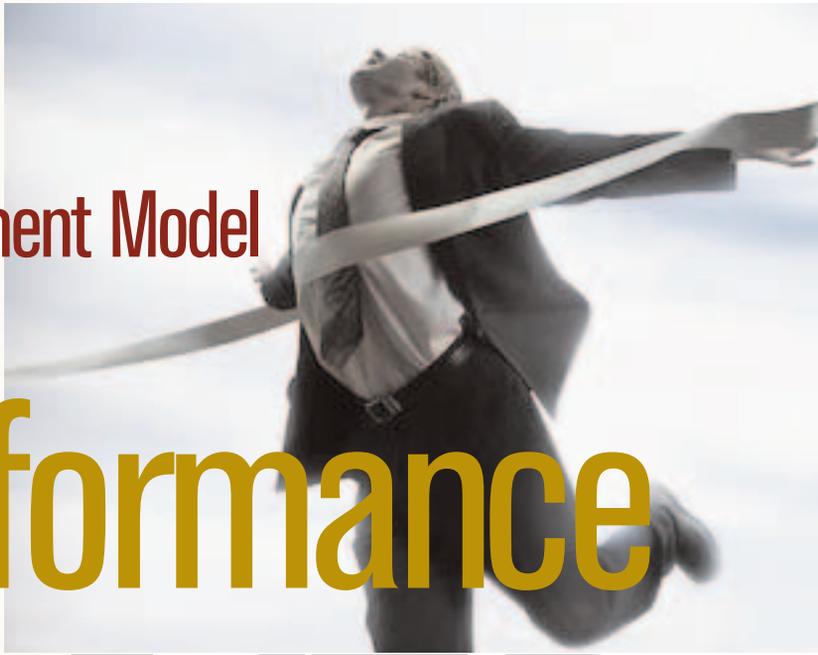


Shifting to a Full-Engagement Model

THE High-Performance LAWYER



BY STEPHEN P. GALLAGHER

**Competitive
advantage—read
profitability—
requires developing
a firm culture that
fully engages your
lawyers. Firms of the
future will focus on
managing energy,
not time.**

Today's clients demand creative lawyering, driven by new ways of thinking about legal solutions that also focus on reducing—not increasing—legal costs. Confronted with the challenge of providing added value for a lower price, law firms are long past due for a new way of looking at profitability.

Most firms remain mired in the notion that the only way to create profits is by maximizing numbers. In other words, their main drivers for profitability are leverage, or the number of associates or paralegals per partner, and the hourly rate utilization achieved by each team member. If a firm wants to add to its revenue base, it has two choices: work its people more hours or hire more people. This model flies in the face of what today's clients are seeking.

It's time for a new business model—a model that puts the emphasis on higher performance by fully engaging your firm's lawyers. Instead of leveraging ratios and utilization rates, you should be looking to leverage your intellectual capital to build wealth in a way that can satisfy all.

The new, full-engagement model will seek to create an environment where lawyers are physically energized, emotionally connected, mentally focused and spiritually aligned with a purpose beyond immediate self-interest. Full engagement implies a fundamental shift in the way many lawyers now approach their

work. Moreover, it requires a big change in how the majority of law firms are now managed.

Throw Out the Old

In his best-selling management classic *True Professionalism*, David Maister writes:

There exists in many large firms a Lost Generation of (mostly younger) professionals who become partners by keeping their heads down, putting in vast numbers of billable hours on work generated by others, abdicating control over their own work lives to “the machine,” and never being required to demonstrate individual initiative. Non-partner life in most large professional firms often breeds a helpless sense of lack of personal control over one’s work life.

Small surprise when the practice profitability equation for the traditional law firm business model is a simple one driven by an emphasis on time:

$$\text{Revenue} = \text{People power} \times \text{Efficiency} \times \text{Hourly rate}$$

Under this model, a firm has to keep running at an “overworked” pace. That, in turn, leaves very little time and resources to devote to new growth areas, acquire more profitable clients, and build new service offerings to better satisfy existing clients. Under this paradigm, Maister contends that “any firm’s approach to marketing is non-discriminating (‘All new revenue is good revenue’), leading to an environment where consideration of current

cash overwhelms issues of professional fulfillment.” And when professional fulfillment suffers, performance and, consequently, profitability suffer, too.

According to data collected by the Gallup Organization in 2001, less than 30 percent of American workers are fully engaged (loyal and productive) at work. Some 55 percent are “not engaged” (just putting in time).

Another 19 percent are “actively disengaged,” meaning they are not only unhappy at work, but they regularly share those feelings with colleagues. Nationally, the cost of a disengaged workforce runs into the trillions of dollars. What, you have to ask, is it costing in law firms?

Like other businesses, law firms need to find entirely new ways to engage their people, thereby increasing satisfaction in work, boosting performance and adding value for clients. Firm culture is the dominant force in determining lawyers’ attitudes toward their work. So, a fundamental challenge that firms face in the years ahead is changing the firm culture to ensure that lawyers are fully engaged in their work. But this challenge is also an opportunity to reshape the direction of the profession and the legal marketplace with an infusion of talented individuals who can solve problems together with innovation and creativity.

Bring in the New

How will the new model work? Let’s start by agreeing that clients are not interested in buying time. They are

interested in buying results, expectations, hopes, dreams—solutions to problems. Ultimately, then, a firm’s ability to create wealth depends on its ability to create, disseminate, innovate and leverage intellectual capital. Firms must begin pricing their intellectual capital based on the value to the client, not on internal labor costs, or the owners’ profit desires, and certainly not the labor hours involved in creating it.

The new model looks like this:

$$\text{Profitability} = \text{Intellectual capital} \times \text{Price} \times \text{Effectiveness}$$

The equation now starts with profitability because growing revenue, or billable hours, merely for the sake of growth is no longer viable. To survive and thrive in the future, firms instead need to concentrate on finding the right clients, at the right price, consistent with their niche, vision and mission. Achieving this requires leveraging the firm’s knowledge in ways that can be validated in the marketplace. It requires giving clients real value by boosting individual productivity and performance.

As a result, firm leaders will need to create an environment where people want to work to their best abilities—a workplace that is based on personal responsibility. Research (and experience) shows that responsible employees are more engaged and productive, willingly accept accountability for results and continually look for ways in which they can improve their performance. Managing energy, not time, will be the key to high performance in the law firm of the future.

How to Begin the Change Process

Fundamentally, this is a leadership challenge. It will require great strength to change a firm culture from the traditional model to the new one. It will be a

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long and complex process.

Probably the greatest challenge that firms will face in the years ahead will be ensuring an adequate supply of qualified leaders. Two aspects of firm culture that lawyers—especially young ones—are now demanding are a strong performance orientation and an open, trusting environment.

It logically follows that firms whose cultures support both a performance orientation and an open, trusting environment will have a much greater chance of attracting and retaining talented people who can, in turn, become great leaders. Dimensions such as character, work ethic, emotional intelligence, dedication to fulfilling commitments and values will be of renewed importance.

Success equally depends on hiring people who voluntarily embrace new accountabilities and who want to be led in the new direction. As Jim Collins advises in his classic *Good to Great*, “First get the right people on the bus, the wrong people off the bus, and the right people in the right seats—and then they figure out where to drive it.” The new environment should enable self-directed individuals to flourish. And according to Richard Kilburg, author of *Executive Coaching: Developing Managerial Wisdom in a World of Chaos*, leaders and players at every level in an organization who engage in reflective self-awareness and display self-efficiency will be more resilient as individuals and as teams.

Build Your Framework for the Future

This is the first step in a paradigm shift for the profession that will fundamentally change recruitment, training and management practices in a way that will help firms prepare for new markets characterized by wholly new approaches to the delivery and consumption of legal services. Firms of the future will

Resources Culture, Performance and Profitability

■ **The E-Myth Revised: Why Most Small Businesses Don't Work and What to Do About It** by Michael E. Gerber. HarperCollins, 1995.

■ **Executive Coaching: Developing Managerial Wisdom in a World of Chaos** by Richard R. Kilburg. American Psychological Association, 2001.

■ **The Firm of the Future: A Guide for Accountants, Lawyers, and Other Professional Services** by Paul Dunn and Ronald J. Baker. John Wiley, 2003.

■ **Good to Great: Why Some Companies Make the Leap ... And Others Don't** by Jim Collins. HarperCollins, 2001.

■ **Practice What You Preach: What Managers Must Do to Create a High Achievement Culture** by David H. Maister. Free Press, 2003.

■ **True Professionalism: The Courage to Care about Your People, Your Clients, and Your Career** by David H. Maister. Free Press, 1997.

And among the many valuable titles available from the ABA Law Practice Management Section:

■ **The Lawyer's Guide to Increasing Revenue: Unlocking the Profit Potential in Your Firm** by Arthur G. Greene. 2004.

■ **The Lawyer's Guide to Strategic Planning: Defining, Setting, and Achieving Your Firm's Goals** by Thomas C. Grella and Michael L. Hudkins. 2004.

■ **Managing Partner 101: A Guide to Successful Law Firm Leadership** by Lawrence G. Green. 2001.

■ **Recruiting Lawyers: How to Hire the Best Talent** by Marcia Pennington Shannon and Susan G. Manch. 2000.

■ **The Successful Lawyer: Powerful Strategies for Transforming Your Practice** by Gerald A. Riskin. Forthcoming in summer 2004.

gain competitive advantage not necessarily in attracting the greatest talent, but rather in a superior ability to develop those they do hire. The success factors of the past, including billable hours, will become increasingly less meaningful. The criteria for the future will put the focus on full engagement, through a firm culture that creates the framework for setting new performance expectations.

Clients today are clearly unlike any the profession has seen before. In response, firms need to anticipate value

as perceived by the client and provide new products and services based on an entirely new business model. In this paradigm, high performance is no longer an option. It is a requirement for survival. LP

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