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Restructuring: Implementation – ten tips on how to make it happen

Having decided on a course of action, or even having obtained what you thought was buy-in from partners to your restructuring proposals, the next step is to implement.

However, one of the most common problems I hear from managing partners of law firms is the difficulties they have in implementing their plans for change, even plans which have been previously agreed by everyone. This can arise for a number of reasons but in the main the evidence seems to point to hurdles placed in the path of change by 'dinosaur' partners.

Law firms are about people and implementing change is about taking people with you on the journey. Here are some thoughts which may help with this task.

1. Ensure you have the necessary skills

The task of implementing decisions of a partnership can test to the limit the people skills and change management abilities of even the best and most determined managers. As with the earlier stage of developing and formulating restructuring proposals, those within a firm who have been given the responsibility of managing change should ask themselves whether they have all the necessary skills to successfully carry out the tasks in hand. If not, it would be advisable to bring in external professionals who do have the appropriate knowledge and skills or who can coach those in the firm to acquire the necessary skills.

2. Understand what can be realistically achieved

It is sometimes said that managing change in a partnership is about 'the art of the possible'. Notwithstanding that the legal world is changing fast and likely to leave behind those who do not face up to change, partners in some law firms simply cannot or do not want to see that they will have to change at some stage.

This is particularly so when a firm is complacent because it considers it is doing well, and sees no reason to make changes to how it operates. The relatively new 'CEO' of a law firm told me several years ago about the partners' meeting he had attended the previous evening when he had outlined some changes they would need to make to remain competitive. In response one of the partners remarked '*But we are lawyers, not businessmen*'. He should have understood that this was a warning to him to slow down. Instead three months later he found himself out of a job. He had failed to understand how far and how fast he could take the partners. If he had known the partners better he could have worked with them to implement changes on an incremental basis at a pace they would have been prepared to accept.

3. Know your partners

Whenever change is mooted, it can be a time of insecurity for partners, particularly partners for whom professional life may for many years have been a fairly settled existence. Suddenly they are faced with changes which they fear may threaten their cosy way of life. Knowing how to get through to them and to be able to persuade them that there is no alternative to certain changes taking place, is a crucial part of the implementation process. Understanding for example -

What makes your partners 'tick'?

What motivates them?

What makes feel them insecure?

How will they react to any specific proposal?

Whether they have strong support within the firm for their views?

How can we manage any fall-out and limit the damage?

can be vital when attempting to implement any type of restructuring.

To illustrate how important 'really knowing your partners' can be to successful implementation of change, several years ago I was carrying out a 360° feedback exercise for a firm which involved obtaining the views of every partner on every other partner. In relation to one partner, everyone mentioned that at partners' meetings he always said 'No' to any proposal for change and they put that down to the fact that he was a very cautious and conservative person and acting as the 'conscience' of the firm. When I met him to give him the feedback from his partners I asked him why he always said 'No' to every proposal for change. He replied that partners' meetings 'bored him' and so he would 'throw a grenade into the ring' to liven things up! He had been acting in that manner for fifteen years and no other partners had realised what he was doing. Once they were told of this, things changed. He was seen for what he was and the firm was able to go forward with its plans unhindered by that partner.

4. Let your partners take 'ownership' of the restructuring

It is often the case that if partners believe they have themselves originated ideas then they are likely to be more willing to take those ideas to heart and agree to changes which implement those ideas. On the other hand, if they feel that someone is trying to force on them changes which they have not had an opportunity to fully digest then they may well just pull up the drawbridge and fight against such changes, even though those changes may well be to their benefit.

An illustration of how this can work in practice is in relation to one of the currently topical areas of law firm restructuring - reward systems and profit sharing. Developing broadly – based key performance criteria aligned with a firm's strategic objectives is fundamental to developing an effective reward system and to ensure that contribution is to be rewarded fairly. Appropriate performance criteria should ideally cover both activities that are an investment in longer term competitiveness and short term profitability. However some partners may feel threatened by a new system which measures their performance and so it is important that partners are closely involved in establishing these criteria, rather than letting them feel that these changes are being forced on them. In this way partners will feel they 'own' the process and are more likely to work to make it a success.

5. Tame your 'big gorillas'

Many law firms have what I tend to describe as 'big gorillas' – partners who are not prepared to be managed and who will typically say things such as

"You can't manage me – I am a big biller!"

"This compliance nonsense is alright for the rest of you – but not for me!"

"You can't tell me what to do – I am as much an owner of this firm as you!"

It is often the 'big gorillas' who are greatest hurdles to change. They tend to be partners who are often 'big billers' (although they are not necessarily profitable) and see themselves as 'untouchable'. Firms do not confront them for fear of losing their turnover but unless these partners are dealt with, it is unlikely a firm will ever make progress.

These are sometimes the same people who at partners' meetings will appear to approve of decisions but who have no intention of ever complying or permitting implementation of those decisions. How can the leaders of a firm improve their chances of obtaining 'partner buy-in' to effectively implement restructuring plans in the face of opposition from such partners?

There can be several ways to approach big gorillas, including the following –

- **Use compliance as a tool to manage change**

'Zero tolerance' is becoming in some firms the new law firm mantra as far as compliance is concerned and it can be applied to situations where changes must be made to the way partners operate and behave otherwise a firm will not be compliant. As a result some firms are turning compliance with OFR to their advantage and using the introduction of COLPs and COFAs as a means to deal with the lack of *accountability* on the part of some partners. As one experienced managing partner said to me before he agreed to become a COLP –

"I have told my partners that if I have to do the job, then we are first going to have a very serious debate within the partnership as to how this firm will be managed in the future!"

Some firms have put in place internal agreements whereby all partners are contractually required to be compliant with all regulation and to do everything necessary to enable the COLP and COFA to effectively carry out their respective roles. Indemnities in favour of COLPs and COFAs against potential liabilities in the event that partners breach their obligations, together with sanctions, are being included in such agreements.

A firm (by which I mean the majority 'good' partners in a firm), should *use* the regulatory regime to target those who are not prepared to follow procedures and be compliant and clearly say to them that

"If you wish to continue to be a member of this club then you must obey the rules"

- **Develop partner accountability**

Something which is often discussed within partnerships is the need for '*accountability*', although the meaning of the term is rarely defined, and accountability is even less frequently put into practice. When we talk about accountability we are referring to the idea that within a partnership each individual partner should accept the obligation to be accountable to every other partner for his or her actions and behaviour.

This is of particular importance in an organisation such as a general partnership where each partner accepts responsibility for the actions of other partners and the obligations of the partnership, meaning that each partner is at risk for everything. Any one partner can bring down the firm and bring financial and professional ruin to every partner. Surprisingly a very large proportion of law firms in this country are still general partnerships.

Acceptance of the principle of having to 'stand up and be counted' before one's partners is central to the well-being of any law firm. In some partnerships it is clear that many partners merely play lip-service to the idea of being accountable in this sense. This can create tension within a firm as a battle of wills develops between a managing partner and an individual or small group of partners who are not prepared to bow to the will of the majority and accept the necessary changes which are required.

A useful tool to consider is an '*accountability statement*' which, in the same way that firms have changed their governance arrangements in the way explained above to take account of COLPs and COFAs, some firms have adopted *accountability statements* to create a culture that is supportive of the idea of partners being managed, and embodying one of the principles set out by David Maister in *Practice what you preach* (Free Press 2001) when describing firms that will succeed by behaving in certain ways:

'We have no room for those who put their personal agenda ahead of the interests of the clients or the office'

This can be key to the successful implementation by a law firm of a restructuring exercise because the management of many firms would be more effective if the signed buy-in of all partners to this principle was obtained. Peer pressure may well persuade them to sign but if they refuse then at least the issue is out in the open and can be faced up to.

6. Bank progress and move on – the incremental approach to implementing change

Leading a professional firm is rarely about making quantum leaps. It is often said that change should be implemented by 'evolution not revolution' (although in a crisis, revolution is sometimes the only thing that works) More often than not it is about working steadily every day, making incremental progress here and there towards achieving your plan. Sometimes it can be frustrating, taking two steps forward and one back, but if whatever progress is achieved can be 'banked', then you can move on to the next issue and over a period of time it is possible to look back at the sum of all the incremental changes made and say -

'Look how far we have come'.

Success tends to breed success and partners like winners but often find it difficult to tolerate failure. However, because managing change is a continuous process there will inevitably be some failures from time to time and so limiting fall-out from any failures when they do occur

also needs to be planned for and made a priority if the process is to continue.

'Bank progress and move on' using incremental change can be a very effective means of putting restructuring plans into action. It will, however, be a matter of judgment in any particular situation as to whether it is best to make progress by incremental changes or to 'go for broke' and seek major changes quickly. Those trying to implement changes will often be faced with a crucial decision;

'Is this a battle worth fighting now or do I wait for another day?'

because choosing the most appropriate battle can be one of the keys to success in implementing change. Avoid battles you know you are unlikely to win.

7. Use the 'power of the team'

Having a loyal and able team to handle the implementation of a restructuring exercise and to act as 'champions' to spread the word throughout a firm can mean the difference between successfully implementing your changes or not. Your 'team' may in reality consist of most of the other partners who by peer pressure force a minority to accept that certain changes need to be made. Alternatively, some firms adopt the 'task force' approach, putting together a handpicked team from across a wide spectrum of the firm under a strong and purposeful leader, which is given the mandate to 'go do'. This approach was successfully adopted recently in one firm where a group was set up and given a simple mandate which was to achieve a particular objective within a period of six months, which the firm had failed to achieve during the previous three years. That task force, supported by a ground swell of opinion at grass-roots level went about its job with vigour and what could be described as almost a 'ruthless missionary zeal' to overcome the reactionary internal forces holding back the firm and it successfully completed its task on time

8. Strike while the iron is hot

Once a decision has been made then it can be important to set about the task of turning that decision into action quickly. This is not to say you should rush into things with undue haste, but beginning the job of implementing your restructuring plans should start as soon as possible before others have second thoughts. In particular, responsibilities for particular tasks should as soon as possible be assigned to and accepted by appropriate individuals or groups of partners capable of implementing particular changes.

9. Just do it

Sometimes, in difficult situations just getting on with it without further reference to those persons who, if asked, would only say 'no' can be an effective way of making progress. However, it can take a brave management to do this but if management feels it is strong enough and that there is enough support across the firm (remember the 80/20 rule), this can be effective, particularly when it would be difficult to gain agreement from everyone to a proposed course of action.

For example, it is often very difficult to convince every partner of the need to manage out an

underperforming or badly behaving partner because some partners may never be able to bring themselves to assent to such a course of action. If on the other hand the partner's exit is just dealt with, backed by the support of the majority and negotiated without recourse to a partnership agreement, LLP members agreement or other governance document, then those recalcitrant partners are likely to accept the fait accompli because they will then be able to say they played no part in it.

'Just doing it' takes a robust approach from management and putting your head above the parapet can be dangerous and so is not advisable for every situation, although sometimes it is the only way to get things done.

10. Use sanctions

What can be done if a partner refuses to comply with what has already been agreed? Is there a need for sanctions if firms are to implement their restructuring plans fully and successfully? However, many managing partners are provided with no formal authority to manage or impose sanctions.

Sanctions will need to be appropriate to meet the particular type of problem encountered and each individual firm will need to consider, given its culture, what type of sanction should be applied. A firm may need appropriate sanctions even for minor transgressions, because if partners know they can get away with small things, they are more likely to believe they can get away with more serious refusals to 'obey the rules'.

Some firms have for example as mentioned above now adopted a 'zero tolerance' approach to compliance and they impose sanctions on those who refuse to comply, because otherwise everyone is at risk. Such sanctions can, for example, be financial in nature as a result of appraisal and be built into a partner reward system.

There are some firms that say sanctions are not necessary because they have partners who always comply with management decisions and that sanctions would be at odds with their 'collegiate' culture. That unfortunately has not been the experience of many managing partners and in those firms that say they do not need sanctions, more often than not the reality is that management refuses to face up to 'big gorilla' partners on crucial issues, so necessary changes are not achieved.

Sometimes events take over and a crisis (such as a financial crisis) occurs forcing changes to be accepted even by unwilling partners. However, even as partners may be looking into the abyss, it can still take a long time for some people to understand their predicament. Crisis management is not the ideal way to restructure a law firm but it can be very effective.

What will it take to persuade some people in law firms that time is not on their side and that unless they change they will be left behind?