



Blind Adoption Anglo-Saxon Management Principles Results in Anaemia

Barend Blondé

Anglo-Saxon law firms do not only dominate the international lawyer scene, they also have a far-fetching influence on local markets. Local business lawyers copy – sometimes reluctantly – the organisational structures and managerial principles of their Anglo-Saxon competitors and impose them in their own firms. Without realising however that they also import a number of hidden ‘bugs’ that can undermine the long-term future of the firm.

Obviously, not all Anglo-Saxon law firms can be lumped together. There are huge differences amongst those firms, not in the least between American and English firms. Still, there is no denying that they have altered the appearance of business law thoroughly. Since the Anglo-Saxon law firms have commenced their conquest of continental Europe, they have unleashed revolutions in the way in which law firm are being managed:

- Governance: implementing efficient decision processes and structures;
- Profitability thinking: introducing financial performance as criterion for success and gauge for strategic choices;
- Professionalisation: attracting professionals in IT, marketing, finance, HR and other areas to assist lawyers;
- Management principles: incorporating general management concepts such as CRM, branding, career paths, management information systems, financial reporting, and so on;
- Automation: applying technology to increase efficiency drastically (although lawyers often complain about the contrary).

This evolution is not surprising as such. They are the normal processes in a competitive, globalised market. Many of the innovations have actually led to a better completion of the client’s needs and a nice additional sum for the modern business lawyer and talented youngsters. The entire market has been upgraded.

But there are always two sides to a story. Those keeping an eye on the evolution in the Anglo-Saxon market know that there is increasing criticism from clients and peers: profitability thinking has turned into greed. The 'profits per partner' obsession is causing structural collateral damage. More and more talented youngsters turn their back to the noble lawyer profession. Because they can't find satisfaction in the sort of lives they are living or, unfortunately a more recent trend, because they end up on the doorstep, from one day to another, aghast and disillusioned, with their future in a carbon box.

Primal Fuel

This latter aspect is a worrisome evolution. Anglo-Saxon firms quickly grasped that profit is made on associates. A partner with a low personal turnover who keeps four associates busy is still more profitable than the partner with a sky-high personal turnover but without associates. Associates are the primal fuel of contemporary business law. And, through the system of 'billable hours', Anglo-Saxon firms have found an efficient way of exploiting that primal fuel. Like any other fuel, costs of associates have risen tremendously over the past few years and, despite the current layoffs, the war for the best and brightest is still strong.

Associates have to achieve a fixed amount (in Anglo-Saxon firms this varies between 1500 and over 2000) billable hours per year. If they meet or exceed this objective, they can, in addition to a monthly remuneration, sometimes reel in considerable bonuses. It is the responsibility of the partners to supply sufficient work. The efficiency is increased further by outsourcing managerial tasks to professionals and by elaborating computerised know-how systems where knowledge can be digitalised. Armed with a Blackberry and other spare-time-robbing devices, associates can commit completely to their primal task: producing billable hours.

Anaemia

The system as described above, which in view of its simplicity, manageability and profitability, has become the virtual standard in business law, including on the European mainland, contains a significant long-term risk. It results, and the first symptoms are already visible, in anaemia.

It is an illusion to think that one can continue to exploit high quality human capital in such a manner. The bigger outlines of the action-reaction principle are becoming visible as we speak. There are the associates who try to fight the system, after having run along in the rat race for some years, moving from one firm to the next, who then turn their back on the system and leave the legal profession. On the other hand, there are the associates who become all snug in the system, completely adjusting their behaviour to it: they focus fully on the billable hours and the additional financial sweets, trusting the office to supply and ensure sufficient work, professional support and their future.

Anaemia emerges when too many rebellious or enterprising young lawyers are pushed outside the system and when those who stay, start to behave more and more as meek clerks of the firm, albeit with excellent legal competence, but without the ambition of developing a practice of their own, fully entrusting their fate to the firm. Young talent

with enterprising potential, the basis for the future in the long term in any organisation, does not thrive in a firm where all other qualities and initiatives are outshined by billable hours.

International Law Firms Are Better Protected

Although not completely immune, the larger, international law firms are better armed to fight that anaemia. They have three important trumps at their disposal:

- A strong recruitment position that enables them to open up a new can of young talent each year, leaving Darwin to do the rest;
- Deep pockets they can dig in to for management training for associates. Law firms enter partnerships with Harvard, Insead and other top-notch institutions to teach their young associates the non-legal skills they will need in the rock-hard competition (in reality however, it seems to be more of a recruitment stunt than a true enterprising boost for associates);
- A strong, appealing brand and an international network that ensure a constant inflow of new work on firm level. Young top talent need not have their own client portfolio right away. They have more time and room to expand their business, underneath the broad wings of the firm brand. Still, many are called, only a few are chosen.

Even with these trumps, and despite the current crisis, the 'human resources' continue to be a worry for international firms. We therefore see a shipload of new initiatives to increase the loyalty and entrepreneurship of their best talents: alternative career paths, work/life balance measures, new bonus systems, etc.

The Paradox of Business Law

Firms, even local branches of the international mastodons, which do not sufficiently own the above-cited trumps and which blindly implement an over-thorough system of 'billable hours', threaten to create a situation of anaemia.

In most countries there is only room for a limited number of truly strong brands, brands that are appealing enough to attract new clients and dossiers, regardless of the individual. In the large majority of law firms, the individual lawyers are the ones having to enter the rock-hard competition, having to flaunt around, looking for new clients and matters.

But in many law firms nowadays, there is a huge paradox: To become partner, developing a so-called 'book of business', is an absolute must, a condition. After all, the other partners are not likely to support the partner financially for years to come. However, associates heard but a single message during their career: achieve billable hours. Developing a practice of one's own – business development – is not encouraged, quite often the contrary.

So how can associates ever develop their own business when they have never had the time, space or stimulation to do so? The result is that a sadly meagre amount of new partners are made. Those who do make it ("otherwise we would lose him/her") are often

unprepared for business development and end up from one day to the next under severe, unreasonable pressure to acquire clients of their own in a short term. An excellent soil for frustration, stress and accidents.

Growing Conflict of Interests

Completely blaming the current generation of partners of all the dysfunctions of the system is all too easy and slightly symptomatic for the mentality caused by the system. The most thriving period for a lawyer, when reputation and network are at their strongest, is roughly situated between 40 and 55. How thriving this 'reaping phase' of the career might well be depends on the investments made in networking, the elaboration of relation, reputation and knowledge in the previous period, the 'sowing phase'.

Associates can be 'tempted' by the system and reel in attractive bonuses in the short term, but this will be at the expense of their reaping phase. Or worse, as many already experience in the UK and the US, they are dumped in times of crisis without any other assets but very specialised knowledge no firm or company is in need of.

However, they can also envision the long term, and create sufficient balance between 'production', the billable hours' and 'investment'. Investing then means laying the foundations for a rich reaping phase through systematic relation and reputation elaboration.

This conflict of interests will become more explicit in the future and firms will have to determine their position. Will associates cocoon in the comfort zone of the billable hours or will they break through the shell and will they demand that the firm offers them the growing soil for a balanced personal development, both in legal and non-legal areas?

The Positive Note

The legal profession needs financial return. Sufficient return to tie down the smartest legal heads and to be able to bear the investment in latest technologies. But money alone will not suffice. The legal professional also needs amply developing talent, broad-minded talent, with the fighting mentality required to realise the next upgrade.

Let us strike a positive note in the end: we do see firms nowadays that invest in training and coaching, in transparent and supported career paths, in diversified remuneration systems, in values and in 'firm culture', ... with the objective to stir up the autonomy, entrepreneurship and involvement of associates in time. Within a dozen years, you will also know these firms. You will find them at the top ranking of the Legal 500 and the Chambers, edition 2017. ■

Barend Blondé is partner of FrahanBlondé, specialised in management advice for professional services partnerships (frahanblonde.com).

More articles on management within the legal sector can be found at www.Legal-Management.net