

## **Start-up Leadership**

### **Moving from Good Management to Great Leadership in a New Law Firm**

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Leadership is the most important component in the business success of a new law firm. It is more important than a business plan, capitalisation, or a portable client base. These three things are needed, to be sure. However, the new firm will not succeed unless its owners can motivate themselves, their staff, their clients, and their external suppliers to make the contributions needed to sustain long-term financial performance.

This article examines the special challenges and characteristics of leadership in new law firms. In the successful professional services organization, leadership is more than a philosophy or set of cultural values. It is more than slogans and exhortations. Rather, leadership is a set of specific, observable behaviors, which motivate by the force of their example.

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#### **A law firm of leaders**

Any law firm can be an organization with leaders. Indeed, the legal profession already has some of the most effective and inspiring leaders in the world business economy. The most successful law firms, however, have evolved into organizations of leaders.

The overarching characteristic of these firms is that the behaviors that are the defining features of law firm leadership, and which are discussed in detail below, appear at every level of the organization. Everyone --- from the most senior partner to the most junior support staff member -- is welcome and expected to speak up. Senior management not only tolerate different points of view; they seek them out. Innovation is rewarded when it succeeds and considered as a valuable lesson when it does not. Success is expected and everyone believes that he or she has a stake in the firm's financial performance.

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## Leadership from Day One

This is an exciting vision, but how can a new law firm achieve it? Our experience and research convince us that not only can new law firms achieve effective leadership from Day One; they must do so. Leadership is an imperative during the start-up phase of even the smallest firms. Without it, even the most talented lawyers cannot realistically expect to achieve more than mediocre financial performance long term.

Moreover, a substantial investment by the owners of the new law firm in leadership skills will produce measurable business results. Law firms of leaders, even new ones, demonstrate at least these three advantages:

First, they appear to anticipate better the stress that rapid growth can place on the firm's capital, staff resources, and service delivery capabilities. They also appear to respond to unexpected growth—either faster or slower than originally planned—more cost effectively.

Second, they deal more easily and effectively with the many minor, but highly stressful, problems that seem to arise almost every day during the start-up phase. Morale appears to be higher. People work hard, but seem to be less exhausted at the end of the day.

Third, communications, both within the firm and to the legal market, are more accurate and timely. Most importantly, they are consistent and aligned to the business goals of the firm. Good leadership ensures that everyone in the firm understands short term business priorities and longer range visions, and that they communicate them in a clear, consistent manner both internally and externally. This allows the new firm to establish its presence in the market, and especially among its desired client base quickly, and to achieve a better alignment of the firm's service delivery functions to the needs of specific clients.

Greater agility, less burn-out, and better communications with the market --- all three of these observations seem almost counter-intuitive to the experience of many lawyers, who start new law firms and sweat their way through those challenging first six months to two years. Yet we are convinced that any new firm, regardless of size, location, or practice specialty, can enjoy these benefits.

## New firms and external leadership audiences

How is leadership different in the new firm, compared to leadership in well-established and usually larger law firms? We believe that there is an external dimension to leadership—an external leadership audience—that is vital to the firm's financial survival.

Because most new firms are relatively small, they often must rely heavily on outside service providers and stakeholders. Some of these could include the new firm's banker and accountant, as well as the clients. The owners of the new firm must be able to motivate these external stakeholders to continue to support the firm during the six months to two years that it can take for the firm's revenue and operating costs to stabilize into a predictable cash flow adequate to meet normal business contingencies.

It is one thing to motivate people who work for you. It is quite another, more difficult, challenge to extract continued patience and support from clients, who may view the new firm with some scepticism at first, or from suppliers of short-term capital and start-up business services, who may view the new firm as just another customer—and a risky one at that.

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The same leadership behaviors that motivate colleagues and staff in a new firm can also give confidence to external stakeholders of the new firm. In many instances, the consistent, positive leadership behaviors of the new firm's owners may be more persuasive of a positive financial prognosis for the firm than the balance sheet and the profit-and-loss statement.

## **What does leadership look like in a start-up law firm?**

How does a new law firm develop leadership at all, much less emerge as a law firm of leaders? This requires more than changed attitudes and new knowledge. It takes more than reading an inspirational book or attending a high-powered seminar. Organizational leadership —the type that builds law firms of leaders— requires changed behaviors. People must move away from behaviors that stifle individual initiative and accountability and move toward ones that promote individual and group effectiveness.

New law firms have a subtle, but potentially powerful, advantage in this regard. It may actually be easier for people in a new firm to move away from traditional behaviors that they may have practiced elsewhere in the legal profession. The most frequent reason why lawyers form new firms is because they were not satisfied with their practice in their old firms. Leaving the new firm is more than just physically stepping away from the old office, the old partners, and the old practice. It is also a departure from professional dissatisfaction. That divorce can be complete only when lawyers also move away from behaviors and habits that undermined their success.

Leadership in law firms is most effectively understood as a set of behaviors that motivate, build confidence, and sustain trust. These three organizational results --- motivation, confidence, and trust --- are important in any business. They are absolutely essential to navigating a new law firm through the uncertainties and alarms of its first year and into sustained growth in financial performance.

## A behavioral model of law firm leadership

As a result of our work with law firms of all sizes and practice specialties, and located all over the world, we have identified at least ten dimensions or scales along which critical leadership behaviors appear. We have also observed the special ways in which the model operates in new businesses, especially law firms.

<b>Figure 1</b> <b>The Walker Johnson</b> <b>Leadership Behaviors Scales</b> <i>Move the organization from...</i> <b>Good Management to Great Leadership</b>	
Communicating Direction	Creating Enthusiasm for Goals
Achieving Compliance	Achieving Commitment
Making and Explaining Decisions	Decision Making by Input and Consensus
Directing	Delegating
Solving Problems for Others	Solving Problems Through Others
Maintaining Individual Performance	Improving Group Performance
<i>Ad Hoc</i> Training	Developing Skill Sets
Managing the Work	Managing Communication
Correcting Work	Providing Feedback
Monitoring Work Quality	Improving Work Quality
Developed by Lisa M. Walker Johnson	

Figure 1 outlines a behavioral model for law firm leadership. It describes the behaviors that characterise each end of the scale. At the “Good Management” end, the model describes actions that are characteristic of traditionally effective management. People do what they are supposed to do. Based on these observable behaviors, most outside observers would conclude that the firm is well managed.

The “Great Leadership” pole of each scale describes behaviors that are emblematic of the law firm of leaders. People take initiative and assume accountability for the results. There is a sense of “ownership” in everyday business activities in the firm, even among staff. Internal processes may appear disorganised or even chaotic, when compared to traditional command-and-control notions of law firm management. However, the organization is visibly moving forward, as verified by its financial performance.

### The ten leadership behaviors scales

An article like this one cannot catalogue every relevant leadership behavior that operates along

each of the ten scales. Some behaviors of the examples in this paper might arguably appear on a different scale or more than one scale, under the special circumstances that make every law firm somewhat unique. In the authors’ experience, however, these are some of the most common and noticeable behaviors that suggest the current state of leadership in a law firm.

### From *Communicating Direction* to *Creating Enthusiasm*

Good managers tell people what they are supposed to do. They clearly articulate their expectations, often in great detail and sometimes with little room for individual variation or discretion. This often makes people often feel like “cogs in a wheel.”

Great leaders communicate clearly, but they also ensure that people understand how the task supports the larger aims of the firm. This dimension of leadership can be very important to help start-up law firms communicate to their external leadership audiences, especially clients.

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Internally, creating enthusiasm can also help people in the new firm keep a “line of sight” to the long-range strategic goals and vision. When everyone is working very hard to get the new law firm into profitable operations, it is very easy to lose sight of the long-range goals. By creating enthusiasm for the new venture, law firm leaders help others in the firm understand and articulate how their work directly contributes to the firm’s success.

### **From *Achieving Compliance* to *Achieving Commitment***

Good managers issue rules in order to assure that each person complies with firm policy. Managing partners may feel, for example, that they have succeeded when they get their partners to go along with a policy, such as submitting time sheets or reviewing invoices promptly.

Great leaders may also set and reinforce rules, but they formulate and communicate them in a way that demonstrates the relevance and importance of each policy to the overall success of the firm. A lawyer becomes personally committed to prompt submission of time sheets, for example, because he or she understands that prompt submission of time sheets has a direct impact on the firm’s financial profitability.

### **From *Making and Explaining Decisions* to *Decision Making by Input and Consensus***

Good managers often engage in “top-down” decision making. They appear to make decisions swiftly, expeditiously, and with no “wheel spinning” or protracted discussion.

In new firms, making and explaining decisions is a tempting way to address the many urgent issues that arise during the start-up phase. “We have to get the firm up and running,” an owner of the new firm might explain. “We don’t have time to debate every decision.”

As in most new businesses, one person or a very small management group in the new law firm might invest substantial time and resources in decision making. Feedback about the decision, either before or after it is made, is usually not sought or welcome. In extreme situations, questions may be viewed as a lack of commitment or dedication to the new venture. .

Great leaders in law firms also can act decisively when they need to, but they usually prefer to take more time to make important decisions. Decision makers invest most of their effort in consulting the stakeholders, i.e., those who will be most directly affected. This is not just a charade to prevent dissention. Decision makers encourage and even reward dissent, because it tests and strengthens the decision making process and the overall quality of the decision itself.

New law firms need to pay special attention to the quality of their decision making processes. Most start-up professional services firms have very little economic tolerance for poorly thought-out or misinformed decisions. This is why decision making by input and consensus usually produces better long-term business results, even though it may take more time.

### **From *Directing* to *Delegating***

Good managers give work to others, but frequently subject to specific expectations and narrow limits to individual discretion or judgment. Delegation, when it does occur, is tightly controlled and closely

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supervised. Micromanagement is the rule, and partners who do not micromanage are sometimes viewed as lackadaisical or lacking attention to detail.

The pressures of starting a new law firm invite micromanagement. During the first year or two, it often seems as if every decision could lead to the firm's success or bankruptcy. New firms are usually very small; and this can lead to the feeling that there is no one to whom work can be delegated reliably.

Great law firm leaders, by contrast, seem to live and work through delegation. Associates and assistants work to clearly communicated standards and expectations, just as they would in well-managed firms. The difference is that great leaders also actively provide the trust, support, discretion, and independence that associates and assistants need to be responsible and accountable for the delegated work they perform.

### **From *Solving Problems for Others* to *Solving Problems through Others***

Good managers like to be problem solvers. Rather than attempt to solve a problem themselves—and risk making the situation worse—associates and support staff are required to refer the problem to a partner or administrator, who solves the problem for them and may or may not communicate the result. Most owners of new law firms take on the problem-solver role, and there are certainly plenty of problems for them to solve.

Great law firm leaders, by contrast, get out of the problem-solving business as soon as they can. They encourage and help others to define, analyze, and gather facts about a problem, and to develop a proposed solution. Great leaders make sure that their people have the skills and knowledge they need to attack problems within their respective areas of expertise.

Old habits die hard, and bad old habits die even harder in most organizations. As law firms grow, management systems tend to lag behind. As a result, well-established firms may be solving problems in the same old unproductive way that they did when they were new and small. Moreover, because partners has carried the problem-solver role for the entire life of the firm, the administrators, managers, and other professionals continue to do what they believe is expected: refer almost every problem to a partner for solution.

Permitted to solve their own problems, people develop problem-solving skills and self-confidence that enable them to be even more effective trouble shooters and problem solvers in the future. This transition—from solving problems for others to solving problems through others—should be a high priority for every new law firm.

### **From *Maintaining Individual Performance* to *Improving Group Performance***

Good managers pay attention to individual performance. They work hard to try to individual performance up to prescribed standards. They make little effort, however, to push performance above and beyond a satisfactory level. This is especially typical of start-up law firms, which are usually concerned most immediately about financial survival.

If performance falters, as it inevitably must, personal deficiencies are almost always blamed. Hence, law firms at the Good Management end of this scale may sometimes respond to problems by scapegoating. This response discourages people from pointing out problems or exercising initiative to solve them.

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Great law firm leaders pay attention to, and invest heavily in, personal performance; but they also focus on cross-functional systems and processes in the firm. They seek new ways for people to combine their individual skills and expertise.

A new law firm need to learn these leadership skills early in its life —even if “group performance” refers to the performance of one lawyer and one clerical assistant. Group performance will be even more important as the firm grows —more important, even, than individual talent or hard work.

The difference between Good Management and Great Leadership in this scale frequently shows up in cross-selling. Firms toward the Management pole usually have difficulty in implementing cross-marketing successfully and sustaining it over more than a few months. Firms at the Leadership end usually are more successful at cross-marketing, because their underlying leadership behaviors already emphasise group performance.

### **From *Ad Hoc Training* to *Developing Skill Sets***

Training is a critical management responsibility. At the Good Management end of this scale, training tends to be “just in time” or “picked up” from a co-worker. It is usually directed at individual training needs, rather than skills and knowledge that are needed within a group. Even in well-managed firms, training tends to be focused on meeting present needs, rather than clearly identified future ones.

Great leaders, by contrast, develop skill sets at both the individual and group level to meet present and future needs. Individual development efforts not only meet current needs, but also support long-term professional development to enable each person to exercise greater responsibility in the future.

Unfortunately, training is a low priority for most start-up law firms. This is a mistake, because it overlooks the very high return on investment that well-focused professional training and development can provide. In new firms, who are looking for every possible competitive advantage, the return on investment may even be higher than in established one, because of the positive impact training can have on service delivery capabilities.

### **From *Managing the Work* to *Managing Communication***

Good managers focus on workloads, work distribution, and the efficiency with which work flows through the organization. They often overlook, however, the impact that poor internal communication about the work can have on overall efficiency. As a result, their firms often suffer from unnecessary duplication of effort and poor knowledge sharing.

For example, one partner may spend many hours drafting a document almost identical to one that her partner drafted, unbeknownst to her, only six months before. This waste hurts profitability in any law firm; it is doubly painful in start-up firms, who are fighting to establish and sustain consistent levels of profitability.

Great law firm leaders pay attention to work management, but they also ensure that communication about the work flows freely and swiftly throughout the firm. They develop and maintain up-to-date document management systems, precedents, and “know-how” books. Lawyers are rewarded for collaboration across traditional practice area or departmental boundaries, even when it may adversely affect their own personal revenue production.

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## **From *Correcting Work* to *Providing Feedback***

Good managers correct the work of others. Some will even provide marked-up copies of documents, so that the less-experienced lawyers can learn from their mistakes.

Great law firm leaders take time to provide ongoing feedback at frequent, regular intervals. They use feedback sessions to plan future improvements in performance, not just to conduct a post mortem of past mistakes. Great leaders also use praise, a feedback tool that is usually overlooked at the Management end of the scale.

## **From *Monitoring Work Quality* to *Improving Work Quality***

Measurement is a hallmark of the well-managed law firm. Good managers monitor performance metrics such as error rate, reasons for write-offs of time, and processing times. Lacking an understanding of statistical process control and variation, however, many law firm managers also tend to overreact to relatively minor, short-term, variations in performance. At best, managers will impose short-term solutions with little or no input from the people who actually do the work. As a result, they are constantly chasing the numbers with no meaningful result.

Chasing the numbers can be a deadly sport in start-up businesses. Quick fixes are tempting, especially when the firm has not yet shown consistent profitability or steady cash flow. Quick fixes in response to short term fluctuations in financial performance can provide short-term benefits. However, quality management research establishes that such reactions —also known as tampering —will usually make things worse long term, either by making the process even more unpredictable or by producing unexpected problems in other areas.

Great leaders use performance measurements to diagnose and address defective work processes. Rather than just monitor quality, these firms are engaged in the continuous improvement of every critical internal work process. They understand the principles of variation and use them to spot problems before they become crises.

In short, great leaders of start-up law firms watch the numbers closely, but they don't panic.

## **Setting priorities for leadership development in a new law firm**

The behavioral model helps set priorities, for groups and individuals alike, for the development of leadership within the firm. We suggest that you start with an honest look at yourself and your personal business habits and management behaviors. Where do you appear on each of the leadership behaviors scales?

Start with the scales where you appear to be farthest from the Great Leadership end of the spectrum. What specific behaviors do you need to encourage and reward in order to move toward the Great Leadership? What current practices and policies inhibit this movement?

Answering these questions will give your new law firm an agenda for leadership development that is specific, measurable, and actionable. Most importantly, the agenda will be relevant to the culture and practices of the firm.

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Your long-term goal should be to move yourself and your new firm from the Good Management end of each scale toward the Great Leadership end. This does not mean that you should throw out common sense, nor the sound management practices and principles that are characteristic of the Good Management pole of the spectrum. Instead keep what is useful, leave behind that which is not, and add new behaviors that encourage and sustain success.

## Building leadership one person at a time

To transform an organization, one must first transform individuals. In a new law firm, this may mean transforming yourself first of all.

The behavioral model works well for whole law firms, practice groups, and individuals. It identifies behaviors and habits that obstruct movement to a law firm of leaders, as well as those that support leadership development.

Many of us still seek leadership gurus. We long for checklist solutions to the age-old riddle of how to motivate highly individualistic professionals to achieve their potential as a team. The more practical solutions—the ones that produce the best, longest lasting results—may well be found by looking inward to the way we practice our profession and do our work every day. The behavioral model for law firm leadership is one tool that can help us discover the solutions that are already within us.



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